

Annual Report 2020
Financial Report

Transforming Tomorrow Together



Financial highlights

Financial highlights

For the years ended 31 December

USD millions, unless otherwise stated	2019	2020	Change in %
Group			
Net income/loss attributable to common shareholders	727	-878	-
Gross premiums written	42 228	42 951	2
Premiums earned and fee income	38 594	40 770	6
Earnings per share in CHF	2.46	-2.97	-
Shareholders' equity	29 251	27 135	-7
Return on equity in % ¹	2.5	-3.1	
Return on investments in %	4.7	3.5	
Net operating margin in % ²	3.4	-1.1	
Number of employees ³	15 401	13 189	-14
Property & Casualty Reinsurance			
Net income/loss attributable to common shareholders	396	-247	-
Gross premiums written	21 562	21 512	-
Premiums earned	19 275	20 832	8
Combined ratio in %	107.8	109.0	
Net operating margin in % ²	3.8	0.1	
Return on equity in % ¹	4.4	-2.8	
Life & Health Reinsurance			
Net income attributable to common shareholders	899	71	-92
Gross premiums written	14 452	15 067	4
Premiums earned and fee income	13 004	13 883	7
Net operating margin in % ²	10.0	2.9	
Return on equity in % ¹	12.4	0.9	
Corporate Solutions			
Net loss attributable to common shareholders	-647	-350	46
Gross premiums written	4 974	4 839	-3
Premiums earned	4 166	4 047	-3
Combined ratio in %	127.9	116.5	
Net operating margin in % ²	-16.7	-10.5	
Return on equity in % ¹	-34.1	-17.4	
Life Capital			
Net loss attributable to common shareholders	-177	-265	-50
Gross premiums written	2 831	2 533	-11
Premiums earned and fee income	2 149	1 984	-8
Gross premiums written – open books	1 790	2 171	21
Net operating margin in % ²	2.4	-6.6	
Return on equity in % ¹	-3.4	-7.5	

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

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

³ Regular staff.

Our Annual Report

Our Annual Report consists of the Business Report and the Financial Report:



Financial Report

This publication provides a more detailed account of our financial performance during the year and the market trends we observe. It also provides details on risk and capital management, as well as information on our governance and compensation.

For more information



See our online Annual Report at <https://reports.swissre.com>

Contents

Financial year

The global economy and financial markets	4
Summary of financial statements	12
Group results	14
Reinsurance	18
Property & Casualty Reinsurance	20
Life & Health Reinsurance	22
Corporate Solutions	24
Life Capital	26
Swiss Re Institute	28
Group Investments	30
Share performance	32

Economic Value Management

EVM performance	36
EVM financial information	40
Independent Assurance Report	48

Risk and capital management

Overview	52
Financial strength and capital management	54
Liquidity management	60
Risk management	61
Risk assessment	67

Corporate governance

Overview	80
Group structure and shareholders	84
Capital structure	86
Board of Directors	88
Executive Management	102
Shareholders' participation rights	108
Changes of control and defence measures	109
Auditors	110
Information policy	112

Compensation

Report from the Compensation Committee	116
Compensation highlights in 2020	118
Compensation framework	119
Compensation governance	128
Performance outcomes 2020	132
Compensation disclosure and shareholdings 2020	138
Report of the statutory auditor	147

Climate-related financial disclosures (TCFD)

Overview	150
Climate governance	151
Climate strategy	152
Climate risk management	168
Climate metrics and targets	172

Financial statements

Group financial statements	182
Notes to the Group financial statements	193
Report of the statutory auditor	286
Group financial years 2011–2020	292
Swiss Re Ltd	294

General information

Glossary	312
Cautionary note on forward-looking statements	318
Note on risk factors	320
Contacts	328
Corporate calendar	329

Swiss Re reported strong underlying performance in 2020, despite large losses related to COVID-19, and reaffirmed its positive outlook.

Contents

The global economy and financial markets	4
Summary of financial statements	12
Group results	14
Reinsurance	18
Property & Casualty Reinsurance	20
Life & Health Reinsurance	22
Corporate Solutions	24
Life Capital	26
Swiss Re Institute	28
Group investments	30
Share performance	32

The global economy and financial markets

A year of three Rs: Recession, Recovery and Resilience

COVID-19 has triggered the deepest global recession since World War II and dealt a blow to economic resilience. Despite a fragile economic recovery, global equity markets have bounced back, supported by massive fiscal and monetary responses.

Recession: first-half lockdown

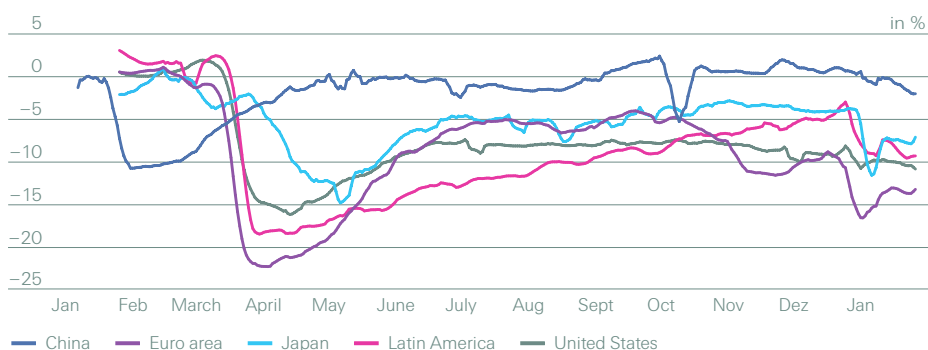
The world economy contracted by almost 4% in 2020, more than twice the decline during the global financial crisis of 2008–2009 (–1.8%). The outbreak of COVID-19 led to government-mandated lockdowns that drastically reduced economic activity. The US economy (–3.5%) proved more resilient than the Euro area (–6.8%) and Japan (–4.7%) in 2020. China was the only major economy to grow in 2020 (+2.3%) after recovering quickly from the crisis and returning to growth in the second quarter. Other emerging markets were affected more severely; India contracted by 8.2%, Brazil by 5.0% and Russia by 3.1%.

Inflation declined across major markets due to the crisis-driven blow to demand and oil prices (see the economic indicators table). This more than offset higher prices in segments that experienced scarcity or were affected by pandemic-related disruptions to supply chains.

A huge monetary response to the global downturn put new pressure on already low interest rates. Major central banks quickly restarted extraordinary monetary policies in the first half of 2020, including extending or reintroducing asset purchase programmes. In addition, the US Federal Reserve (Fed) and the Bank of England cut interest rates to historic lows, while the European Central Bank expanded its quantitative easing programme and purchased assets totalling more than 11% of Euro area GDP. Central banks in major emerging markets including China, Brazil, India and Russia also reduced interest rates.

In addition, central banks took steps to directly support the real economy. This included measures to encourage banks to lend to households and businesses, as well as purchases of private sector assets. For example, the Fed bought corporate bonds for the first time. Fiscal and monetary authorities also increased their coordination. Many governments offered fiscal support for the new central bank monetary measures, while central bank sovereign bond purchases helped keep government funding costs low.

GDP shortfall indices



Source: Google, Apple, Wind, Swiss Re Institute

Note: SRI GDP shortfall index, 7-day moving average, is calculated by multiplying the estimated GDP sensitivity to mobility by the Google Mobility Index, which represents the average change in frequency of visits to workplaces, public transportation, and retail centers.

0.9%

US 10-year Treasury bond yield

Year-end 2020

-0.6%

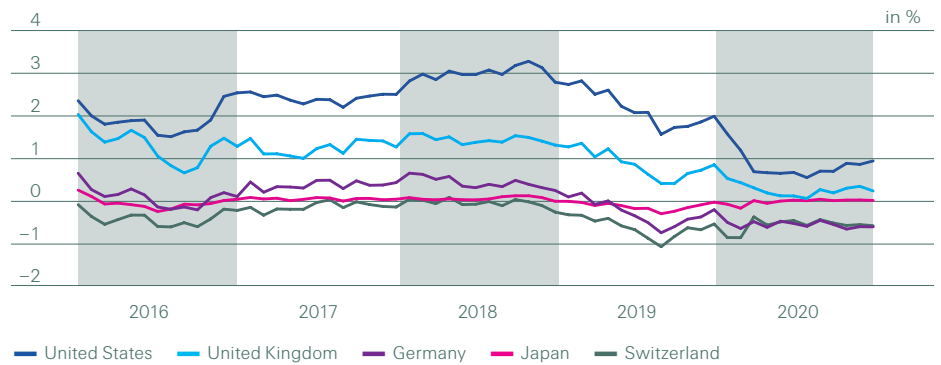
German 10-year Bund yield

Year-end 2020

Long-term government bond yields trended lower in response to the stimulus (see the interest rate chart). The US 10-year yield closed the year at 0.9%, down by one percentage point compared with the previous year, while the UK 10-year yield dropped from 0.8% to 0.2% during the year.

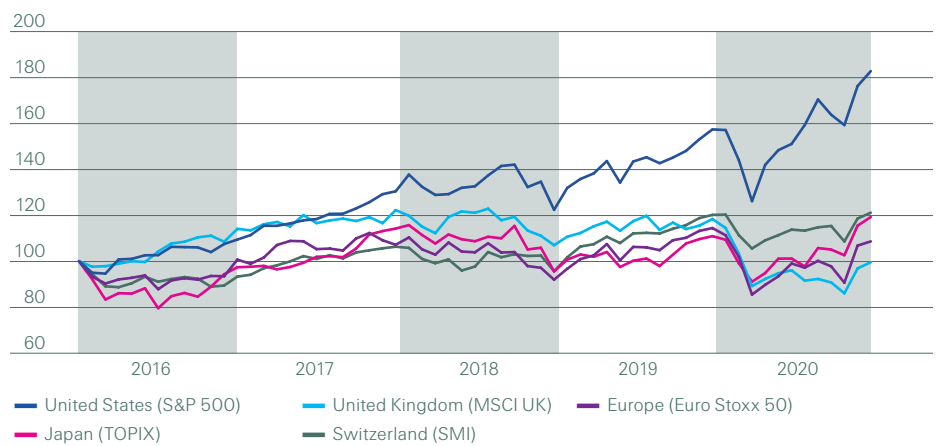
German and Swiss yields were already negative at the onset of the crisis. The German 10-year yield declined further to end the year at -0.6%, while Swiss and Japanese yields were broadly unchanged at -0.5% and 0% respectively.

Interest rates for 10-year government bonds 2016–2020



Source: Refinitiv, Swiss Re Institute

Stock markets 2016–2020



Source: Refinitiv, Swiss Re Institute

Financial year

The global economy and financial markets

Recovery: fragile and uneven

The economic rebound from the sharp contraction in the first half of 2020 began swiftly during the northern hemisphere summer as governments eased mobility restrictions and fiscal and monetary measures took effect. Economies did not return to full capacity, however (see the GDP shortfall indices chart). Momentum weakened at year-end as COVID-19 infection rates increased again, a sign of the fragility of the recovery. In the Euro area, lockdowns of the hospitality, leisure and entertainment sectors led to a double-dip contraction in the fourth quarter. Growth in China remained more robust than elsewhere, though the weak global backdrop weighed on external demand.

After falling into bear markets as the pandemic took hold, global stock markets rallied for the rest of 2020 to recover most or all of their losses. The fiscal and monetary stimulus unleashed worldwide prompted major stock indices to rebound from falls of between 28% (Swiss Market Index (SMI)) and 38% (Eurostoxx 50). US stocks ended the year 16% above prior-year levels (see the stock markets chart), supported by a weaker US dollar exchange rate.

Japanese stocks also gained 8%. The Eurostoxx 50 did not fully recover its lost value, closing 5% lower than the previous year, while the MSCI UK index ended 2020 down 16% due to uncertainty around Brexit negotiations. The SMI ended the year roughly unchanged (+1%).

The US dollar depreciated against other major currencies in 2020 and ended the year 8% lower vs the euro, 9% lower vs the Swiss franc, 5% lower vs the Japanese yen and 3% lower vs the British pound. The key driver behind US dollar weakness was growing investor risk appetite after equity markets had troughed in March and the economic rebound in the summer turned out to be stronger than expected. This positive environment weighed on the US dollar, which is typically seen as a safe haven currency, strengthening in times of crisis and weakening in times of economic and financial market upswings. The sustained downward trend that started in late March more than offset the temporary strengthening of the US dollar exchange rate during the equity market sell-off. A more pronounced decline in US interest rates relative to other currencies added to US dollar weakness.

Economic indicators 2019–2020

	USA		Eurozone		UK		Japan		China	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Real GDP growth ¹	2.2	-3.5	1.3	-6.6	1.3	-9.9	0.7	-4.7	6.0	2.3
Inflation ¹	1.8	1.2	1.2	0.3	1.8	0.9	0.5	-0.1	2.9	2.5
Long-term interest rate ²	1.9	0.9	-0.2	-0.6	0.8	0.2	0.0	0.0	3.2	3.2
USD exchange rate ^{2,3}	–	–	112	122	132	137	0.92	0.97	14.4	15.3

¹ Yearly average

² Year-end

³ USD per 100 units of foreign currency

Source: Refinitiv, Swiss Re Institute

Resilience: the need to replenish

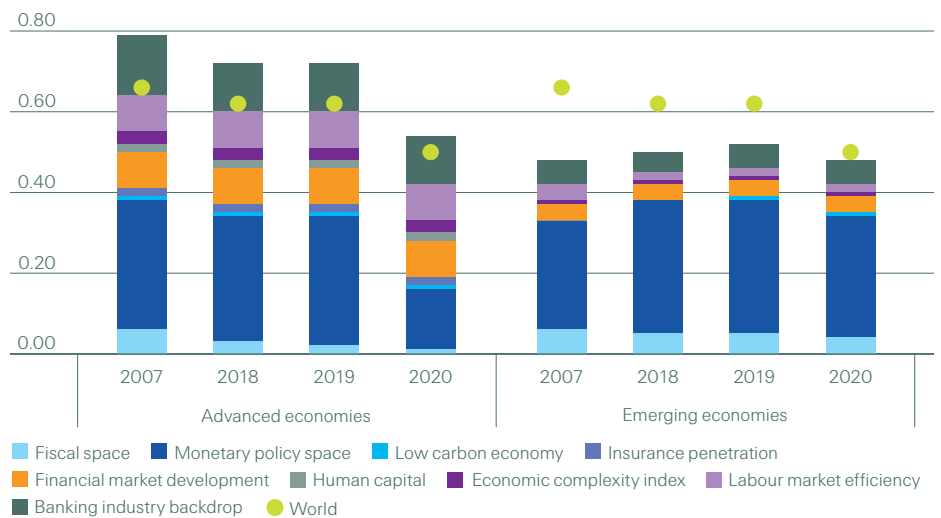
The COVID-19 crisis has depleted global economic resilience further from an already weak level. The Swiss Re Institute Macroeconomic Resilience Index indicates that the world economy was less resilient at the onset of the pandemic than before the global financial crisis of 2008–2009 (see the economic resilience indices chart). We estimate global economic resilience decreased by another 20% during 2020 as stimulus packages reduced fiscal headroom. Diminished monetary policy buffers also contributed, although these were already largely exhausted ahead of the pandemic.¹

The increase in public and private sector debt and deficits in 2020 is the largest and fastest since World War II. It accelerates the trend of rising corporate debt and declining credit quality seen since 2008. This could lead to higher corporate bankruptcies and, potentially, a credit crisis. Meanwhile, the number of “zombie companies” is likely to increase as access to cheap credit enables indebted and unprofitable companies to survive. While generous monetary and fiscal support helps to avoid a credit crisis in the short term, increasing “zombification” may weigh on growth in the long run.

Economies and financial markets are also exposed to increased long-term inflation risks. While the immediate impact of the COVID-19 crisis has been disinflationary, a longer-term trend towards de-globalisation, including companies’ desire to diversify supply chains to become more resilient, could fuel inflationary pressure. There are also indications that central banks will tolerate higher inflation as they seek to keep interest rates low to facilitate the servicing of high public and private debt burdens. A scenario of high inflation coupled with such “financial repression” would be challenging for re/insurers.

Replenishing economic resilience needs to be a top policy priority for societies. The global economy no longer has the luxury of relying on monetary and fiscal levers alone. Alternatives should include structural reforms that strengthen resilience, such as targeted investments into sustainable infrastructure, the digital economy and the transition towards a low-carbon economy. Governments should also work to limit inequality, foster human capital, deepen the liquidity and dynamism of financial markets and improve the efficiency of labour markets.

Economic resilience indices and decomposition over time



Source: Swiss Re Institute Macroeconomic Resilience Index, 2020

¹ *sigma Resilience Index 2020: global resilience put to the pandemic test*, Swiss Re, September 2020; *Emerging markets macro resilience: beware fading global tailwinds*, Swiss Re, September 2020.

Primary non-life

2 500

Market size in USD billions

Estimated global premium income in 2020

2%

Market performance

Estimated global premium growth in 2020

Market overview

The global non-life industry generated around USD 2 500 billion of premium income in 2020, of which 22% came from emerging markets. Non-life insurance ranges from standardised motor and household covers to sophisticated tailor-made liability and property covers, including specialty, commercial and industrial risk insurance.

Market performance

On the back of the COVID-19 crisis, the global non-life insurance market proved much more resilient than previously expected. Amid the strongest economic decline since the Great Depression, global non-life premiums were up an estimated 2% in real terms, after a 3% gain in 2019. The main reason was stronger-than-expected rate hardening in commercial lines.

At 2%, non-life premium growth in the advanced regions was unexpectedly resilient in 2020, again due to rate hardening in commercial lines. China remains the world's fastest growing non-life insurance market: we estimate a 7% expansion in non-life premiums in 2020, coming from double-digit growth in the health business. Growth in the other emerging markets was negative, with the exception of Emerging Asia.

Pricing in non-life commercial insurance lines strengthened again in 2020. This marked the sharpest rate increase since 2001/2002 after the 9/11 terror attack, with prices up 19% throughout the year. The upswing broadened across lines of business and across regions. There were strong price increases in Property (19%) and in Financial and Professional liability (FinPro) (+38%) lines in almost all regions. For Property, rates were mainly driven by natural-catastrophe-related covers, and in FinPro by rising Directors and Officers liability (D&O) claims. Casualty business, which had remained soft until 2018, started to exhibit stronger, but still single-digit, price improvements. This was driven by improvements in the US and Europe, while Asia and Latin America remained sluggish.

We estimate that overall profitability of the non-life insurance sector, measured by return on equity (ROE) was at 5% in 2020, down from an already low 7% in 2019, mostly driven by lower investment returns.

Overall, underwriting results remained stable or even improved. On the one hand, the unprecedented pandemic containment measures caused estimated industry losses in the range of USD 50–80 billion¹.

These losses were almost entirely related to commercial lines of business and were largely attributed to business interruption covers triggered under communicable diseases clauses and to event cancellations. Trade credit insurance also experienced significant losses, as did liability lines (E&O, D&O, medical malpractice) and workers' compensation for healthcare workers.

Personal insurance lines experienced better underwriting results, mainly in motor insurance due to significantly reduced claims frequencies as a result of the lockdown measures.

Outlook

We see a recovery to 3.6% growth in 2021 and 2022, supported by rising economic strength (although output will not return to pre-pandemic levels), a hard market in commercial lines to a degree not seen since 2002–2003, and a rebound in most emerging regions.

The profitability outlook remains challenging. We believe low interest rates are here to stay with 10-year US Treasury yields expected to remain below 2% over the next two years. As such, any improvement in sector profitability will depend on underwriting performance, suggesting a need for more rate increases and improved underwriting discipline.

¹ Bottom-up reporting of companies is net of reinsurance, and often net of tax. Also, the list of companies is not comprehensive. The bottom-up reporting is therefore already closer to the top-down estimate than the figures suggest. This range includes estimates from four different sources.

Reinsurance non-life

210

Market size in USD billions

Estimated global premium income in 2020

4%

Market performance

Estimated global premium growth in 2020

Market overview

Global non-life reinsurance premiums totalled about USD 210 billion in 2020, with 28% coming from ceding companies in emerging markets. In general, reinsurance demand is a function of the size and capital resources of primary insurance companies, as well as of the risk profile of the insurance products provided.

Market performance

We estimate that global premiums in non-life reinsurance grew by around 4% in real terms in 2020, with moderate expansion and stable reinsurance demand in advanced markets and China. Other emerging markets suffered from lower exposure growth in the primary market.

In terms of profitability, the reinsurance industry provided a subpar performance for the fourth year in a row, with return on equity of around 4% in 2020. This was a result of negative industry underwriting results and low investment returns. Preliminary data indicated a combined ratio of around 105% for 2020, deteriorating from 101% in 2018 and 2019, which was driven by elevated natural catastrophe losses and COVID-19 claims.

The record North Atlantic hurricane season, which included 30 named storms, as well as upward revisions to loss estimates, pushed overall natural catastrophe losses higher. We estimate that insured claims rose to roughly USD 89 billion for the year, well above the USD 63 billion loss total for the full year 2019. While COVID-19 claims are still unfolding, the reinsurance industry will take a significant share of the estimated industry loss of USD 50–80 billion¹.

The underlying, catastrophe-adjusted underwriting result improved. This was partly due to better reinsurance prices, which gained momentum through 2020, after a more moderate January 2020 renewal season. There were rate increases in loss-affected lines and regions, but little spillover into unaffected lines. Significant pricing improvements of 10–20%, however, were registered in the retrocession market, which was adversely affected by high losses between 2017 and 2019 and a significant capacity crunch due to the withdrawal of capital suppliers.

The sector's capital base remained very strong despite the capital markets turmoil in the first half of the year, allowing reinsurers to fulfill their role as the backbone of the insurance industry and to support societal resilience. The capital position of global reinsurance, including both the traditional source of reinsurance capacity as well as alternative capital, showed a slight decline of 2% during 2020. For the alternative capital sector, it was the second year of decline after 2019, which showed a decline in capacity of 7% after several years of soaring capital inflows.²

Market outlook

For the renewal rounds in 2021, we expect a further increase of reinsurance price as a reflection of elevated losses from natural catastrophes since 2017 and from COVID-19 claims.

Premium income of the reinsurance industry is expected to grow by 7% in 2021 and by 5% in 2022, mainly driven by higher prices.

¹ See footnote on previous page

² Source: Aon, Reinsurance Market Outlook, September 2019

Primary life

2 800

Market size in USD billions

Estimated global premium income in 2020

-4%

Market performance

Estimated global premium growth in 2020

Market overview

The global life insurance industry generated about USD 2 800 billion in premium income in 2020, of which 25% came from emerging markets. Around 80% of premium income in life insurance is derived from savings and retirement products. The protection business covers a broad spectrum of mortality and morbidity risks.

Market performance

We estimate that global life insurance premiums contracted by 4% in real terms in 2020. This was the result of rising unemployment in the COVID-19-induced recession, dwindling incomes leading to weaker demand, a slowdown in distribution activities due to lockdowns and even lower interest rates that made life insurance less attractive as a savings vehicle.

Premium decline in the advanced markets was 5%. This was, however, unevenly distributed. The US and Canada were less affected, while Japan contracted by 8%. In light of the steep recession and because the savings business is by far the largest source of premium income for the sector, we estimate that life premiums in advanced EMEA declined by nearly 10% in 2020.

In the emerging market segment, only China – which became the second largest life insurance market globally – succeeded in maintaining the positive momentum. It showed a 2% expansion due to increased risk awareness and the rapid adoption of digital distribution channels. Other emerging market regions experienced declines of between 4% for Emerging Asia and 8% for Latin America.

Overall profitability of the global life insurance sector – as measured by GAAP return on equity (ROE) of listed life insurance companies – decreased significantly to 7%, compared with 10% in 2019. The impact of COVID-19 on mortality books was limited and the main driver of the decrease was life insurers' investment results. These were impacted by the continued low interest rates, particularly in the US, and realised investment losses due to corporate bond and stock market volatility in the first half of the year. In North America, the weighted average ROE almost halved to 5.1% in the first half of 2020. Profitability in Europe and Asia also fell as the weighted average ROE of life insurers dropped to 6.3% in Europe and 9.4% in Asia Pacific.

Market outlook

We expect a rebound in 2021 as the economy recovers and risk awareness increases. For 2021 and 2022, global life premiums are expected to grow by around 6% per year, mainly driven by continued strong growth in the emerging markets (7%) and an improved situation in the advanced markets (5%).

Reinsurance life

105

Market size in USD billions

Estimated global premium income in 2020

4%

Market performance

Estimated global premium growth in 2020

Market overview

The size of the global life reinsurance business was about USD 105 billion in 2020. Around 75% of this is attributable to the US, Canada, the UK and China. Ceding companies from emerging markets accounted for 24% of global demand. Life reinsurers are increasingly diversifying away from the traditional mortality business.

Market performance

We estimate that global life and health reinsurance premiums grew by 4% in 2020. Expansion was unevenly distributed between segments and regions. Medical expense reinsurance from emerging markets was up more than 32%, mainly driven by China and India. Globally, this sector was up 17%, contrasting strongly with a more sluggish 1% increase in mortality and health-related reinsurance demand from life insurers.

Against this background, life reinsurers have sought to increase revenues through large, individual risk transfer transactions that help primary insurers stabilise income and/or bolster their balance sheets. The introduction of risk-based capital regimes has prompted much of this activity. Another area of growth has been longevity risk transfer. The availability of longevity reinsurance has become key to pricing annuity transactions as insurers offering those transactions to pension funds require reinsurance to hedge the longevity risk.

The operating margin of the life reinsurance industry fell to around 4% of revenues in 2020, down from 7–8% between 2015 and 2019. The contribution from investments declined further, due to the ongoing low interest rate environment, which was accentuated by the further expansionary monetary policy. The underwriting performance was in turn negatively impacted by elevated mortality claims due to COVID-19.

Market outlook

The continued recovery in primary insurance should support growth in life reinsurance revenues, including a recovery in traditional business. Premium growth will nonetheless likely remain moderate, especially in the large advanced markets. In real terms, we forecast global life reinsurance premiums will increase by around 2.5% in 2021 and 2022, while health reinsurance is expected to develop by around 6% annually. This will be mainly driven by the highly populated and growing economies in China and India.

Summary of financial statements

Income statement

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	42 228	42 951	2
Net premiums written	39 649	39 827	–
Change in unearned premiums	–1 675	494	–
Premiums earned	37 974	40 321	6
Fee income from policyholders	620	449	–28
Net investment income – non-participating business	4 171	2 988	–28
Net realised investment gains/losses – non-participating business	1 580	1 730	9
Net investment result – unit-linked and with-profit business	4 939	–2 187	–
Other revenues	30	37	23
Total revenues	49 314	43 338	–12
Expenses			
Claims and claim adjustment expenses	–18 683	–19 838	6
Life and health benefits	–13 087	–13 929	6
Return credited to policyholders	–4 633	1 760	–
Acquisition costs	–7 834	–8 236	5
Operating expenses	–3 579	–3 597	1
Total expenses before interest expenses	–47 816	–43 840	–8
Income/loss before interest and income tax expense	1 498	–502	–
Interest expenses	–589	–588	–
Income/loss before income tax expense	909	–1 090	–
Income tax expense/benefit	–140	266	–
Net income/loss before attribution of non-controlling interests	769	–824	–
Income/loss attributable to non-controlling interests	–42	–54	29
Net income/loss attributable to common shareholders	727	–878	–

Changes in equity

USD millions	2019	2020	Change in %
Total shareholders' equity as of 1 January	27 930	29 251	5
Net income/loss attributable to common shareholders	727	–878	–
Dividends	–1 659	–1 765	6
Change in unrealised gains/losses on securities, net of tax	3 249	608	–81
Change in foreign currency translation, net of tax	110	39	–65
Purchase/sale of treasury shares and share based payments	–925	–174	–81
Adjustment for pension and other post-retirement benefits, net	–22	42	–
Other changes in equity	–159	12	–
Total shareholders' equity as of 31 December	29 251	27 135	–7
Non-controlling interests	1 786	123	–93
Total equity as of 31 December	31 037	27 258	–12

Summary balance sheet

USD millions	2019	2020	Change in %
Assets			
Fixed income securities	81 573	83 018	2
Equity securities	2 993	4 899	64
Other investments	12 892	16 231	26
Short-term investments	5 768	16 082	179
Investments for unit-linked and with-profit business	520	463	-11
Cash and cash equivalents	7 562	5 470	-28
Deferred acquisition costs	7 838	8 230	5
Acquired present value of future profits	1 042	928	-11
Reinsurance recoverable	5 898	5 892	-
Other reinsurance assets	24 743	26 660	8
Goodwill	3 945	4 021	2
Other	9 354	10 728	15
Assets held for sale ¹	74 439	-	-
Total assets	238 567	182 622	-23
Liabilities and equity			
Unpaid claims and claim adjustment expenses	72 373	81 258	12
Liabilities for life and health policy benefits	19 836	22 456	13
Policyholder account balances	5 405	5 192	-4
Other reinsurance liabilities	17 775	19 552	10
Short-term debt	185	153	-17
Long-term debt	10 138	11 584	14
Other	13 232	15 169	15
Liabilities held for sale ¹	68 586	-	-
Total liabilities	207 530	155 364	-25
Shareholders' equity	29 251	27 135	-7
Non-controlling interests	1 786	123	-93
Total equity	31 037	27 258	-12
Total liabilities and equity	238 567	182 622	-23

¹ Please refer to Note 10 "Acquisitions and disposals" for more details.

Group results

Swiss Re reported a strong underlying performance for 2020, despite the large losses related to the COVID-19 pandemic.



Christian Mumenthaler
Group Chief Executive Officer



Our Group has gone through this crisis with confidence and strength, and in our role as a shock absorber we are doing our part to help mitigate the challenges of the pandemic and improve resilience to future systemic risks. 

Strategy and priorities

Swiss Re took early steps to navigate the COVID-19 pandemic in 2020. Even in 2019, before COVID-19 became a pandemic, our experts were monitoring the situation and collecting data. As the situation unfolded, Swiss Re's crisis management and robust IT infrastructure allowed business operations to continue uninterrupted. Swiss Re employees continued to conduct renewals, process claims, steer the asset portfolio, share knowledge and build long-term partnerships.

Throughout 2020, Swiss Re showed a strong underlying performance across the Group. Excluding COVID-19 losses, Group net income increased to USD 2.2 billion for the year, up from USD 727 million in 2019.

All Business Units executed on key strategic initiatives in 2020. Reinsurance achieved growth in its targeted areas. Corporate Solutions finished 2020 well ahead on its turnaround plan, while Life Capital successfully closed the sale of ReAssure and paid a USD 1.5 billion dividend to the Group.

Against a backdrop of hardening prices in key lines of business, Property and Casualty Reinsurance (P&C Re) was able to grow its core business. It increased natural catastrophe exposure by 7% over the year, maintaining its market-leading position in North America. For Life and Health Reinsurance (L&H Re), there was growth in areas such as critical illness business in China and in the longevity portfolio in EMEA.

Reinsurance saw demand for large transactions and tailored solutions, closing over 200 tailored reinsurance deals and increasing the number of new insurance propositions delivered to clients in 2020.

P&C Re's focus on underwriting quality and improved terms and conditions in recent renewals allow for an improved normalised¹ combined ratio estimate of less than 95% in 2021.

Corporate Solutions' turnaround has been achieved through disciplined execution on the decisive management actions announced in 2019. At the end of 2020, portfolio pruning and gross cost reductions were largely completed and the unit delivered a normalised¹ combined ratio of 96.8%, well ahead of the expected 105%. Corporate Solutions will target a normalised combined ratio of less than 97% in 2021, compared with the original 98% goal.

Corporate Solutions is repositioning its product offering by focusing on segments with a clear competitive advantage. Other important strategic objectives include deploying proven technology to drive expansion, leveraging direct access to corporates for the Swiss Re Group and fostering a more disciplined and data-driven underwriting culture.

iptiQ, Swiss Re's global B2B2C digital insurance platform, achieved 76% premium growth in its core business in 2020, writing gross premiums in excess of USD 370 million for the year. iptiQ increased the number of distribution partners by 11 in 2020 to a total of 40.

Following the successful sale of ReAssure, the Life Capital Business Unit was disbanded at the end of 2020. Corporate Solutions has assumed responsibility for elipsLife, while iptiQ is now operating as a standalone division.

iptiQ's growth is an example of the success of the Group-wide strategy to create new partnerships and develop Swiss Re's position as a technology-driven risk knowledge company.

Performance

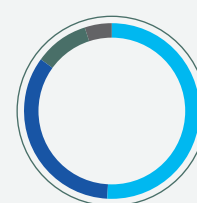
Swiss Re reported a net loss of USD 878 million for the year after booking claims and reserves related to COVID-19 of USD 3.9 billion. The vast majority of the Group's COVID-19 losses was driven by affirmative non-damage business interruption, higher mortality claims as well as cancelled or postponed events. Excluding the after-tax impact of COVID-19-related losses, the Group's net income would have been USD 2.2 billion, compared with USD 727 million for 2019. The Group's net operating margin² was -1.1%, compared with 3.4% in the prior year.

Reinsurance reported a net loss of USD 176 million for the year, including COVID-19 claims impacts. Excluding the after-tax impact of COVID-19-related claims and reserves, the Business Unit's net income would have been USD 2.1 billion compared with USD 1.3 billion in 2019.

P&C Re reported a net loss of USD 247 million in 2020, including claims and reserves of USD 1.9 billion related to the COVID-19 crisis. Excluding the after-tax impacts of COVID-19-related claims and reserves, the Business Unit would have contributed USD 1.3 billion, up from USD 396 million in 2019. The result was supported by strong new business generation with higher premiums earned and price increases. This was adversely impacted by significant claims from large catastrophe losses of USD 1.7 billion, primarily caused by a record-breaking Atlantic hurricane season, Australian hailstorm and flooding events, as well as wildfires on the US West Coast. Large man-made losses were dominated by the Beirut port explosion. The net operating margin was 0.1%, compared with 3.8% in 2019.

Net premiums and fees earned by business segment, 2020

Total: USD 40.8 billion



- 51% P&C Reinsurance
- 34% L&H Reinsurance
- 10% Corporate Solutions
- 5% Life Capital

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

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

3.0**Net investment
income in USD
billions, 2020**

(2019: USD 4.2 billion)

3.5%**Group return on
investments, 2020**

(2019: 4.7%)

L&H Re reported a net income of USD 71 million in 2020, including COVID-19-related claims of USD 999 million, largely caused by higher mortality claims. Excluding the after-tax impact of COVID-19-related losses, L&H Re's net income would have been USD 855 million in 2020, compared with USD 899 million in 2019. The result was supported by a strong investment result with a return on investments (ROI) of 3.7%. The net operating margin was 2.9% in 2020 and 10.0% in 2019.

Corporate Solutions incurred a net loss of USD 350 million in 2020, with claims and reserves related to COVID-19 totalling USD 943 million in 2020. Excluding the after-tax impact of COVID-19-related losses, the Business Unit swung to a net income of USD 393 million, compared with a net loss of USD 647 million in 2019, benefitting from rate increases, lower large man-made losses, favourable prior accident years development and strict expense management.

Life Capital reported a net loss of USD 265 million in 2020, compared with a net loss of USD 177 million in 2019, driven by ongoing investment into the open book businesses' growth and elipsLife's underperformance due to reserve strengthening and COVID-19 impacts. COVID-19-related losses for Life Capital were minimal at USD 27 million. The net operating margin declined to -6.6% in 2020 from 2.4% in the same period of the previous year. Following the successful deconsolidation of ReAssure, Life Capital paid a dividend of USD 1.5 billion to Swiss Re Group.

Shareholders' equity, excluding non-controlling interests, decreased to USD 27.1 billion at the end of 2020, down from USD 29.3 billion at the end of 2019, mainly reflecting payments to shareholders of USD 2.0 billion for the 2019 regular dividend and the share buyback programme, as well as the current-year net loss, partly offset by unrealised gains on fixed income securities of USD 0.6 billion. The return on equity was -3.1% in 2020, compared with 2.5% in 2019.

Earnings per share for 2020 were USD -3.04 or CHF -2.97, down from USD 2.46 or CHF 2.46 for 2019.

Book value per share stood at USD 93.90 or CHF 83.00 at the end of 2020, compared with USD 100.64 or CHF 97.46 at the end of 2019. Book value per share is based on shareholders' equity and excludes non-controlling interests.

Business performance

Net premiums earned and fee income for the Group amounted to USD 40.8 billion for 2020, an increase of 5.6% year-on-year. At constant exchange rates, net premiums earned and fee income increased by 5.5%.

Gross premiums written increased by 1.7% to USD 43 billion in 2020, mainly reflecting large longevity deals and higher volumes in the open book businesses.

Net premiums earned by P&C Re were USD 20.8 billion, an increase from USD 19.3 billion in 2019, benefitting from large transactions and growth in the natural catastrophe business. At constant exchange rates, premiums earned increased by 8.0%. The P&C Re combined ratio increased to 109.0% in 2020 from 107.8% in the prior year, mainly driven by COVID-19 losses. Excluding the pre-tax impact of COVID-19-related losses, the combined ratio would have been 99.8%.

L&H Re's net premiums earned and fee income amounted to USD 13.9 billion, an increase from USD 13.0 billion in the prior-year period, supported by individual large transactions including longevity deals. At constant exchange rates, premiums earned and fee income increased by 6.7%.

Corporate Solutions' net premiums earned decreased slightly to USD 4.0 billion from USD 4.2 billion in the prior year, driven by the active portfolio pruning and less business activity due to COVID-19, partially offset by rate increases. At constant exchange rates, net premiums earned decreased by 2.5% year-on-year. The Corporate Solutions combined ratio decreased to 116.5% in 2020 from 127.9% in 2019. Excluding the pre-tax impact of COVID-19-related losses, the combined ratio would have been 93.2% for the year. The normalised combined ratio remains well ahead of the 105% estimate for 2020.

Life Capital's net premiums earned and fee income were USD 2.0 billion, slightly below the prior-year period of USD 2.1 billion, as the growth in the open book business was offset by the impact from the deconsolidation of the ReAssure business. At constant exchange rates, premiums earned and fee income decreased by 9.2%.

Investment result and expenses

Fundamentally, the portfolio performed well with insignificant impairments alongside gains generated from the fixed income portfolio, as well as market value gains on equity positions.

The Group's non-participating investment portfolio decreased from USD 134.5 billion at the end of 2019 to USD 125.7 billion in 2020, in part due to the sale of the ReAssure portfolio in July 2020. The ROI was 3.5% for 2020, compared with 4.7% for 2019. The strong investment result, although lower than in the prior year, was driven by timely and effective portfolio management actions throughout the global financial market turbulence.

The Group's non-participating net investment income was USD 3.0 billion in 2020, compared with USD 4.2 billion in 2019. The decrease was mainly driven by the impact of reinvestment into lower yields and reduced contribution from equity-accounted investments, as well as the absence of the ReAssure portfolio in the second half of the year. The Group's running yield was 2.4% in 2020, compared with 2.8% in 2019, reflecting the impact of historically low reinvestment yields alongside de-risking actions. A high concentration of unrealised gains on long-maturity fixed income securities supports our running yield's persistency looking forward.

The Group reported non-participating net realised gains of USD 1.7 billion in 2020, compared with USD 1.6 billion in 2019. The increase reflects the fact that the prior year was impacted by the loss from the agreed sale of ReAssure and additional foreign exchange losses, while the current year reflects reduced gains from sales of fixed income securities.

Acquisition costs for the Group amounted to USD 8.2 billion in 2020, up from USD 7.8 billion in 2019.

Operating expenses remained stable at USD 3.6 billion in both years. Interest expenses were USD 588 million in 2020, slightly down from USD 589 million in 2019.

The Group reported a tax benefit of USD 266 million on a pre-tax loss of USD 1.1 billion for 2020, compared to a tax charge of USD 140 million on a pre-tax income of USD 909 million for 2019. This translated into an effective tax rate in the current and prior-year reporting periods of 24.4% and 15.4%, respectively. The tax rate in 2020 was largely driven by tax benefits from tax-exempt income and the release of valuation allowance on deferred tax assets, partially offset by tax charges from intra-entity transfers and foreign currency translation differences between statutory and US GAAP accounts.

Reinsurance

As windstorms, floods, earthquakes and wildfires continued to hit communities around the world, reinsurance again served as a key resilience tool.



Moses Ojeisekhoba
CEO Reinsurance



Together with our clients, Reinsurance has navigated one of the most challenging years in our industry's history. In 2020, we deployed our data and technological capabilities, transactional expertise and financial strength to make sure our clients had the right solutions for their needs. »

Making the world more resilient

2020 was a year in which our clients and partners needed us more than ever to help mitigate the impact of COVID-19 – whether from the pure financial impact, support in their operations, underwriting, product development or claims assessment and payments.

Our Reinsurance business responded by increasing our commitment to our clients. For example, we offered insurance companies across the world free access to Life Guide – the industry's top-rated¹ digital underwriting manual for individual health risks. This enabled clients to provide important life insurance coverage to individuals, based on improved criteria for current and past infections and guidelines for possible exposures.

Across P&C Re, our strong product support helped European insurers to structure a workable affirmative disease product for business closures that excludes systemic accumulation such as pandemics. We also found ways to support clients who faced premium challenges linked to COVID-19.

Through Swiss Re's Insurance Response Centre, our free collaborative platform designed to accelerate the industry's ability to tackle the challenges caused by COVID-19, our clients were able to upload portfolio data and layer on further information sources, such as hospital and ICU bed occupancy. By running statistical analyses and reports using the platform's coding environments, clients could create new and more accurate models. This allows them to understand and forecast topics such as business interruption patterns and small business resilience.

¹ By NMG Consulting

The right strategy

In 2020, we confirmed our ambition to build on the three strategic pillars of Reinsurance: Core, Transactions and Solutions. We will continue to focus on strengthening our key assets: global scale and presence, risk diversification, deep risk knowledge, and client collaboration and access. By continuing to invest in these assets, we ensure that we provide the right support to our clients when it is most needed.

Over the last year we saw progress in all areas of our strategy. In our core business, we grew our natural catastrophe exposure by 7% and maintained our market-leading position in North America. Reinsurance grew its critical illness book in China and longevity portfolio in EMEA. We increased our deployed capacity and premiums written in our life and health business, where we remained the number one provider of reinsurance globally. During 2020, L&H Re reinsured 235 million policies and paid out USD 10.8 billion in claims. In P&C Re, 3 223 clients benefitted from our support with USD 10.9 billion paid in claims.

Transactions are tailor-made reinsurance structures that enable clients to achieve their objectives. Reinsurance engaged in over 200 deals in 2020. Our Transactions portfolio is spread across all lines of business and increasingly across all regions and markets, bringing attractive diversification within this business segment.

Beyond traditional risk transfer, more clients used our Solutions offerings in 2020 than ever before. We have continued to grow our breadth of services to support clients in accessing and understanding new risk pools and opportunities in accelerated technology developments. In life and health markets, COVID-19 increased the demand for automated underwriting systems such as Magnum, which enables a faster and better assessment of risk by leveraging electronic health records. In property and casualty markets, we achieved our best year by far for SwiftRe[®], our digital channel for automated single-risk reinsurance capacity that is available 24/7. The business placed through SwiftRe[®] grew by 20% in 2020 and we also saw a record number of new clients onboarded. In addition, we successfully concluded more than 400 solutions deals, including many innovative propositions such as digital and lean motor insurance aimed at millennials in the US and Asia Pacific region, and parametric earthquake products supporting the needs of small businesses.

Summary

Successful execution of our strategy has once again delivered value for our clients, partners and stakeholders. It has also allowed us to adapt quickly to rapidly changing environments. Looking ahead, we will continue to strengthen our partnerships across insurance and the wider ecosystem, remain relentless in our knowledge development and sharing, and draw on our global scale and capital strength to live up to our vision – to make the world more resilient.

Property & Casualty Reinsurance

Property & Casualty Reinsurance

Property & Casualty Reinsurance (P&C Re) reported a net loss for 2020 of USD 247 million. The result included claims and reserves related to the COVID-19 crisis of USD 1.9 billion, reflecting affirmative non-damage business interruption, cancelled or postponed events, casualty and credit & surety losses. COVID-19 losses increased in the fourth quarter, mainly due to business interruption claims. Excluding the after-tax impact of these losses, net income would have been USD 1.3 billion, up from USD 396 million in 2019. P&C Re delivered strong new business generation with higher premiums earned, taking advantage of price improvements, particularly in April and July renewals.

Natural catastrophe losses amounted to USD 1.7 billion for 2020. This was largely driven by the Atlantic hurricane season, which included a record 30 named storms, and secondary perils across the globe. Large man-made losses were dominated by the Beirut port explosion in the third quarter. The result was further impacted by prior-year development, the majority of which was in the first quarter from higher cedent-reported claims in casualty. In comparison, 2019 was affected by a larger natural catastrophe loss burden and late claims development from Typhoon Jebi.

The investment portfolio made a strong contribution with an ROI of 3.0% for 2020, as the impact of global financial market turbulence was partly mitigated by timely and effective portfolio management actions taken early on in the first half year.

Premiums

Net premiums earned increased by 8.1% to USD 20.8 billion, driven by strong new business generation. This included growth in natural catastrophe business, taking advantage of price improvements. In addition, the increase was supported by large casualty transactions written in 2019. Premiums written included portfolio mix

Property & Casualty Reinsurance results

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	21 562	21 512	-
Net premiums written	20 882	20 636	-1
Change in unearned premiums	-1 607	196	-
Premiums earned	19 275	20 832	8
Net investment income	1 419	1 178	-17
Net realised investment gains/losses	883	683	-23
Other revenues	18	26	44
Total revenues	21 595	22 719	5
Expenses			
Claims and claim adjustment expenses	-14 783	-16 403	11
Acquisition costs	-4 810	-5 104	6
Operating expenses	-1 189	-1 200	1
Total expenses before interest expenses	-20 782	-22 707	9
Income before interest and income tax expense			
	813	12	-99
Interest expenses	-352	-321	-9
Income/loss before income tax expense	461	-309	-
Income tax expense/benefit	-65	62	-
Net income/loss attributable to common shareholders	396	-247	-
Claims ratio in %	76.7	78.7	
Expense ratio in %	31.1	30.3	
Combined ratio in %	107.8	109.0	

changes and active management actions implemented in 2020. As a result, gross premiums written were stable at USD 21.5 billion in 2020.

Combined ratio

The P&C Re combined ratio was 109.0% in 2020, compared with a reported combined ratio of 107.8% in 2019. Excluding the impact of COVID-19-related losses, the combined ratio would have been 99.8%. This was above the expected level for the year due to adverse large natural catastrophe experience of 1.4% points and the unfavourable prior-year development of 1.5% points. The normalised¹ combined ratio was 96.9%, in line with the estimate of 97% for the full year provided at the beginning of 2020.

Administrative expense ratio²

The administrative expense ratio decreased to 5.8% in 2020, compared with 6.2% in 2019, due to higher net premiums earned, while expenses had significant efficiency gains, supported by lower travel activity.

Lines of business

The property combined ratio increased to 109.4% in 2020, compared with 101.3% a year earlier. While both periods were impacted by large natural catastrophe losses, the 2020 deterioration also included COVID-19-related losses of 17.4% points and the Beirut port explosion loss. This was partly compensated by natural catastrophe reserve releases.

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

² Operating expenses divided by premiums earned.

The casualty combined ratio was 111.8% in 2020, compared with 116.6% in 2019. This included COVID-19-related losses of 3.2% points and an adverse casualty experience, the majority of which was in the first quarter of 2020.

The specialty combined ratio deteriorated to 98.7% in 2020, compared with 95.3% in 2019. The current period included COVID-19-related claims in credit & surety of 5.3% points, partly compensated by positive experience in marine business.

Investment result

The return on investments was 3.0% for 2020, compared with 4.3% in 2019, reflecting a decrease in the investment result of USD 603 million.

Net investment income decreased by USD 267 million to USD 1 043 million for 2020, driven by declining yields on fixed income securities.

Net realised gains were USD 649 million for 2020, compared with USD 985 million for the prior period, as the prior year benefitted from significant equity market value gains.

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

Shareholders' equity

Shareholders' equity increased to USD 9.2 billion as of 31 December 2020 from USD 8.3 billion on 31 December 2019, primarily driven by unrealised gains and the impact from a restructure of internal loans. This was compensated by the net loss and the dividend paid to the Group. The return on equity for 2020 was -2.8%, compared with 4.4% in 2019. Excluding the after-tax impact of COVID-19-related losses, the ROE was 13.2%.

Outlook

Property business showed improving margins, which enabled us to continue to de-risk the portfolio from business most exposed to climate change and non-modelled risks, and minimise infectious disease business interruption coverage, while meeting planned profit targets.

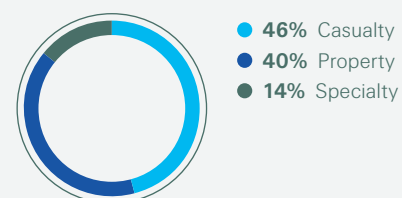
Specialty lines, especially marine, engineering and aviation, showed positive momentum, and we continued to capitalise on our leading franchise in these lines.

For casualty, we further de-risked our US liability portfolio with a clear focus on profitability. We see increasing rate momentum in several markets, which is partially offset by loss trends and yield reduction.

P&C Re continues to see some good opportunities for transactions and solutions and participated in those that meet its return requirements. Upcoming 2021 renewals will likely show further market hardening, albeit with decreasing momentum due to an increasingly competitive environment.

Premiums earned by line of business, 2020

Total: USD 20.8 billion



Life & Health Reinsurance

Life & Health Reinsurance

Life & Health Reinsurance (L&H Re) reported a net income for 2020 of USD 71 million. COVID-19-related claims and reserves included in this result amounted to USD 999 million (pre-tax), driven primarily by higher mortality rates in the US and the UK, as well as increased disability claims mainly in ANZ. Excluding the after-tax impact of COVID-19-related losses, net income was USD 855 million in 2020, compared with USD 899 million in 2019. This result was supported by a strong investment performance, which delivered an ROI of 3.7%, despite the global financial market volatility. The underwriting result reflected continuous improvements in the Americas mortality experience, compensated by adverse morbidity experience mainly in ANZ.

The ROE, excluding the impact of COVID-19-related losses, would have been 10.4%, compared to 12.4% reported in 2019. This was mainly due to the significantly higher average equity base in 2020. Reflecting the after-tax impact of COVID-19, the ROE was 0.9% in 2020.

Premiums

Net premiums earned and fee income increased by 6.8% to USD 13.9 billion, compared with USD 13.0 billion in 2019, supported by individual large transactions, including longevity deals. Gross premiums written in 2020 increased by USD 0.6 billion, or 4.3%, to USD 15.1 billion, compared with USD 14.5 billion in 2019.

Net operating margin

The net operating margin, excluding the pre-tax impact of COVID-19-related losses, would have been 9.4% in 2020, compared with 10.0% reported in 2019. Both years benefitted from a strong investment performance.

Management expense ratio

The management expense ratio in 2020 was 5.2%, in line with prior year. An increase in operating expenses was in line with strong premium growth.

Life & Health Reinsurance results

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	14 452	15 067	4
Net premiums written	12 734	13 657	7
Change in unearned premiums	101	68	-33
Premiums earned	12 835	13 725	7
Fee income from policyholders	169	158	-7
Net investment income – non-participating business	1 207	1 140	-6
Net realised investment gains/losses – non-participating business	628	445	-29
Net investment result – unit-linked and with-profit business	118	-32	-
Other revenues	4	4	-
Total revenues	14 961	15 440	3
Expenses			
Life and health benefits	-10 587	-12 204	15
Return credited to policyholders	-162	5	-
Acquisition costs	-1 975	-1 999	1
Operating expenses	-746	-786	5
Total expenses before interest expenses	-13 470	-14 984	11
Income before interest and income tax expense	1 491	456	-69
Interest expenses	-445	-367	-18
Income before income tax expense	1 046	89	-91
Income tax expense	-147	-18	-88
Net income attributable to common shareholders	899	71	-92
Management expense ratio in %	5.2	5.2	
Net operating margin in %	10.0	2.9	

Lines of business

Income before interest and income tax (EBIT) for the life segment decreased to USD -168 million in 2020, from USD 581 million in the prior year. The current-year result was impacted by COVID-19-related losses of USD 889 million, driven primarily by higher mortality claims in the US and the UK. Excluding this impact, the underlying result showed further signs of continuous improvements in the Americas mortality experience.

EBIT for the health segment was USD 221 million in 2020, compared with USD 258 million in the prior-year period. COVID-19 losses included in this result amounted to USD 110 million, mainly related to disability claims which emerged in the second half of the year. Further profitable growth of the health business was partly muted by adverse experience across various markets in Asia impacting both years.

Investment result

The return on investments for 2020 was 3.7%, down from 5.0% in 2019, reflecting a decrease in the investment result of USD 323 million driven by the impact of global financial market volatility.

Net investment income decreased by USD 74 million to USD 1 039 million in 2020 and was driven by recurring income on the fixed income portfolio. The running yield for 2020 was 3.0%, compared to 3.3% in 2019.

Net realised gains were USD 438 million for 2020, compared with USD 687 million for the prior period. The decrease was mainly due to fewer gains from sales of fixed income securities, as well as lower market value gains on equity securities.

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 7.4 billion as of 31 December 2020, compared with USD 8.3 billion as of 31 December 2019. Positive change in net unrealised gains was more than offset by the dividend paid to the Group, as well as foreign exchange and the impact from restructuring of internal loans.

Return on equity, excluding the after-tax impact of COVID-19-related losses, was 10.4%.

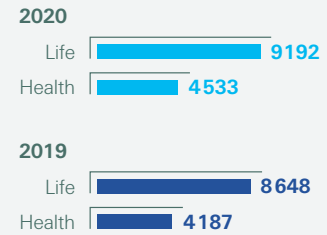
Outlook

While the current pandemic has led to disruption in sales and claims activity for insurers, L&H Re expects increases in life and health treaty reinsurance new business to remain driven by high-growth markets, with more modest growth in mature markets. However, the prolonged low interest rate environment continues to have an unfavourable impact on long-term life business. Cession rates are expected to remain broadly stable in major markets.

L&H Re sees a continued strong focus of clients on capital, risk and balance sheet optimisation in mature markets, leading to ongoing opportunities for large transactions. L&H Re will continue to pursue growth opportunities in high-growth markets and in large transactions, including longevity deals. L&H Re is responding 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.

Premiums earned by line of business, 2020

Total: USD 13.7 billion



Corporate Solutions

Corporate Solutions' turnaround is ahead of plan at the end of 2020, reflecting the successful execution on the management actions and continued pricing momentum.



Andreas Berger
CEO Corporate Solutions



Corporate Solutions' underlying results for 2020 are the reward for all the hard work and discipline that has gone into turning the Business Unit around. We have made big steps to become a significant contributor to Swiss Re's profitable growth ambitions. At the same time, we are making good progress in addressing customer pain points and industry inefficiencies. 

Strategy and priorities

Corporate Solutions' turnaround is ahead of plan, with pruning and gross cost reductions largely completed by the end of 2020. Portfolio repositioning, a low level of large man-made claims, together with efficiency improvements and improved momentum in insurance rates, helped Corporate Solutions to achieve a normalised¹ combined ratio of 96.8%, well ahead of the estimate of 105% for 2020. The Business Unit will now target a normalised combined ratio of less than 97% in 2021, compared with the original 98% goal. While maintaining a strong focus on underwriting and operational performance, Corporate Solutions continues its longer-term strategic transformation as it invests in new capabilities and moves towards being a truly customer-focused, better diversified and more cycle-resilient commercial insurance provider.

Performance

Corporate Solutions' net profit, excluding the COVID-19 impact, would have been USD 393 million in 2020 with a net operating margin of 11.6%, compared with a net loss of USD 647 million in 2019 with a net operating margin of -16.7%. The strong improvement in the result excluding COVID-19 impacts reflected the benefits of the management actions taken to improve profitability, as well as continued rate increases, favourable prior-year development and lower-than-expected large man-made losses.

In addition, strict execution of the expense management actions laid out in 2019 helped the unit achieve almost all of the expense savings. Claims and reserves related to COVID-19 amounted to USD 943 million pre-tax, resulting in a net reported loss of USD 350 million for 2020.

The investment performance contributed to the result, although to a lesser extent than in 2019.

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

Premiums

Net premiums earned were USD 4.0 billion in 2020, a decrease of 2.9% year-on-year, as active portfolio pruning was cushioned by realised rate increases and higher volumes in targeted growth areas. Gross premiums written decreased by 2.7% to USD 4.8 billion in 2020, reflecting the pruning impacts, a more selective underwriting approach in credit & surety and reduced business activity due to the COVID-19 pandemic. These factors were partially offset by the strong pricing momentum which continued in 2020, with Corporate Solutions achieving an average price increases of 15%, as well as a higher volume of fronted business.

Combined ratio

The Business Unit's combined ratio decreased to 116.5% in 2020 from 127.9% in 2019, mainly driven by strongly improved underlying business, a reduction in large man-made losses and favourable development from prior accident years, partially offset by COVID-19 impacts. The normalised¹ combined ratio was 96.8%, reflecting the successful execution on the management actions to improve profitability, achieved rate increases, as well as lower-than-expected large man-made losses.

Lines of business

The property combined ratio for 2020 deteriorated by 12.2 percentage points to 128.8%, mainly driven by COVID-19 reserves related to event cancellation and non-damage business interruption. Excluding COVID-19 impacts, the combined ratio would have been 83.6%.

The casualty combined ratio decreased to 108.1% in 2020, compared with 137.6% in 2019, reflecting the benefits of management actions previously taken. Excluding COVID-19 impacts, the combined ratio would have been 106.6%.

The specialty combined ratio for 2020 improved by 19.3 percentage points to 109.9%, driven by management actions to improve profitability, partially offset by COVID-19-related losses on the credit & surety portfolio. Excluding COVID-19 impacts, the combined ratio would have been 89.7%.

Corporate Solutions results

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	4 974	4 839	-3
Net premiums written	4 253	3 824	-10
Change in unearned premiums	-87	223	-
Premiums earned	4 166	4 047	-3
Net investment income	234	140	-40
Net realised investment gains/losses	162	74	-54
Other revenues	5	5	-
Total revenues	4 567	4 266	-7
Expenses			
Claims and claim adjustment expenses	-3 900	-3 433	-12
Acquisition costs	-640	-592	-8
Operating expenses	-788	-690	-12
Total expenses before interest expenses	-5 328	-4 715	-12
Loss before interest and income tax expense	-761	-449	-41
Interest expenses	-40	-31	-23
Loss before income tax expense	-801	-480	-40
Income tax expense/benefit	143	136	-5
Net loss before attribution of non-controlling interests	-658	-344	-48
Income/loss attributable to non-controlling interests	11	-6	-
Net loss attributable to common shareholders	-647	-350	-46
Claims ratio in %	93.6	84.8	
Expense ratio in %	34.3	31.7	
Combined ratio in %	127.9	116.5	

Investment result

The return on investments was 2.6% for 2020, compared with 3.4% in 2019, reflecting a decrease in the investment result of USD 97 million.

Net investment income decreased by USD 86 million to USD 154 million in 2020, mainly due to reinvestment into lower yields, as well as a lower average invested asset base.

Net realised gains were USD 73 million in 2020, down from USD 84 million in 2019, reflecting lower market value gains on equity securities, partially offset by additional 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 a net realised loss of USD 8 million

in 2020, compared with a net realised gain of USD 89 million in 2019. The current period was impacted by the mild winter temperatures in Europe.

Shareholders' equity

Shareholders' equity remained unchanged at USD 2.0 billion since the end of 2019, as the net loss for the period was offset by net unrealised gains and the conversion of a subordinated loan of USD 300 million from debt to equity in the second quarter of 2020.

The ROE was -17.4% in 2020, compared with -34.1% in 2019. Excluding COVID-19 impacts, the ROE would have been 16.5%.

Outlook

The commercial insurance market experienced significant price gains through 2020, continuing the trend started in 2019. Swiss Re expects the positive momentum in commercial insurance to continue in 2021, but to potentially slow down by the end of the year as pricing deficiencies narrow and capital re-enters the market.

Life Capital

Life Capital achieved its key strategic milestone in 2020 with the sale of ReAssure and continued strong growth of its digital B2B2C business.



Julien Descombes
CEO Life Capital, ad interim



In 2020, Life Capital delivered a strategic milestone by completing the sale of ReAssure while continuing to grow its open book businesses. In a difficult COVID-19 environment, iptiQ's dynamic growth demonstrates the resilience of its B2B2C business and the strength of its operating model. 

Strategy and priorities

Life Capital continued its strong growth in the open book businesses and achieved major strategic milestones with the completion of the ReAssure sale and the deconsolidation of the business.

The completion of the sale of ReAssure to Phoenix Group on 22 July 2020 represented a significant strategic milestone for the Group. The transaction had valued ReAssure at GBP 3.25 billion, with Swiss Re receiving a cash payment of GBP 1.2 billion and shares representing a 13.3% stake in Phoenix.

The successful deconsolidation of ReAssure allowed Life Capital to pay a dividend to Swiss Re Group of USD 1.5 billion in September 2020. In our open book businesses, Life Capital continued to further enhance Swiss Re's access to primary risk pools. Through the use of technology, elipsLife and iptiQ demonstrated strong growth despite the headwinds created by COVID-19. In 2020, iptiQ's gross premiums written in its core business increased by 76% compared to 2019 and elipsLife's core gross premiums written increased by 22%.

iptiQ currently operates with 40 partners globally, a net increase of 11 compared with 2019. The successful expansion into the EMEA property and casualty business in 2020 has contributed positively to the overall growth and development of the business. iptiQ currently provides protection to 668 000 customers globally. Continued progress was made for expansion into Asia with the intention to enter China in the near term. The continued dynamic growth of the business contributes to its positive standalone valuation.

Performance

Life Capital reported a net loss of USD 265 million in 2020. The result was driven by continued investment into the growth of our open book businesses, underperformance in the elipsLife unit and COVID-19 losses. Overall, COVID-19 losses of USD 27 million for Life Capital are within expectations, given the underlying businesses.

The net operating margin in 2020 was -6.6%, compared with 2.4% in the prior year, in line with movements in income.

Premiums

Gross premiums written in the open book businesses increased by 22% during 2020 when measured at constant exchange rates. Overall, net premiums earned and fee income were at USD 2.0 billion for 2020, compared with USD 2.1 billion in 2019, driven by the deconsolidation of the ReAssure business for five months in 2020. This was partially offset by solid growth in the open book businesses.

Investment result

The return on investments was 3.4% for 2020, compared with 3.7% in 2019. In 2020, the investment portfolio return related to ReAssure Group plc was excluded from the ROI calculation for the Business Unit and the Group due to the interim classification of ReAssure Group plc as held for sale.

Net investment income decreased by USD 674 million to USD 113 million in 2020, mainly due to the exclusion of the ReAssure investment portfolio from the investment result.

Net realised gains decreased by USD 148 million to USD 43 million in 2020. The current period was largely driven by market value gains on equity securities.

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

Operating expenses

Operating expenses were USD 613 million in 2020, compared with USD 721 million in 2019. The decrease was driven by the deconsolidation of ReAssure for five months of the year, partially offset by the continued investment into the growth of the open book businesses.

Life Capital results

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	2 831	2 533	-11
Net premiums written	1 780	1 686	-5
Change in unearned premiums	-82	7	-
Premiums earned	1 698	1 693	-
Fee income from policyholders	451	291	-35
Net investment income – non-participating business	1 193	827	-31
Net realised investment gains/losses – non-participating business	18	243	-
Net investment result – unit-linked and with-profit business	4 821	-2 155	-
Other revenues	1	1	-
Total revenues	8 182	900	-89
Expenses			
Life and health benefits	-2 500	-1 718	-31
Return credited to policyholders	-4 471	1 755	-
Acquisition costs	-409	-527	29
Operating expenses	-721	-613	-15
Total expenses before interest expenses	-8 101	-1 103	-86
Income/loss before interest and income tax expense	81	-203	-
Interest expenses	-72	-55	-24
Income/loss before income tax expense/benefit	9	-258	-
Income tax expense/benefit	-133	41	-
Net loss before attribution of non-controlling interests	-124	-217	75
Loss attributable to non-controlling interests	-53	-48	-9
Net loss attributable to common shareholders	-177	-265	50

Shareholders' equity

Shareholders' equity decreased by USD 3.5 billion to USD 1.8 billion, mainly driven by the USD 1.5 billion dividend payment as well as a reduction in unrealised gains related to the disposal of ReAssure and the net loss. Return on equity was -7.5% for 2020, compared with -3.4% for 2019.

Outlook

As of 1 January 2021, the Life Capital segment is officially disbanded, with the former Life Capital businesses reported in their new operating segments from the first quarter of 2021. Swiss Re will continue to increase access to the primary insurance risk pool through its global B2B2C digital platform iptiQ, which is becoming a standalone division. elipsLife will be reported as part of the Corporate Solutions segment.

iptiQ currently writes property and casualty business in Europe and intends to launch operations in China in 2021. On the life and health front, iptiQ operates in Europe, the US, Australia and New Zealand, and is exploring other expansion opportunities in Asia.

Although the outlook has improved, COVID-19 continues to shape our business environment in 2021. While the pandemic is clearly a challenge for society and insurers, it has significantly accelerated the shift toward digital insurance channels. This is of strategic importance for iptiQ. We have already witnessed an increased rate of flow and activity in digital interaction models and we expect this to continue further. This trend plays to iptiQ's strengths, and we are well placed to help partners become closer to consumers as they increasingly use digital channels to purchase insurance.


Swiss Re Institute



Thierry Léger

Chairman Swiss Re Institute &
Group Chief Underwriting Officer



Our research and development insights are the foundation for how we model and understand risk. 

Underwriting performance in 2020

As a result of the COVID-19 pandemic and its unparalleled containment measures, the Group booked substantial claims and reserves for the event across the year, amounting to USD 3.9 billion. Most of these are incurred but not reported (IBNR) reserves, reflecting a developing situation. Besides higher mortality claims, reserves are primarily related to non-damage business interruption and event cancellations.

Swiss Re's large natural catastrophe and man-made large losses, excluding the impact of COVID-19, amounted to USD 2.4 billion in 2020. Natural catastrophe events were above expectations, predominantly from secondary perils across the globe. The largest man-made loss was the explosion in Beirut.

While the impact of COVID-19, natural catastrophes and man-made losses are significant, our P&C businesses showed improved underlying performance following determined actions to strengthen the quality of our underwriting. We steered our portfolio mix to an increasingly attractive risk-return profile with continued growth in special lines, a cautious cycle management approach in credit and surety, and continuous updates to our natural catastrophe risk models to reflect recent events. Furthermore, we executed a focused de-risking of our P&C Re casualty business in North America. We continued Corporate Solutions' exit from North America general liability.

Our underwriting performance was supported by a hardening price environment to compensate for lower interest rates, continued negative loss trends and years of soft markets.

Increasing rates and successful growth in natural catastrophe business helped P&C Re achieve a normalised combined ratio of 96.9%. L&H Re achieved a strong ROE of 10.4%, excluding the impact of COVID-19. This was supported by strict new business underwriting rules and careful capital deployment to disability business. Corporate Solutions delivered on its turnaround plans, with pruning and gross cost reductions largely completed. Together with significant rate increases and low large man-made loss activity, the decisive management actions resulted in a normalised combined ratio of 96.8%.

Swiss Re underwriting and COVID-19

The COVID-19 pandemic has been a major mortality event for Swiss Re's L&H portfolio. Despite the high human cost of COVID-19, the overall mortality impact is significantly below our modelled one-in-two-hundred-year pandemic event.

The pandemic highlighted the need to increase the clarity of reinsurance contracts in order to manage our exposure to complex risk scenarios. We are engaging with clients to improve our insights into their products. This will ensure that all exposures transferred to us are understood and priced for and that we have content clarity in our reinsurance contracts.

Looking forward, the arrival of vaccines is a cause for optimism and we are hopeful that the expected reopening of economies will provide a boost for our re/insurance business.

The switch to digital working and home office will continue into the future, requiring new forms of cyber coverage at individual, business and platform levels. Swiss Re can support the development of cyber insurance from both the investment and underwriting sides of the business.

An evolving natural catastrophe risk landscape

The 2020 hurricane season saw a record number of hurricanes in the North Atlantic and significant insured losses from secondary perils. Severe convective storms, hail and tornados in Australia, Canada and the United States caused USD 36 billion in insured losses for the industry. Wildfires in Australia and in the United States caused total insured losses well exceeding USD 10 billion.

A warming climate explains some of the increase in secondary perils. However, since 1980, a steady growth of losses associated with weather events has mainly been due to exposure accumulation that comes with economic growth and urbanisation.

In 2020, we advanced our understanding of the contribution of climate change and other climate conditions to hurricane and typhoon activity. Climate data points to an ongoing elevated hurricane activity level for 2021.

Through our research, we have continued to develop forward-looking models for new and emerging risks. In 2020, this led to significant revisions of underwriting risk views for multiple markets, most notably in Asia. These models allowed us to better reflect emerging risks in our underwriting, addressing the need for sustainable pricing.

At the same time, we have applied our modelling insights to a range of new natural catastrophe risk transfer solutions, enabling our clients and partners to offer new insurance products. These include index-based cover schemes for communities and public entities.

We have sharpened our focus on sustainability by steering our risk-taking away from carbon-intensive industries, expanding into sustainable industrial activities like renewable energy and developing sustainability metrics to steer our liability portfolios, alongside our financial metrics.

Underwriting outlook: data and analytics at the core

Underwriting excellence and discipline are the key success factors in a changing insurance landscape. We are evolving our underwriting capabilities through cutting-edge research, while putting emphasis on more and better data, advanced analytics and sharpening the skills of our people.

Underwriting data at an individual contract level and live monitoring that enables real-time underwriting decisions are a cornerstone of our efforts. End-to-end digitisation of our contracts helps us track exposures and review wordings, aided by machine learning. We are strengthening geospatial risk insights for individual locations, risks and policies. These enhancements to our core underwriting will strengthen our portfolio quality further. They will be supported by an increasingly data-driven Target Liability Portfolio, including advanced scenario modelling.


Underwriting discipline and covering the true cost of risk is imperative. Swiss Re is well-equipped to benefit from improving market conditions. We see a confluence of factors working towards further rate increases: growth in insurance demand alongside economic recovery, COVID-19-triggered risk awareness and widening protection gaps. We will remain focused on sharper risk assessment, application of tighter terms and conditions and working closely with our clients.

Group Investments



Guido Fürer
Group Chief Investment Officer



Asset Management's proactive portfolio management helped successfully navigate exceptional financial market volatility, delivering a strong result for the Group. 

Financial markets and investment strategy

The COVID-19 pandemic as well as the ensuing monetary and fiscal policy responses were the key drivers of financial markets in 2020. In February/March, risk assets sold off sharply amid the first wave of COVID-19 infections, the related lockdown measures in many countries and the collapse in economic activity. However, decisive actions by central banks and governments to provide significant amount of stimulus contributed to an impressive recovery in equity and other asset classes that has continued.

Swiss Re's investment performance was strong in 2020, despite the global financial market volatility. The focus on high-quality fixed income assets helped to reduce the impact of the financial market turmoil, as did our industry-leading ESG approach. Active and timely portfolio management activities also contributed to the strong investment performance. Actions included the targeted and early reduction of sectors with high vulnerability to COVID-19-related market impacts, as well as dynamically managed portfolio hedging following the onset of the crisis.

In terms of specific key market developments, US 10-year Treasury yields declined to just above 0.5% in August, a new all-time low. Since then, they have increased again amid the economic recovery. Meanwhile, credit spreads of investment grade corporate bonds moved to their widest levels since the Global Financial Crisis in March, before narrowing again to levels close to the beginning of the year, in part due to the Federal Reserve providing a backstop to credit markets. Our active portfolio management and emphasis on high-quality exposure resulted in minimal impairments. Finally, equities rose sharply after hitting multi-year lows in late March, with the S&P 500 reaching new record highs in December as the uncertainty surrounding the US election outcome dissipated and positive news emerged on the effectiveness of various COVID-19 vaccines. This led to notable market value gains in the equity portfolio.

3.0

**Net investment
income in USD
billions, 2020**

(2019: USD 4.2 billion)

3.5%

**Group return on
investments 2020**

(2019: 4.7%)

2.4%

**Group running
yield 2020**

(2019: 2.8%)

Investment result

Fundamentally, the portfolio performed well with insignificant impairments alongside gains generated from the fixed income portfolio, as well as market value gains on equity positions.

The Group's non-participating investment portfolio decreased from USD 134.5 billion at the end of 2019 to USD 125.7 billion in 2020, in part due to the sale of the ReAssure portfolio in July 2020. The ROI was 3.5% for 2020, compared with 4.7% for 2019. The strong investment result, although lower than in the prior year, was driven by timely and effective portfolio management actions throughout the global financial market turbulence.

The Group's non-participating net investment income was USD 3.0 billion in 2020, compared with USD 4.2 billion in 2019. The decrease was mainly driven by the impact of reinvestment into lower yields and reduced contribution from equity-accounted investments, as well as the absence of the ReAssure portfolio in the second half of the year. The Group's running yield was 2.4% in 2020, compared with 2.8% in 2019, reflecting the impact from historically low reinvestment yields alongside de-risking actions. A high concentration of unrealised gains on long-maturity fixed income securities supports our running yield's persistency looking forward.

The Group reported non-participating net realised gains of USD 1.7 billion in 2020, compared with USD 1.6 billion in 2019. The increase reflects the fact that the prior year was impacted by the loss from the agreed sale of ReAssure and additional foreign exchange losses, while the current year reflects reduced gains from sales of fixed income securities.

Outlook

The global economy has seen a stronger-than-expected recovery after the pandemic-induced "sudden stop" in spring. However, renewed COVID-19 waves in both the US and Europe weighed on economic growth in the fourth quarter, resulting in global real GDP growth in 2020 that is still deeply negative.

Looking ahead, the global economy is expected to recover in 2021, although not all economies are expected to reach pre-COVID-19 GDP levels this year. Inflationary pressure is expected to remain moderate even though base effects are likely to lead to a temporary increase in the very near term. In this environment, monetary policy is set to remain highly accommodative. Continued fiscal support is likely necessary to sustain the recovery.

Our investment portfolio remains well diversified across asset classes and underlying sectors, with an ongoing focus on quality and ESG integration. We look to moderately increase our allocation to private markets, including investments in private debt and private equity, which will further diversify the overall investment portfolio. Subject to market conditions, we also plan to add to our credit and equity allocations.

Additionally, we intend to further increase our focus on thematic investing, in light of a financial market outlook where differentiation within asset classes will become even more key to generating performance. We will also continue our efforts to apply technology, such as big data and smart analytics, across the investment process to enable continued outperformance. Lastly, we remain committed towards responsible investing, having incorporated ESG across the entire investment value chain.

Share performance

Swiss Re shares

Swiss Re had a market capitalisation of CHF 26.5 billion on 31 December 2020, with 317.5 million shares outstanding, of which 289 million were entitled to dividends. Swiss Re shares are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange (SIX) and are traded under the ticker symbol SREN.

American Depositary Receipts (ADR)

In the US, Swiss Re maintains an ADR level I programme (OTC symbol SSREY).

Share price performance

Swiss Re shares opened the year at CHF 108.75. An intra-day high of CHF 117.05 was achieved on 19 February 2020. On 19 March 2020, the shares experienced an intra-day low of CHF 52.68. The year-end share price was CHF 83.34.

During 2020, the STOXX Europe 600 Insurance index (SXIP) decreased by 13.8% and the broader index of Swiss blue chips (SMI) increased by 0.8%. The Swiss Re share decreased by 23.3%.

Share trading

The average on-exchange daily trading volume for 2020 was 1 million shares. Trading volume peaked at 8 million shares on 30 April 2020.

Swiss Re's dividend policy

Swiss Re's dividend policy is a central element of Swiss Re's capital management priorities.

The Group aims to ensure superior capitalisation at all times and to maximise financial flexibility, growing the regular dividend with long-term earnings and, at a minimum, maintaining it. Swiss Re will then deploy capital for business growth where it meets its strategy and profitability requirements and finally repatriate further excess capital to shareholders, with the preferred form of future capital repatriation being share buyback programmes.

Dividends are typically paid out of current earnings and Swiss Re pays its dividend annually. Shares are ex-dividend two working days after the Annual General Meeting (AGM). Dividend payment is

typically two working days after the ex-dividend date. The corresponding dates in 2021 are 20 and 22 April.

Dividends

The Board of Directors proposes a regular dividend of CHF 5.90 per share for 2020. The dividend paid for 2020 will be subject to 35% Swiss withholding tax.

Public share buyback programme

On 17 April 2020, shareholders authorized a new public share buyback programme of up to CHF 1 billion purchase value. At the post-AGM meeting, the Board of Directors decided that the share buyback programme will not be launched.

For further information please visit www.swissre.com/investors/shares/share_buyback/

In line with the Group's capital management priorities, the Board has decided not to seek approval at the AGM 2021 for a new share buyback programme.

Index representation

In addition to its relevant industry indices, Swiss Re is also represented in various Swiss, European and global indices, including the SMI and the SXIP. Swiss Re is also a member of various sustainability indices, including the Dow Jones Sustainability World and Europe, FTSE4Good, Euronext Vigeo Europe 120, Bloomberg Gender Equality Index, MSCI World ESG Leaders and MSCI World Socially Responsible (2020) index families. In November 2020, Swiss Re received a AAA rating on the MSCI ESG assessment.

Information for investors

More information is available on Swiss Re's website: www.swissre.com/investors

General information on Swiss Re shares

Identification numbers	Share	ADR	
Swiss Security Number (Valorenummer)	12688156	-	
ISIN (International Securities Identification Number)	CH0126881561	US8708861088	
Ticker symbols	Bloomberg	Telekurs	Reuters
Share	SREN:SW	SREN	SREN.SW
ADR ¹	SSREY:US	SSREY	SSREY.PK

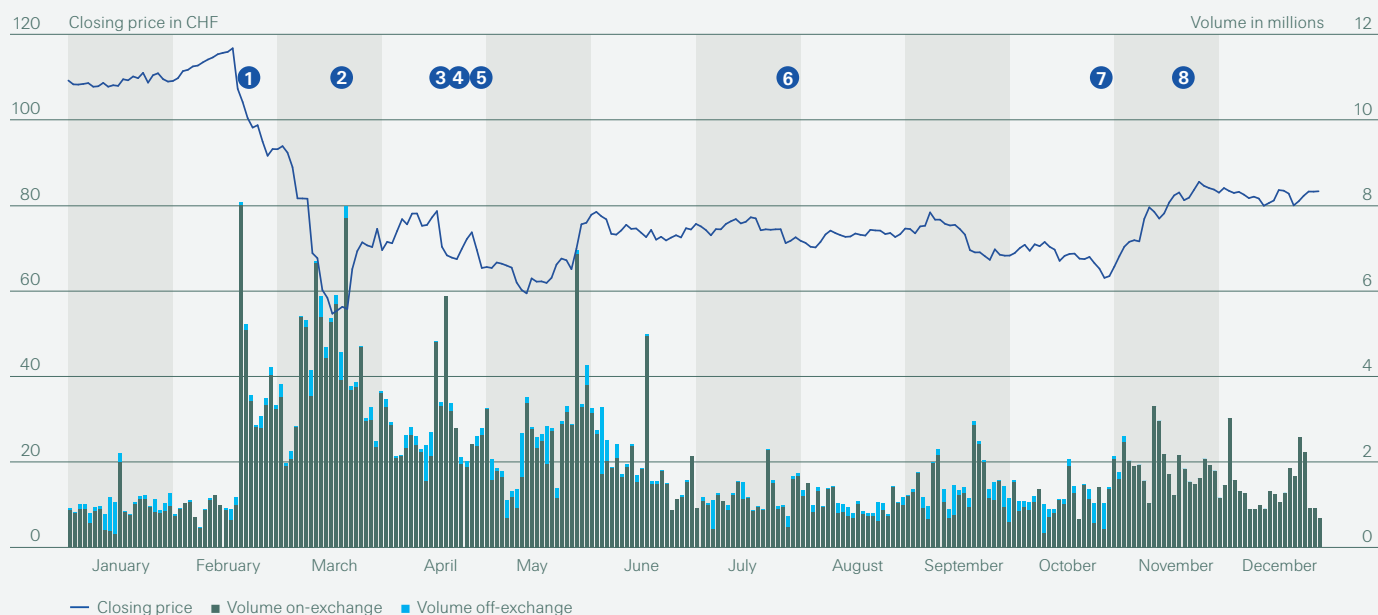
¹ Swiss Re's ADR are not listed but traded over the counter; four ADRs correspond to one Swiss Re share.

Weighting in indices

As of 31 December 2020

Swiss/blue chip indices	Index weight (in %)
SMI	2.26
SPI	1.58
Insurance indices	
STOXX Europe 600 Insurance	4.87
Bloomberg Europe 500 Insurance	4.76
FTSEurofirst 300 Insurance	5.80
Dow Jones Insurance Titans 30	2.56
Sustainability indices	
Dow Jones Sustainability Europe	0.60
Dow Jones Sustainability World	0.24
FTSE4Good Global	0.07
Bloomberg Gender Equality	0.20

Swiss Re share price and trading volume in 2020



- 1 Annual results 2019 (20 February)
- 2 Annual report 2019 (19 March)
- 3 Ex dividend date (21 April)
- 4 Dividend payment (23 April)
- 5 Q1 results 2020 (30 April)
- 6 H1 results 2020 (31 July)
- 7 9M results 2020 (30 October)
- 8 Investors' Day 2020 (20 November)

Key share statistics 2015 – 2020

As of 31 December	2015	2016	2017	2018	2019	2020
Shares outstanding ¹	370 706 931	360 072 561	349 452 281	338 619 465	327 404 704	317 497 306
of which Treasury shares and shares reserved for corporate purposes	32 967 226 ²	34 093 834 ³	34 866 516 ⁴	38 575 324 ⁵	36 749 762 ⁶	28 520 907
Shares entitled to dividend	337 739 705	325 978 727	314 585 765	300 044 141	290 654 942	288 976 399

CHF unless otherwise stated

Dividend paid per share	4.25 ⁷	4.60	4.85	5.00	5.60	5.90
Dividend yield ⁸ (in %)	4.33	4.77	5.32	5.55	5.15	7.08
Earnings per share ⁹	12.93	10.55	1.02	1.34	2.46	-3.04
Book value per share ¹⁰	96.04	107.64	103.37	91.72	97.46	83.00

Price per share year-end	98.15	96.50	91.25	90.12	108.70	83.34
Price per share year high (intra-day)	99.75	97.85	98.50	98.80	110.45	117.05
Price per share year low (intra-day)	74.95	79.00	81.65	84.20	88.90	52.68
Daily trading volume (in CHF millions)	134	120	129	126	120	147
Market capitalisation ¹¹ (in CHF millions)	36 385	34 747	31 888	30 516	35 589	26 460
ADR price at year-end (in USD)	24.53 ¹²	23.76	23.38	22.84	28.12	23.69

¹ Nominal value of CHF 0.10 per share.

² Includes 4.4m shares repurchased under the share buyback programme launched on 12 November 2015, which concluded on 2 March 2016.

³ Includes 5.5m shares repurchased under the share buyback programme launched on 4 November 2016, which concluded on 9 February 2017.

⁴ Includes 6.3m shares repurchased under the share buyback programme launched on 3 November 2017, which concluded on 16 February 2018.

⁵ Includes 10.1m shares repurchased under the share buyback programme launched on 7 May 2018, which concluded on 15 February 2019.

⁶ Includes 9.9m shares repurchased under the share buyback programme launched on 6 May 2019, which concluded on 18 February 2020.

⁷ In addition to the regular dividend of CHF 4.25 per share, a special dividend of CHF 3.00 per share was paid in 2015.

⁸ Dividend divided by year-end share price of the corresponding year.

⁹ Calculated by dividing net income by the weighted average number of common shares outstanding.

¹⁰ Based on shareholders' equity (excluding convertible perpetual capital instruments) divided by the number of external common shares entitled to a dividend.

¹¹ Based on shares outstanding.

¹² Since 15 June 2015, every Swiss Re ADR represents one quarter of a Swiss Re share. Prior to close of business on 12 June 2015, one ADR represented one Swiss Re share.

Swiss Re's 2020 economic result was impacted by COVID-19, partially offset by a strong contribution from investment activities.

Contents

EVM performance	36
EVM financial information	40
Independent Assurance Report	48


EVM performance

The economic result in Reinsurance and Corporate Solutions was impacted by the large losses related to the COVID-19 pandemic, partially offset by strong performance from investment activities.



John R. Dacey
Group Chief Financial Officer



The strong underlying business performance in 2020, excluding COVID-19-related losses, resulted in economic net worth per share growth of 10.3%. 

Economic Value Management (EVM) is Swiss Re's proprietary integrated economic valuation and steering framework, which consistently measures economic performance across all businesses.

Swiss Re reported a total contribution to economic net worth (ENW) of USD -434 million in 2020, compared to USD 2.9 billion in 2019. On a risk-adjusted basis, Swiss Re reported an EVM loss of USD 3.6 billion in 2020, compared to an EVM loss of USD 19 million in 2019.

-3.6

EVM profit
in USD billions, 2020
(2019: USD -19 million)

-434

Total contribution to ENW
in USD millions, 2020
(2019: USD 2.9 billion)

-0.1%

ENW per share growth
over-the-cycle target: 10%
(2019: 8.2%)

10.3%

ENW per share growth
(excl. COVID-19)

Group performance

The EVM loss of USD 3.6 billion in 2020 reflected the impact of COVID-19 claims and reserves of USD 3.7 billion (COVID-19-related impacts disclosed net of expenses, taxes and capital costs). Excluding COVID-19-related impacts, Reinsurance and Corporate Solutions showed strong new business performance.

The EVM profit on new business was USD 9 million in 2020, compared to USD 1.2 billion in 2019. Excluding the COVID-19 claims and reserves of USD 1.2 billion, the 2020 result was driven by strong renewals in Property & Casualty Reinsurance, transactional growth in Life & Health Reinsurance and good underwriting performance in Corporate Solutions. This was partially offset by continued investments in the open book businesses in Life Capital as well as overhead expenses in Group items.

The EVM loss from previous years' business amounted to USD 4.3 billion in 2020, compared to an EVM loss of USD 3.3 billion in 2019. Excluding COVID-19-related claims and reserves of USD 2.5 billion, the result mainly reflected the adverse impacts of capital cost updates for Life & Health Reinsurance and negative development for the US liability portfolio in Property & Casualty Reinsurance.

Investment activities generated an EVM profit of USD 683 million in 2020, compared to a profit of USD 2.1 billion in 2019. The 2020 result reflected favourable interest rate impacts on a net long duration position and strong real estate performance. The 2019 result was driven by spread tightening on credit investments as well as strong performance across equities and alternative investments.

ENW per share growth amounted to -0.1% in 2020, below the over-the-cycle target of 10%. Excluding COVID-19-related claims and reserves the ENW per share growth was 10.3%.

Key information

USD millions, unless otherwise stated	2019	2020	Change in %
EVM profit	-19	-3 590	-
Total contribution to ENW	2 932	-434	-
Economic net worth (ENW)	36 138	33 652	-7
Economic net worth per share in USD	124.33	116.45	-6
<i>Economic net worth per share growth, %¹</i>	<i>8.2</i>	<i>-0.1</i>	
<i>Profit margin – new business, %</i>	<i>3.0</i>	<i>0.0</i>	
<i>Profit margin – previous years' business, %</i>	<i>-14.2</i>	<i>-16.1</i>	
<i>Profit margin – investments, %</i>	<i>21.8</i>	<i>5.9</i>	

¹ ENW per share growth is calculated as follows: (current-year closing ENW per share + current year dividends per share) ÷ (prior-year closing ENW per share + current year opening balance sheet adjustments per share).

Business segment performance

Property & Casualty Reinsurance reported an EVM loss of USD 2.0 billion in 2020, compared to a loss of USD 1.4 billion in 2019. EVM loss on new business of USD 433 million was driven by COVID-19-related claims and reserves of USD 1.2 billion. EVM profit excluding COVID-19-related impacts was USD 720 million with strong renewals from property natural catastrophe and specialty. The casualty business was impacted by lower interest rates, partially offset by volume and profitability improvements. EVM loss on previous years' business was USD 1.5 billion due to COVID-19-related claims of USD 689 million, US liability experience and assumption updates, large natural catastrophe losses mainly in Australia as well as several man-made loss updates. This was partially compensated by reserve releases for large natural catastrophe losses. Investment activities generated an EVM loss of USD 91 million in 2020, compared to a profit of USD 627 million in 2019. The 2020 loss reflected the impact from declining interest rates on a net short duration position, partially offset by strong real estate performance. The 2019 EVM profit reflected strong performance across equity and alternative investments as well as the impact of credit spread tightening.

Life & Health Reinsurance reported an EVM loss of USD 207 million in 2020 compared to a profit of USD 1.8 billion in 2019. EVM profit on new business of USD 1.0 billion reflected strong transactional business growth in EMEA, mainly due to large longevity transactions, as well as life transactions in the Americas. EVM loss on previous years' business of USD 1.8 billion included the impact of COVID-19-related claims and reserves of USD 995 million, mainly driven by higher incurred and expected mortality claims in the US and the UK as well as higher disability claims mainly in Australia. In addition, the result was impacted by capital cost updates. Investment activities generated an EVM profit of USD 551 million in 2020, compared to USD 739 million in 2019. The 2020 EVM profit was driven by favourable interest rate impacts on a net long duration position. The 2019 EVM profit reflected the impact of credit spread tightening as well as positive equity performance.

Corporate Solutions reported an EVM loss of USD 706 million in 2020, compared to a loss of USD 805 million in 2019. The EVM loss on new business of USD 98 million was mainly driven by COVID-19-related claims and reserves, and losses on insurance in derivative form due to the mild winter in Europe. Excluding COVID-19-related impacts, the new business loss was USD 41 million. The EVM loss on previous years' business of USD 624 million was significantly impacted by COVID-19-related claims and reserves, driven by anticipated claims for event cancellations, non-damage business interruption losses, and credit & surety claims. Excluding COVID-19-related impacts, the previous years' business reported a profit of USD 156 million, a turnaround of USD 1.2 billion compared to 2019. The profit reflected the benefits of the management actions taken to improve profitability and low large man-made claims activity, partially offset by credit & surety recession-related anticipated losses on the existing portfolio, as well as a credit & surety premium takedown to account for future cancellations. Investment activities generated an EVM profit of USD 17 million in 2020, compared to a profit of USD 112 million in 2019, with results in 2020 driven by interest rates and equity performance, albeit lower than in the prior year. The 2019 EVM profit reflected the impact of credit spread tightening and favourable performance from equity investments.

Life Capital generated an EVM loss of USD 511 million in 2020, compared to a profit of USD 591 million in 2019. The EVM loss on new business was USD 268 million, mainly driven by expenses for the open books and the running of Life Capital as well as capital costs, which more than offset the gross underwriting result generated by the open books. The EVM loss on previous years' business was USD 233 million, impacted by a true-up to the gain on the sale of ReAssure mainly driven by an unfavourable movement in the Phoenix share price prior to the sale, underperformance in elipsLife and unfavourable persistency in the closed book US business. Investment activities generated an EVM loss of USD 10 million, compared to a profit of USD 596 million in 2019. The 2020 EVM loss was mainly related to ReAssure with unfavourable performance driven by spread widening on UK credit investments as well as

unfavourable performance from the implied equity exposure arising from the unit-linked business. This was partially offset by positive performance of Phoenix shares following the sale of ReAssure and the related hedge as well as the favourable interest rate impacts on a net long duration position in Life Capital.

Group items reported an EVM loss of USD 191 million in 2020, compared to a loss of USD 184 million in 2019. The EVM loss on new business was USD 238 million in 2020, mainly driven by overhead expenses and capital costs on excess capital, partially offset by trademark licence fees charged to the business segments. The EVM loss on previous years' business was USD 169 million, mainly driven by an increase in overhead expenses and the impact of a business re-segmentation from Life & Health Reinsurance and Life Capital to Group items. Investment activities generated an EVM profit of USD 216 million in 2020, compared to a loss of USD 6 million in 2019, reflecting improved performance from Principal Investments.

Business segments – key information

USD millions, unless otherwise stated	Property&Casualty Reinsurance	Life&Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
2019						
EVM profit	-1 396	1 775	-805	591	-184	-19
Total contribution to ENW	-351	2 656	-727	937	417	2 932
<i>Profit margin – new business, %</i>	<i>-1.1</i>	<i>7.8</i>	<i>5.3</i>	<i>7.2</i>	<i>n/a</i>	<i>3.0</i>
<i>Profit margin – previous years' business, %</i>	<i>-19.5</i>	<i>-2.5</i>	<i>-88.8</i>	<i>-6.9</i>	<i>n/a</i>	<i>-14.2</i>
<i>Profit margin – investments, %</i>	<i>23.2</i>	<i>18.8</i>	<i>20.5</i>	<i>n/a</i>	<i>-0.3</i>	<i>21.8</i>
2020						
EVM profit	-1 975	-207	-706	-511	-191	-3 590
Total contribution to ENW	-714	820	-513	-302	276	-434
<i>Profit margin – new business, %</i>	<i>-2.7</i>	<i>4.6</i>	<i>-4.3</i>	<i>-33.7</i>	<i>n/a</i>	<i>0.0</i>
<i>Profit margin – previous years' business, %</i>	<i>-12.7</i>	<i>-14.6</i>	<i>-42.4</i>	<i>-17.3</i>	<i>n/a</i>	<i>-16.1</i>
<i>Profit margin – investments, %</i>	<i>-3.8</i>	<i>13.2</i>	<i>3.1</i>	<i>n/a</i>	<i>5.1</i>	<i>5.9</i>

EVM financial information

EVM income statement

For the years ended 31 December

USD millions, unless otherwise stated	2019	2020
Underwriting result		
Gross premiums and fees	58 325	60 449
<i>Gross premiums and fees growth rate, %</i>	<i>30.2</i>	<i>3.6</i>
Premiums and fees	57 120	58 641
<i>Premiums and fees retention rate, %</i>	<i>97.9</i>	<i>97.0</i>
<i>Premiums and fees growth rate, %</i>	<i>30.2</i>	<i>2.7</i>
Claims and benefits	-40 913	-43 488
Commissions	-9 536	-8 827
Other	452	-44
Gross underwriting result – new business	7 123	6 282
Expenses	-3 639	-3 731
Net underwriting result – new business	3 485	2 551
Taxes	-607	-573
Capital costs	-1 672	-1 970
EVM profit – new business	1 206	9
EVM profit – previous years' business	-3 293	-4 282
EVM profit – underwriting	-2 087	-4 274
Investment result		
Mark-to-market investment result	9 565	8 409
Benchmark investment result	-5 645	-6 143
Gross outperformance (underperformance)	3 920	2 265
Other	117	123
Expenses	-249	-241
Net outperformance (underperformance)	3 788	2 147
Taxes	-810	-469
Capital costs	-910	-994
EVM profit – investments	2 068	683
EVM profit	-19	-3 590
Cost of debt	-841	-259
Release of current year capital costs	2 911	2 443
Additional taxes	881	972
Total contribution to ENW	2 932	-434
<i>Profit margin – new business, %</i>	<i>3.0</i>	<i>0.0</i>
<i>Profit margin – previous years' business, %</i>	<i>-14.2</i>	<i>-16.1</i>
<i>Profit margin – investments, %</i>	<i>21.8</i>	<i>5.9</i>

EVM balance sheet

As of 31 December

USD millions	2019	2020
Assets		
Investments	155 013	123 601
Cash and cash equivalents	9 611	5 458
In-force business assets	266 327	318 440
Retrocession assets	26 072	26 848
Other assets	3 457	2 818
Total assets	460 480	477 165
Liabilities		
In-force business liabilities	369 967	384 141
Retrocession liabilities	19 752	21 900
Provision for capital costs	9 850	11 800
Future income tax liabilities	4 203	3 510
Debt	13 718	14 817
Other liabilities	6 852	7 345
Total liabilities	424 342	443 513
Economic net worth	36 138	33 652
Total liabilities and economic net worth	460 480	477 165

Statement of economic net worth

For the years ended 31 December

USD millions	2019	2020
Economic net worth as of 1 January	35 993	36 138
Change in EVM methodology ¹	0	-492
Adjusted economic net worth as of 1 January	35 993	35 646
Total contribution to ENW	2 932	-434
Dividends and share buyback	-2 590	-1 956
Other, including foreign exchange on economic net worth	-197	395
Economic net worth as of 31 December	36 138	33 652
Common shares outstanding as of 31 December	290 654 942	288 976 399
Economic net worth per share in USD as of 31 December	124.33	116.45

¹The Group decided to adopt an intensity-based approach for modelling EVM capital of underwriting activities. The impact of the change in EVM methodology was recorded as an adjustment to the opening balance of 2020 economic net worth.

Economic Value Management

EVM financial information

Business segments – EVM income statement

For the year ended 31 December

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
2019							
Underwriting result							
Gross premiums and fees	24 174	27 244	4 767	2 656		-517	58 325
<i>Gross premiums and fees growth rate, %</i>	<i>27.1</i>	<i>37.9</i>	<i>6.2</i>	<i>92.9</i>	<i>n/a</i>		<i>30.2</i>
Premiums and fees	23 540	27 213	4 071	2 296			57 120
<i>Premiums and fees retention rate, %</i>	<i>97.4</i>	<i>99.9</i>	<i>85.4</i>	<i>86.5</i>	<i>n/a</i>		<i>97.9</i>
<i>Premiums and fees growth rate, %</i>	<i>26.5</i>	<i>34.4</i>	<i>2.8</i>	<i>120.4</i>	<i>n/a</i>		<i>30.2</i>
Claims and benefits	-15 937	-21 021	-2 197	-1 758			-40 913
Commissions	-5 873	-2 702	-626	-334			-9 536
Other	14	-6	59	380	4		452
Gross underwriting result – new business	1 745	3 484	1 307	584	4	0	7 123
Expenses	-1 411	-828	-875	-402	-123		-3 639
Net underwriting result – new business	334	2 656	432	182	-119	0	3 485
Taxes	-209	-417	-90	39	70		-607
Capital costs	-334	-931	-178	-88	-140		-1 672
EVM profit – new business	-209	1 308	164	133	-190	0	1 206
EVM profit – previous years' business	-1 814	-272	-1 081	-137	11	0	-3 293
EVM profit – underwriting	-2 023	1 036	-917	-4	-179	0	-2 087
Investment result							
Mark-to-market investment result	3 370	3 388	541	1 870	395		9 565
Benchmark investment result	-2 099	-2 166	-357	-933	-91		-5 645
Gross outperformance (underperformance)	1 272	1 222	185	937	304	0	3 920
Other	66	26	11	13	1		117
Expenses	-103	-71	-20	-28	-26		-249
Net outperformance (underperformance)	1 234	1 178	175	922	278	0	3 788
Taxes	-269	-242	-38	-188	-72		-810
Capital costs	-338	-197	-25	-139	-211		-910
EVM profit – investments	627	739	112	596	-6	0	2 068
EVM profit	-1 396	1 775	-805	591	-184	0	-19
Cost of debt	-273	-322	-45	-151	-50		-841
Release of current year capital costs	931	980	176	346	479		2 911
Additional taxes	386	223	-52	151	172		881
Total contribution to ENW	-351	2 656	-727	937	417	0	2 932
<i>Profit margin – new business, %</i>	<i>-1.1</i>	<i>7.8</i>	<i>5.3</i>	<i>7.2</i>	<i>n/a</i>	<i>n/a</i>	<i>3.0</i>
<i>Profit margin – previous years' business, %¹</i>	<i>-19.5</i>	<i>-2.5</i>	<i>-88.8</i>	<i>-6.9</i>	<i>n/a</i>	<i>n/a</i>	<i>-14.2</i>
<i>Profit margin – investments, %</i>	<i>23.2</i>	<i>18.8</i>	<i>20.5</i>	<i>n/a</i>	<i>-0.3</i>	<i>n/a</i>	<i>21.8</i>

¹The overall previous years' business profit margin for the Reinsurance Business Unit was -10.4%.

Business segments – EVM income statement

For the year ended 31 December

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
2020							
Underwriting result							
Gross premiums and fees	23 853	29 754	4 604	3 089		-851	60 449
<i>Gross premiums and fees growth rate, %</i>	<i>-1.3</i>	<i>9.2</i>	<i>-3.4</i>	<i>16.3</i>	<i>n/a</i>		<i>3.6</i>
Premiums and fees	22 886	29 565	3 767	2 423			58 641
<i>Premiums and fees retention rate, %</i>	<i>95.9</i>	<i>99.4</i>	<i>81.8</i>	<i>78.4</i>	<i>n/a</i>		<i>97.0</i>
<i>Premiums and fees growth rate, %</i>	<i>-2.8</i>	<i>8.6</i>	<i>-7.5</i>	<i>5.5</i>	<i>n/a</i>		<i>2.7</i>
Claims and benefits	-15 749	-23 461	-2 399	-1 878			-43 488
Commissions	-5 595	-2 377	-506	-348			-8 827
Other	14	-13	-34	-3	-8		-44
Gross underwriting result – new business	1 555	3 714	828	193	-8	0	6 282
Expenses	-1 397	-912	-814	-418	-189		-3 731
Net underwriting result – new business	158	2 802	13	-225	-197	0	2 551
Taxes	-133	-559	-7	48	79		-573
Capital costs	-458	-1 197	-104	-91	-120		-1 970
EVM profit – new business	-433	1 046	-98	-268	-238	0	9
EVM profit – previous years' business	-1 451	-1 804	-624	-233	-169	0	-4 282
EVM profit – underwriting	-1 884	-758	-723	-501	-407	0	-4 274
Investment result							
Mark-to-market investment result	2 763	2 891	371	1 694	690		8 409
Benchmark investment result	-2 331	-1 872	-314	-1 572	-54		-6 143
Gross outperformance (underperformance)	432	1 019	57	122	636	0	2 265
Other	73	29	11	9	1		123
Expenses	-99	-68	-15	-30	-29		-241
Net outperformance (underperformance)	405	981	53	101	607	0	2 147
Taxes	-97	-202	-10	-21	-138		-469
Capital costs	-399	-228	-25	-89	-253		-994
EVM profit – investments	-91	551	17	-10	216	0	683
EVM profit	-1 975	-207	-706	-511	-191	0	-3 590
Cost of debt	-40	-71	37	-41	-144		-259
Release of current year capital costs	854	826	137	237	389		2 443
Additional taxes	447	273	19	12	221		972
Total contribution to ENW	-714	820	-513	-302	276	0	-434
<i>Profit margin – new business, %</i>	<i>-2.7</i>	<i>4.6</i>	<i>-4.3</i>	<i>-33.7</i>	<i>n/a</i>	<i>n/a</i>	<i>0.0</i>
<i>Profit margin – previous years' business, %¹</i>	<i>-12.7</i>	<i>-14.6</i>	<i>-42.4</i>	<i>-17.3</i>	<i>n/a</i>	<i>n/a</i>	<i>-16.1</i>
<i>Profit margin – investments, %</i>	<i>-3.8</i>	<i>13.2</i>	<i>3.1</i>	<i>n/a</i>	<i>5.1</i>	<i>n/a</i>	<i>5.9</i>

¹The overall previous years' business profit margin for the Reinsurance Business Unit was -13.7%.

Economic Value Management

EVM financial information

Business segments – EVM balance sheet

As of 31 December

USD millions	Property&Casualty Reinsurance	Life&Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
2019							
Assets							
Investments	61 167	39 811	8 027	53 808	5 745	-13 544	155 013
Cash and cash equivalents	3 675	1 697	1 696	2 540	2		9 611
In-force business assets	20 125	250 985	2 564	39 076		-46 424	266 327
Retrocession assets	2 744	37 957	6 741	25 049		-46 419	26 072
Other assets	5 101	3 208	1 058	1 022	1 756	-8 689	3 457
Total assets	92 812	333 658	20 087	121 496	7 503	-115 075	460 480
Liabilities							
In-force business liabilities	63 537	249 676	14 870	87 513	776	-46 405	369 967
Retrocession liabilities	662	38 753	1 390	25 392		-46 445	19 752
Provision for capital costs	922	7 231	257	1 441			9 850
Future income tax liabilities	-93	4 635	-264	183	-259		4 203
Debt	6 968	15 216	866	1 847	626	-11 807	13 718
Other liabilities	10 681	3 260	662	1 164	1 505	-10 419	6 852
Total liabilities	82 676	318 772	17 780	117 540	2 649	-115 075	424 342
Economic net worth	10 136	14 887	2 306	3 955	4 854	0	36 138
Total liabilities and economic net worth	92 812	333 658	20 087	121 496	7 503	-115 075	460 480

Business segments – EVM balance sheet

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
2020							
Assets							
Investments	72 541	41 946	9 119	4 707	8 230	-12 943	123 601
Cash and cash equivalents	2 941	1 625	546	294	53		5 458
In-force business assets	20 967	280 433	2 567	15 486	177	-1 189	318 440
Retrocession assets	2 589	21 872	7 179	636		-5 428	26 848
Other assets	5 694	4 741	858	822	4 223	-13 520	2 818
Total assets	104 732	350 616	20 268	21 945	12 683	-33 080	477 165
Liabilities							
In-force business liabilities	73 095	280 803	16 528	18 465	1 084	-5 834	384 141
Retrocession liabilities	919	20 367	870	535		-790	21 900
Provision for capital costs	1 206	10 022	207	361	5		11 800
Future income tax liabilities	-886	5 121	-425	110	-411		3 510
Debt	5 774	16 353	538	66	2 688	-10 602	14 817
Other liabilities	15 872	3 428	457	606	2 836	-15 854	7 345
Total liabilities	95 981	336 094	18 175	20 142	6 202	-33 080	443 513
Economic net worth	8 751	14 522	2 093	1 803	6 481	0	33 652
Total liabilities and economic net worth	104 732	350 616	20 268	21 945	12 683	-33 080	477 165

Economic Value Management

EVM financial information

Business segments – statement of economic net worth

For the year ended 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
2020						
Economic net worth as of 1 January	10 136	14 887	2 306	3 955	4 854	36 138
Change in EVM methodology ¹	-183	-344	34			-492
Adjusted economic net worth as of 1 January	9 953	14 543	2 341	3 955	4 854	35 646
Total contribution to ENW	-714	820	-513	-302	276	-434
Dividends and share buyback	-470	-1 200		-1 487	1 201	-1 956
Other, including foreign exchange on economic net worth	-18	359	266	-363	150	395
Economic net worth as of 31 December	8 751	14 522	2 093	1 803	6 481	33 652

¹ The Group decided to adopt an intensity-based approach for modelling EVM capital of underwriting activities. The impact of the change in EVM methodology was recorded as an adjustment to the opening balance of 2020 economic net worth.

Comparison of EVM and US GAAP

The most significant differences between EVM and US GAAP are as follows:

- **Discounting:** For EVM, all future expected cash flows are discounted using risk-free interest rates. Under US GAAP, most property and casualty reserves are undiscounted (except for reserves acquired in business combinations), whereas life and health reserves are usually discounted based on book yields.
- **Investments and debt:** For EVM, all investments and debt positions are carried at fair value. Under US GAAP, different treatment applies for certain investments (eg real estate is held at depreciated cost) and debt is carried at amortised cost rather than at fair value.
- **Reserving basis:** For EVM, best-estimate current assumptions are used for all re/insurance reserves. Under US GAAP, life and health assumptions, including book yield discounting assumptions, are usually locked in and can include a provision for adverse deviation.
- **Recognition differences:** EVM considers the economic value related to annual management charges on unit-linked funds and adjusts for counterparty credit risk in the valuation of insurance-related net assets. In addition, EVM does not show minority interests on the balance sheet, but consolidates assets and liabilities based on the proportion of the interest held by Swiss Re.
- **Goodwill and other intangibles:** EVM excludes the recognition of potential future new business activities, including potential renewals. As a result, no goodwill or other intangible assets are carried in the EVM balance sheet.
- **Taxes:** For EVM, deferred tax assets and liabilities are recognised for temporary differences between US GAAP and EVM.
- **Capital costs:** EVM recognises opportunity costs for shareholders' capital. The present value of capital costs allocated to existing contracts are recognised in the EVM balance sheet.

Business segments – reconciliation to US GAAP

As of 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
2019						
US GAAP shareholders' equity	8 318	8 253	2 005	5 289	5 386	29 251
Discounting	3 484	-745	162	-3 796		-895
Investments and debt	2 302	-2 305	-34	-39	491	414
Reserving basis						
GAAP margins		20 796		3 162		23 958
Other	80	-35	850	-281	-776	-163
Recognition differences	-30	193	-25	87		225
Goodwill and other intangibles	-1 943	-1 847	-342	-31	-515	-4 678
Taxes	-1 043	-2 213	-58	570	139	-2 605
Capital costs	-808	-7 187	-230	-1 802		-10 026
Other	-224	-21	-22	796	129	659
Total EVM valuation adjustments	1 818	6 634	301	-1 334	-532	6 887
Economic net worth	10 136	14 887	2 306	3 955	4 854	36 138
2020						
US GAAP shareholders' equity	9 168	7 381	2 021	1 751	6 814	27 135
Discounting	1 220	-981	1	-232		8
Investments and debt	2 401	-2 378	-19	1	668	674
Reserving basis						
GAAP margins		24 658		897	85	25 639
Other	-135	912	608	-96	-938	351
Recognition differences	117	-955	-55	-82	-29	-1 004
Goodwill and other intangibles	-1 978	-1 884	-299	-59	-489	-4 708
Taxes	-721	-2 312	20	-62	246	-2 830
Capital costs	-1 108	-9 964	-179	-360	-5	-11 615
Other	-213	46	-5	47	129	3
Total EVM valuation adjustments	-417	7 141	72	52	-333	6 517
Economic net worth	8 751	14 522	2 093	1 803	6 481	33 652

Independent Assurance Report

on the Economic Value Management financial information as of 31 December 2020 to the Board of Directors of Swiss Re Ltd

Zurich

We have been engaged to perform a reasonable assurance engagement on the Economic Value Management ('EVM') financial information of Swiss Re Ltd (the 'Company') for the year ended 31 December 2020 (the 'EVM financial information'). The EVM financial information consists of the income statement, balance sheet, statement of economic net worth and information on business segments as set out on pages 40 to 47 in the Company's 2020 Annual Report.

All other EVM information included in, or made available outside, the Company's 2020 Annual Report was not subject to assurance procedures and, accordingly, we express no conclusion on this information.

The reporting criteria used by the Company are described in the summary of significant EVM principles (hereafter referred to as "EVM principles") as published on the Company's website (swissre.com/EVM_principles).

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the EVM financial information in accordance with the Company's EVM principles including data, valuation and accounting principles, assumptions and factors used and the related internal controls as determined necessary to enable the preparation of the EVM financial information that is free from material misstatement.

Practitioner's responsibility

Our responsibility is to perform a reasonable assurance engagement to express a conclusion on the EVM financial information as set out on pages 40 to 47 in the Company's 2020 Annual Report. We conducted our reasonable assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised) 'Assurance engagements other than audits or reviews of historical financial information' issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain reasonable assurance about the assurance conclusions.

A reasonable assurance engagement involves performing procedures to obtain evidence about the execution of the valuation and accounting for the purpose of the EVM financial information in accordance with the Company's EVM principles. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the EVM financial information, whether due to omissions, misrepresentation, fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation of the EVM financial information in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls regarding the EVM financial information. A reasonable assurance engagement also includes evaluating the appropriateness of the policies used and reasonableness of significant estimates made, as well as evaluating the adequacy of the overall presentation of the EVM financial information in accordance with the Company's EVM principles.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Conclusion

In our opinion, the EVM financial information of the Company for the year ended 31 December 2020 as set out on pages 40 to 47 is prepared, in all material respects, in accordance with the Company's EVM principles applied as published on the Company's website (swissre.com/EVM_principles).

PricewaterhouseCoopers Ltd



Roy Clark



Jasmine Chang

Zurich, 17 March 2021

Swiss Re maintained its very strong capital position in 2020 despite the impact of COVID-19, while successfully deploying capital to attractive risk pools.

Contents

Overview	52
Financial strength and capital management	54
Liquidity management	60
Risk management	61
Risk assessment	67


Our resilient balance sheet protects our franchise and makes us a reliable partner for our clients.

The Group's capital position remains very strong with a Group SST ratio of 215% as of 1 January 2021, compared with a target range of 200–250%. This is supported by our diversified business model and disciplined risk-taking.



John R. Dacey
Group Chief Financial Officer



The strength of our business model allows us to continue to offer an attractive dividend even in these unprecedented times. 

Financial strength

Despite significant loss events during 2020, the Group's capital position remains very strong with a Group Swiss Solvency Test (SST) ratio of 215% as of 1 January 2021, which is within Swiss Re's 200–250% target Group capitalisation range. Rating agencies A.M. Best, Moody's and Standard & Poor's (S&P) rated Swiss Re's financial strength "superior", "excellent" and "very strong", respectively. This capital strength enables Swiss Re to support its clients while continuing to return capital to shareholders.

Swiss Re's overarching target is to maintain a very strong capital position that operates efficiently within constraints imposed by regulators and requirements from rating agencies, while giving the company maximum financial flexibility. Swiss Re's capital allocation decisions are steered to make capital and liquidity fungible to the Group wherever possible, while complying with local regulations and client needs. Cash dividends paid by our Business Units to the Group's parent holding company, Swiss Re Ltd, have amounted to USD 28.1 billion since 2013.

Based on the Group's capital strength, the Board of Directors proposes a 2020 regular dividend of CHF 5.90 per share. In accordance with the Group's capital management priorities, the Board of Directors has not proposed a public share buyback programme for 2021.

Liquidity

Our core insurance and reinsurance operations generate liquidity primarily through premium income. Our exposure to liquidity risk stems mainly from two sources: the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the Group.

The amount of liquidity held is largely determined by internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events. Based on these internal liquidity stress tests, we estimate that Swiss Reinsurance Company Ltd, the most important legal entity of the Group from a liquidity perspective, currently holds significant surplus liquidity.

Swiss Re also provides FINMA, its principal regulator, with a yearly report on its liquidity position, in accordance with FINMA Circular 13/5, "Liquidity – Insurers".

Risk Management

Group Risk Management is key to the controlled risk-taking that underpins Swiss Re's financial strength. Risk Management is mandated to ensure that the Group and its legal entities have the necessary expertise, frameworks and infrastructure to support good risk-taking. In addition, it monitors and ensures adherence to applicable frameworks and also performs reserving and reporting activities.

Risk Management is embedded throughout Swiss Re's business. The Group has dedicated Chief Risk Officers and risk teams for all major legal entities and regions. These are closely aligned to Swiss Re's business structure, in order to ensure effective risk oversight, but remain part of the Risk Management function under the Group CRO, thus ensuring their independence as well as a consistent Group-wide approach to overseeing and controlling risks. They are supported in this by central risk teams that provide specialised risk expertise and oversight.

The Group's risk-taking is steered by Swiss Re's Risk Appetite Framework, which consists of two interlinked components: risk appetite and risk tolerance. The risk appetite statement facilitates discussions about where and how Swiss Re should deploy its capital, liquidity and other resources under a risk/return view. The risk tolerance sets clear boundaries to risk-taking.

Swiss Re's proprietary integrated risk model provides a meaningful assessment of the risks to which the Group is exposed and represents an important tool for managing our business. It determines the capital requirements for internal purposes and forms



Patrick Raaflaub
Group Chief Risk Officer

the basis for regulatory reporting under the SST and under Solvency II for our legal entities in the European Economic Area (EEA) and the United Kingdom.

Swiss Re continuously reviews and updates its internal model and parameters to reflect the Group's experiences and changes in the risk environment and current best practice.

Swiss Re's risk profile

In SST 2021, Swiss Re's overall risk increases to USD 22.4 billion (compared to USD 21.3 billion in SST 2020), driven by higher insurance risk, offset partly by lower financial market and credit risk. The higher weight of insurance risk leads to increased diversification at risk category level.

The increase in property and casualty risk is mainly driven by a rise in non-life claims inflation risk reflecting the heightened probability of extreme inflation outcomes, as well as an increase in costing and reserving risk mainly due to COVID-19-related reserves.

Higher life and health risk mainly reflects the business growth in Asia and the US, resulting in higher exposure to mortality trend, lethal pandemic and critical illness risk.

The decrease in financial market risk and credit risk is driven mainly by the sale of ReAssure Group Plc and an increase in credit hedges.



Swiss Re's resilience to the impact of COVID-19 reflects our financial strength and disciplined approach to risk-taking. 

Financial strength and capital management

Swiss Re's capital position remains very strong, demonstrating resilience to large losses and market volatility.

Solid capitalisation enabling market opportunities

Swiss Re's policy of ensuring superior capitalisation at all times has meant that even after four consecutive years with large insurance losses, our very strong capital position and high financial flexibility enabled us to respond to market opportunities and therefore create sustainable long-term shareholder value by maintaining the regular dividend.

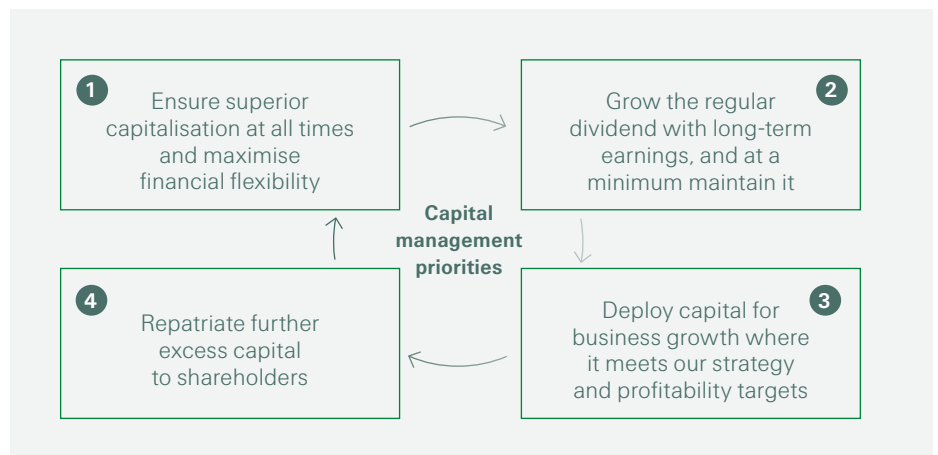
Swiss Re's capital management priorities aim to ensure the ability to continue operations following an extremely adverse year of losses from insurance and/or financial market events. Swiss Re's Board

of Directors has also defined an SST capitalisation target range of 200–250% for the Swiss Re Group.

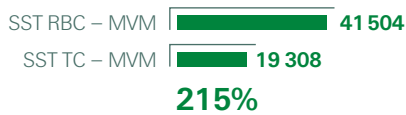
The below subsections describe Swiss Re's capitalisation according to the SST and the financial strength ratings.

Swiss Solvency Test (SST)

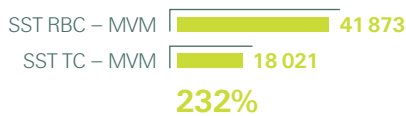
Swiss Re is supervised by FINMA at the Group level as well as for its regulated legal entities domiciled in Switzerland. FINMA supervision comprises minimum solvency requirements, along with a wide range of qualitative assessments and governance standards.



SST 2021



SST 2020



215%

SST ratio
(2021)

The SST ratio is calculated as SST risk-bearing capital (SST RBC) minus market value margin (MVM), divided by SST target capital (SST TC) minus MVM.

The Group SST 2021 report will be filed with FINMA in April 2021. Accordingly, the information presented below is based on currently available information and may differ from the final Group SST 2021 figures.

Despite a challenging year, Swiss Re Group maintains a very strong solvency level of 215% in SST 2021. The decrease of 17pp

compared to SST 2020 is mainly driven by COVID-19-related claims and reserves, the significant decline in interest rates and higher financial market volatilities. These effects are partly offset by the sale of ReAssure Group Plc, a positive investment and underwriting performance (excluding COVID-19) and higher supplementary capital.

The Group SST 2021 ratio lies within the new target range of 200–250%, which replaces the fixed Group SST target to better align with market practice.

Swiss Re Group SST Ratio

USD millions	SST 2020	SST 2021	Change
SST risk-bearing capital – market value margin	41 873	41 504	–370
SST target capital – market value margin	18 021	19 308	1 287
SST ratio	232%	215%	–17pp

SST risk-bearing capital (SST RBC)

The SST RBC is derived from the SST net asset value (SST NAV), which represents the difference between the market consistent value of assets and best estimate of liabilities, according to the valuation methodology prescribed under SST. For this purpose, the SST NAV is adjusted for the items in the table below.

Changes to the SST NAV mainly include economic capital generation or depletion due to underwriting and investment

activities, foreign exchange movements, and capital management actions (such as dividend payments and share buyback programmes).

The decrease in SST NAV to USD 48.8 billion is mainly driven by underwriting contribution, dividends paid and share buyback programmes, partly offset by positive investment contribution and foreign exchange movements.

SST risk-bearing capital

USD millions	SST 2020	SST 2021	Change
SST net asset value	49 231	48 804	–427
Deductions	–3 174	–2 433	741
SST core capital	46 057	46 370	314
Supplementary capital	5 239	6 914	1 675
SST risk-bearing capital	51 295	53 284	1 989
Market value margin	9 422	11 780	2 359
SST risk-bearing capital – market value margin	41 873	41 504	–370

Risk and capital management

Financial strength and capital management

The overall contribution from underwriting activities is negative, mainly reflecting underwriting contributions from Property & Casualty Reinsurance, Corporate Solutions and Life Capital, partly offset by positive underwriting contribution from Life & Health Reinsurance:

- The Property & Casualty Reinsurance negative contribution is mainly driven by losses related to COVID-19, adverse experience and assumption updates mainly in US liability business as well as by large natural catastrophe losses mainly in Australia and several man-made loss updates. This is partially compensated by natural catastrophe reserve releases from typhoons Jebi and Hagibis, Hurricane Dorian and strong renewals from property natural catastrophe and specialty.
- The Life & Health Reinsurance positive contribution reflects profitable transactional business growth across all regions, in particular in EMEA, mainly due to large longevity transactions, as well as life transactions in the Americas. This is partly offset by losses related to COVID-19 mainly driven by higher incurred and expected mortality claims in the US and the UK as well as higher disability claims mainly in Australia.
- The Corporate Solutions negative contribution mainly reflects losses related to COVID-19. This is partly offset by management actions taken to improve profitability and by low large man-made loss activity.
- The Life Capital underwriting contribution to SST NAV is negative, driven by the loss on the sale of ReAssure Group Plc to Phoenix Group Holdings Plc, expenses for open books, underperformance in elipsLife as well as unfavourable persistency in the closed book US business.

The contribution from investment activities is positive, mainly driven by favourable interest rate impact on the net duration position and strong real estate performance.

Positive foreign exchange movements are driven by the appreciation of major currencies against the US dollar.

Dividend payments and the completion of the last tranche of the 2019 share buyback programme resulted in a decline in the SST NAV of USD 2.0 billion. No share buyback programmes have been launched after Q1 2020 following the BoD decision of the post-AGM 2020 meeting.

Deductions mainly reflect projected dividends (to be paid in 2021 and subject to AGM 2021 approval and subsequent BoD approval) as well as deferred taxes on real estate. No share buyback programmes are included.

Supplementary capital is recognised as risk bearing under SST. The change in SST supplementary capital of USD 1.7 billion mainly reflects the issuance of two new subordinated debt instruments.

A description of the change in market value margin, which represents the capital costs for the run-off period, is provided together with the SST target capital comments below.

SST target capital (SST TC)

Swiss Re uses an internal risk model to determine the economic capital required to support the risks on the Group's book, as well as to allocate risk-taking capacity to the different lines of business. The model also provides the basis for capital cost allocation in Swiss Re's EVM framework, which is used for pricing, profitability evaluation and compensation decisions. In addition to these internal purposes, the model is used to determine regulatory capital requirements under economic solvency frameworks such as SST and Solvency II.

In 2017, FINMA approved Swiss Re's internal model and its components for SST reporting purposes under their revised model review process.

Since SST 2020, two major model changes have been implemented; both changes were approved by FINMA in October 2020:

- Market value margin – To improve market consistency and more adequately reflect differences between interest rates of different currencies, two changes have been made: discounting in original currencies and using forward rates to discount to future years. These changes reduce the MVM and increases the Group's SST ratio.
- Lapse risk – The model has been further strengthened by including additional dependencies and correlations, as well as anti-selective lapses for lapse trend. These changes result in minor increases of lapse and mortality trend shortfall and have no material impact on the Group's total risk or market value margin.

The risk exposure basis for SST is a projection for the period from 1 January 2021 to 31 December 2021 and is based on the economic balance sheet as of 31 December 2020 and adjustments to reflect 1 January 2021 business shifts.

To derive SST TC, total risk is adjusted for the line item Other impacts as shown below.

SST TC increases to USD 31.1 billion due to an increase in the market value margin (reflected under Other impacts) and higher total risk driven by increased insurance risk (see Risk assessment p. 67 for details).

Other impacts mainly reflect run-off capital costs (MVM) – which are deducted again from target capital to calculate the ratio – as well as the impact from business development over the forecasting period and requirements from FINMA that are not included in total risk as they are not consistent with Swiss Re's own risk view.

The increase in MVM is mainly driven by the impact of lower interest rates.

SST Target Capital

USD millions	SST 2020	SST 2021	Change
Total risk	21 332	22 353	1 021
Other impacts	6 110	8 735	2 625
SST target capital	27 443	31 088	3 645
Market value margin	9 422	11 780	2 359
SST target capital – market value margin	18 021	19 308	1 287

21.7

Distribution to shareholders since 2013,
in USD billions

External dividends to shareholders

Based on the Group's very strong capital position and positive market outlook, the Board of Directors proposes a regular dividend of CHF 5.90 per share for the 2020 financial year, maintaining the dividend per share paid for the 2019 financial year.

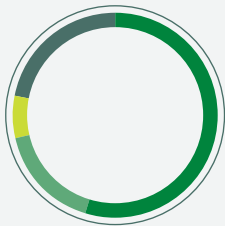
Business Unit structure and capital allocation

Our peer-leading capital repatriation is supported by strong dividend payments from our Business Units. The cash dividends paid to Swiss Re Ltd since 2013 totalled USD 28.1 billion, while the total amount of capital returned to shareholders in the same period is USD 21.7 billion.

The Group also reinvested in the business by redeploying capital into the Business Units. The majority of this capital was allocated to grow profitable business.

Capital returned to shareholders since 2013

Cash dividends paid from each business unit to SRL (USD billions)



● 14.4	Reinsurance P&C
● 4.4	Reinsurance L&H
● 1.8	Corporate Solutions
● 5.7	Life Capital



USD **28.1** bn
total cash dividends
paid to Swiss Re Ltd¹



USD **21.7** bn
distribution to shareholders²

¹ Principal Investments has paid to the Group dividends of USD 1.7 billion between January 2013 and December 2020.

² Reflects total external dividend and public share buyback programmes between January 2013 and December 2020.

Risk and capital management

Financial strength and capital management

Rating agencies

Rating agencies assign credit ratings to the obligations of Swiss Re and its rated subsidiaries. The agencies evaluate Swiss Re based on a set of criteria that include an assessment of our capital adequacy, governance and risk management. Each rating agency uses a different methodology for this assessment.

A.M. Best, Moody's and S&P rate Swiss Re's financial strength based upon interactive relationships. The insurance financial strength ratings are shown in the table below.

On 25 November 2020, S&P affirmed the AA- financial strength of Swiss Re and its core subsidiaries. The outlook on the rating is "negative". The rating reflects Swiss Re's very strong capital adequacy, its excellent franchise and diversified product suite across non-life and life reinsurance.

On 6 May 2020, Moody's affirmed Swiss Re's insurance financial strength rating and outlook as "Aa3" stable. The rating reflects Swiss Re's excellent market position, extensive diversification by line of business and geography, very strong capital adequacy and good reserve adequacy.

On 17 July 2020, A.M. Best confirmed the Group Swiss Re financial strength Rating of A+ (Superior) with stable outlook. The rating reflects A.M. Best's assessment of Swiss Re's balance sheet strength as "strongest", strong operating performance, very favourable business profile and very strong enterprise risk management.

Swiss Re's financial strength ratings

As of 31 December 2020	Financial strength rating	Outlook	Last update
Standard & Poor's	AA-	Negative	25 November 2020
Moody's	Aa3	Stable	6 May 2020
A.M. Best	A+	Stable	17 July 2020

Funding activities

During 2020, Swiss Re took advantage of attractive market conditions to execute the following planned funding activities:

- In May 2020, Swiss Re Finance (UK) Plc issued EUR 800 million of subordinated fixed rate reset step-up callable notes with a coupon of 2.714%. The notes, which are guaranteed on a subordinated basis by Swiss Re Ltd, have a first call date in June 2032 and a scheduled maturity in June 2052.
- In June 2020, Swiss Re Finance (UK) Plc issued SGD 350 million of subordinated fixed rate reset callable notes with a coupon of 3.125%. The notes, which are guaranteed on a subordinated basis by Swiss Re Ltd, have a first call date in July 2025 and a scheduled maturity in July 2035.

In addition, Swiss Re also undertook the following activities in connection with management of its funding platform:

- In April 2020, in connection with the pending sale (and deconsolidation) of the ReAssure Group Plc to Phoenix Group Holdings Plc in July 2020, Swiss Re

Finance (UK) Plc was substituted as the issuer of the EUR 750 million senior notes due 2023 in place of Swiss Re Finance (Jersey) Ltd following a noteholder consent process. The notes are guaranteed by Swiss Re Ltd.

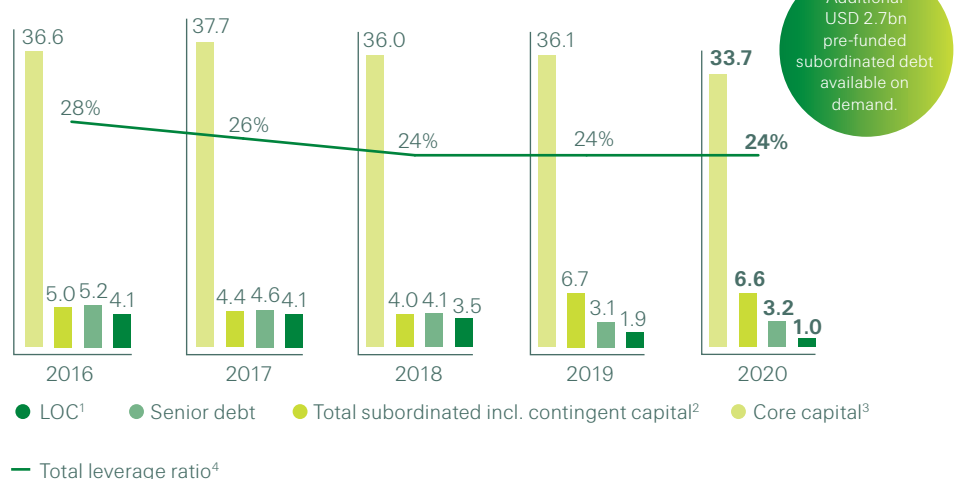
- In September 2020, Swiss Reinsurance Company Ltd exercised its option to early redeem its CHF 175 million subordinated contingent write-off notes.
- In December 2020, in connection with the announced reorganisation of the legal entity structure of the Group, Swiss Reinsurance Company Ltd was substituted as the issuer of the USD 500 million subordinated fixed rate resettable callable loan notes with a scheduled maturity in 2024 in place of Swiss Re Corporate Solutions Ltd following a noteholder consent process.

As of 31 December 2020, the Group's total leverage ratio was 24%.

The USD 2.7 billion undrawn, off-balance sheet pre-funded subordinated debt facilities, add further strength to the Group's financial flexibility.

Financial flexibility strengthened through reduced leverage

USD billions



¹ Utilised unsecured LOC and related instruments.

² Funded subordinated debt and contingent capital instruments, excluding non-recourse positions.

³ Core capital of Swiss Re Group is defined as economic net worth (ENW).

⁴ Total on-balance sheet senior and subordinated debt and contingent capital, including utilised LOCs, divided by total capitalisation.

Liquidity management

The active management of liquidity risks ensures the Group's ability to satisfy its financial obligations.

As a re/insurance group, Swiss Re's core business generates liquidity primarily through premium income. The Group's exposure to liquidity risk stems mainly from two sources: the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the organisation.

A range of liquidity policies and measures are in place to manage these risks, in particular to ensure that

- sufficient liquidity is held to meet funding requirements under current conditions as well as adverse circumstances;
- funding is charged and credited at an appropriate market rate through Swiss Re's internal transfer pricing;
- diversified sources are used to meet the Group's residual funding needs; and
- long-term liquidity needs are taken into account in the Group's planning process and in the management of financial market risk.

Liquidity risk management

Swiss Re's core liquidity policy is to retain access to sufficient liquidity in the form of unencumbered liquid assets, cash and pre-funded facilities, to meet potential funding requirements arising from a range of possible stress events. To allow for regulatory restrictions on intra-Group funding, liquidity is managed from a legal entity perspective. The amount of liquidity held is determined by internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events.

The funding requirements under stress include:

- Cash and collateral outflows, as well as potential capital and funding support required by subsidiaries as a result of loss events
- Repayment or loss of all maturing unsecured debt and credit facilities
- Additional collateral requirements associated with a potential ratings downgrade
- Further contingent funding requirements related to asset downgrades
- Other large committed payments, such as expenses, commissions and tax

The stress tests also assume that funding from assets is subject to conservative haircuts, intra-Group funding is not available if subject to regulatory approval, no new unsecured funding is available and funding from new re/insurance business is reduced.

The primary liquidity stress test is based on a one-year time horizon and a loss event corresponding to 99% tail value at risk (see page 67).

Swiss Re's liquidity stress tests are reviewed regularly and their main assumptions are approved by the Group Executive Committee. Swiss Re provides FINMA with a yearly report on its liquidity position, in accordance with FINMA circular 13/5, "Liquidity — Insurers."

Liquidity position of Swiss Reinsurance Company Ltd (SRZ)

From a liquidity perspective, SRZ is the most important legal entity of the Group. The estimated total liquidity sources in SRZ available within one year, after haircuts and net of short-term loans from Swiss Re Ltd and securities lending, amounted to USD 26.7 billion as of 31 December 2020, compared with USD 21.7 billion as of 31 December 2019. Based on the internal liquidity stress tests described above, we estimate that SRZ holds surplus liquidity after dividends to Swiss Re Ltd.

In 2020, the amount of surplus liquidity increased. This increase was largely due to changes to intra-Group retrocession agreements, the decrease in interest rates, and changes in foreign exchange rates, which more than offset the negative impact associated with COVID-19 losses.

Risk management

Risk Management provides independent oversight and applies an integrated approach to managing current and emerging risks.

Embedded throughout the business, the Group Risk Management function ensures an integrated approach to managing current and emerging threats. Risk Management plays a key role in business strategy and planning discussions, where Swiss Re's risk appetite framework facilitates risk/return discussions and sets boundaries to Group-wide risk-taking.

Taking and managing risk is central to Swiss Re's business. All risk-related activities, regardless of the legal entity in which they are undertaken, are subject to the Group's risk management framework. Consequently, the framework is applied at Group level and cascaded to all legal entity levels.

The risk management framework sets out how Swiss Re organises and applies its risk management practices to ensure that all activities are conducted in line with the principles and limits mandated by the Group Risk Policy.

The framework comprises the following major elements:

- Risk governance documentation, including Group Risk Policy
- Key risk management principles
- Fundamental roles for delegated risk-taking
- Risk culture and behaviour
- Organisation of risk management, including responsibilities at Board and executive level
- Risk control framework
- Risk appetite framework, including limits

Swiss Re applies a differentiated governance approach at the legal entity level, depending on the materiality of individual entities. Major legal entities within the Group that are designated as so-called "Level I entities", are subject to enhanced governance, which includes the following requirements:

- Develop and maintain corporate and risk governance documentation that governs the responsibilities of the legal entity Board, committees and management
- Establish an Audit Committee as well as a Finance and Risk Committee to support the legal entity Board in performing its oversight responsibility for risk and capital steering
- Designate a Chief Risk Officer and Chief Financial Officer

Risk and capital management

Risk management

Risk governance documentation

Swiss Re's risk management framework is set out in risk governance documentation at Group and legal entity level. Risk governance is the subset of corporate governance that describes the risk management framework and documents risk management practices. Group-level risk documents form the basis for all risk governance across Swiss Re. Additional risk governance for legal entities is prepared as an addendum to the Group or parent entity document.

Group risk governance documents are organised hierarchically across five levels, which are mirrored by equivalent documents at legal entity (LE) level:

- The Bylaws define Swiss Re's governance framework and include the responsibilities of the Board of Directors and the Group Executive Committee and their members, including the responsibilities related to risk management.
- The Group Risk Policy is defined by the Group Board and articulates Swiss Re's risk appetite framework (risk appetite and tolerance) as well as fundamental risk and capital structure principles.
- The Group Risk Management Standards outline how the Group organises and applies its risk management practices.
- Risk category standards describe how risk practices are implemented for a specific category.
- The lowest level comprises risk management methodology and process documentation.

Key risk management principles

Swiss Re's risk management is based on four fundamental principles. These apply consistently across all risk categories at Group and legal entity level:

- **Controlled risk-taking** – Financial strength and sustainable value creation are central to Swiss Re's value proposition. The Group thus operates within a clearly defined risk policy and risk control framework.
- **Clear accountability** – Swiss Re's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on, and their incentives are aligned with Swiss Re's overall business objectives.
- **Independent risk controlling** – Dedicated units within Risk Management control all risk-taking activities. These are supported by Compliance and Group Internal Audit functions.
- **Transparency** – Risk transparency, knowledge-sharing and responsiveness to change are integral to the risk control process. The central goal of risk transparency is to create a culture of mutual trust, and reduce the likelihood of surprises in the source and potential magnitude of losses.

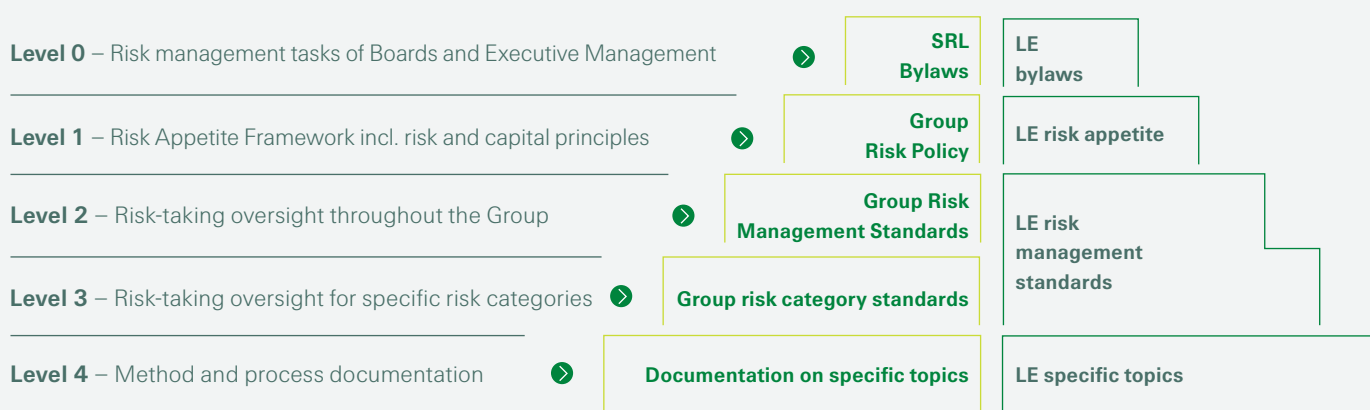
Fundamental roles for delegated risk-taking

In order to ensure clear control, accountability and independent monitoring for all risks, Swiss Re's risk governance distinguishes between three fundamental roles in the risk-taking process:

- **Risk owner** – establishes a strategy, delegates execution and control, and retains ultimate responsibility for the outcomes.
- **Risk taker** – executes an objective within the authority delegated by the risk owner; risk takers are required to provide the respective risk controller with all information required to monitor and control their risks.
- **Risk controller** – is tasked by the risk owner with independent oversight of risk-taking activities to mitigate potential conflicts of interest between the risk owner and risk taker; risk controllers are responsible for escalating relevant concerns.

Risk-taking activities are typically subject to three lines of control. The first line comprises the day-to-day risk control activities performed by risk takers in the business as well as in Group functions, including identification of risks and design of effective controls. Independent oversight performed by functions such as Risk Management and Compliance represents the second line of control. The third line consists of independent audits of processes and procedures carried out by Group Internal Audit or by external auditors. This approach is designed to achieve a strong, coherent and Group-wide risk culture built on the principles of ownership and accountability.

Risk Governance documentation hierarchy



Risk culture

Swiss Re fosters and maintains a strong risk culture to promote risk awareness and discipline across all its activities. This risk culture stands for the risk- and control-related values, knowledge and behaviour shared by all employees. Its principal components are summarised in a framework that builds on the Group's Code of Conduct as well as on key risk management principles in the Group Risk Policy.

The risk culture framework serves to influence appropriate risk-taking behaviour in four key aspects, which are assessed annually for all employees in the performance and compensation process:

- Leadership in providing clear vision and direction
- Consideration of risk-relevant information in decision-making
- Risk governance and accountability of risk takers as well as transparent flow of risk information
- Embedding of risk management skills and competencies

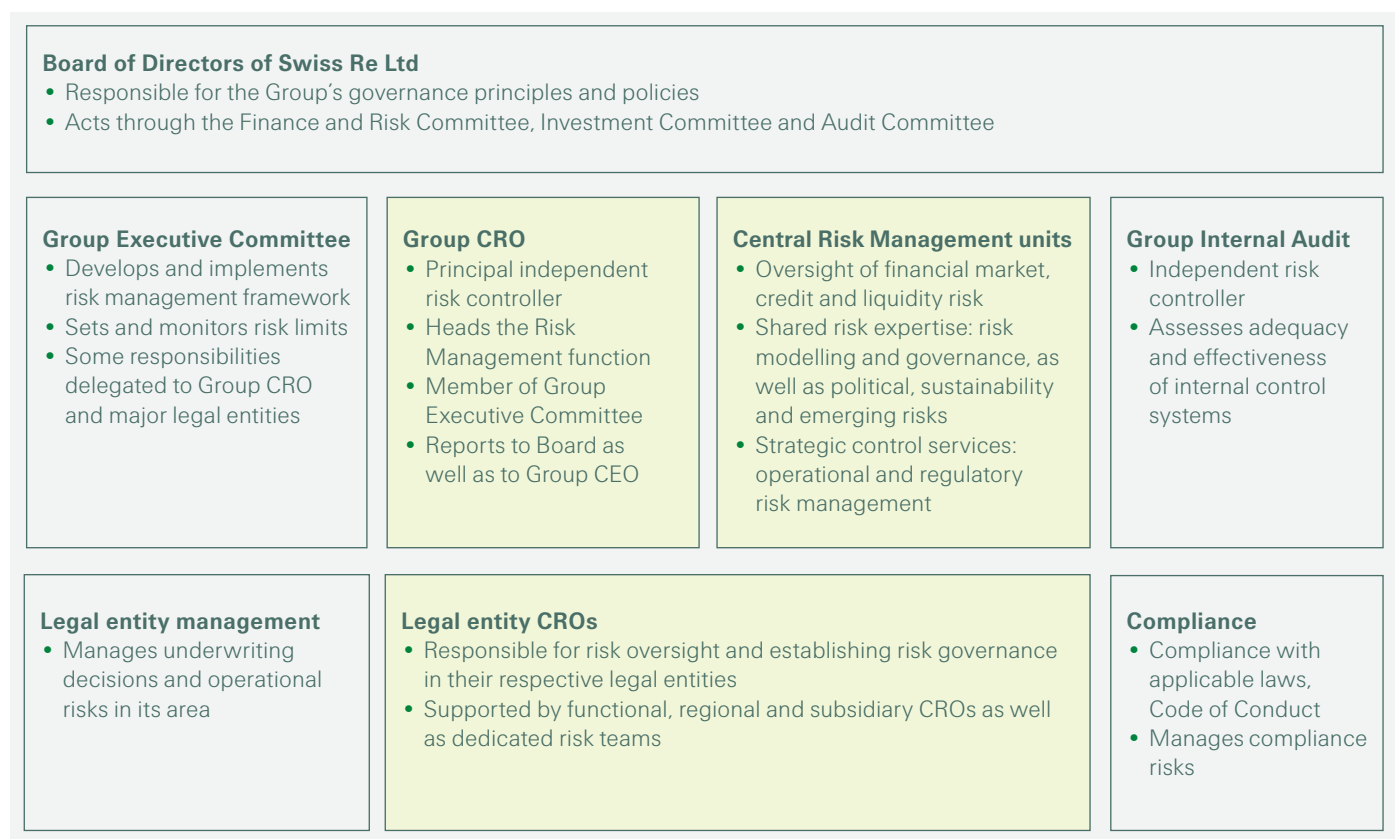
Swiss Re's risk culture provides the foundation for the efficient and effective application of its Group-wide risk management framework. Group Risk Management reinforces the risk culture by ensuring risk transparency and fostering open discussion and challenge in the Group's risk-taking and risk management processes.

Key risk takers across Swiss Re are a particular focus in promoting good risk- and control-related behaviours. The relevant positions are identified in a regular process, and those who hold them are subject to additional behavioural objectives and assessments.

Risk culture is directly linked to Swiss Re's performance management, which is based not only on business results but also on behaviours. Swiss Re's compensation framework aims to foster compliance and support sensible risk-taking. Swiss Re also has a range of incentive programmes that reflect the long-term nature of its business by rewarding sustained performance rather than short-term results. This helps to align shareholder and employee interests.

Swiss Re's compensation principles and framework are captured within the Swiss Re Group Compensation Policy. The Group's Finance and Risk Committee conducts a regular risk assessment for all changes to this policy.

Key Risk Management bodies and responsibilities



Organisation of risk management

The Board of Directors of Swiss Re Ltd (the Group Board) is ultimately responsible for Swiss Re’s overall risk governance principles and policies. It defines basic risk management principles and the risk appetite framework, including the Group’s risk appetite and risk tolerance; in addition, it approves the Group’s risk strategy. The Group Board mainly performs risk oversight and governance through three committees:

- Finance and Risk Committee – defines the Group Risk Policy, reviews risk capacity limits, monitors adherence to risk tolerance, and reviews top risk issues and exposures.
- Investment Committee – reviews the financial risk analysis methodology and valuation related to each asset class, and ensures that the relevant management processes and controlling mechanisms are in place.
- Audit Committee – oversees internal controls and compliance procedures.

The Group Executive Committee is responsible for developing and implementing Swiss Re’s Group-wide risk management framework. It also sets and monitors major risk limits, oversees the Economic Value Management framework, determines product policy and underwriting standards, and manages regulatory interactions and legal obligations. The Group Executive Committee has delegated various risk management responsibilities to the Group Chief Risk Officer (Group CRO) as well as to certain legal entity CROs.

The Group CRO is appointed as the principal independent risk controller of Swiss Re. He is a member of the Group Executive Committee and reports directly to the Group CEO as well as to the Board’s Finance and Risk Committee. The Group CRO also advises the Group Executive Committee, the Chairman or the respective Group Board Committees, in particular the Finance and Risk Committee, on significant matters arising in his area of responsibility.

The Group CRO leads the independent Risk Management function, which is responsible for risk oversight and control across Swiss Re. It thus forms an integral part of Swiss Re’s business model and

risk management framework. The Risk Management function comprises dedicated risk teams for legal entities and regions, as well as central teams that provide specialised risk expertise and oversight.

While the Risk Management organisation is closely aligned to Swiss Re’s business structure, in order to ensure effective risk oversight, all embedded teams and CROs remain part of the Group Risk Management function under the Group CRO, thus ensuring their independence as well as a consistent Group-wide approach to overseeing and controlling risks.

Legal entity risk teams are led by dedicated CROs who report directly or indirectly to their top-level entity CRO, with a secondary reporting line to their respective legal entity CEO. These legal entity CROs are responsible for risk oversight in their respective entities, as well as for establishing the proper risk governance to ensure efficient risk identification, assessment and control. They are supported by functional, regional and subsidiary CROs who are responsible for overseeing risk management issues that arise at regional or subsidiary level.

The central risk teams oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re. They also support CROs at Group and legal entity level in discharging their oversight responsibilities. They do so by providing services, such as:

- Financial risk management
- Specialised risk category expertise and accumulation control
- Risk modelling and analytics
- Regulatory relations management
- Maintaining the central risk governance framework

Risk Management is also in charge of actuarial reserving and monitoring of reserve holdings for Corporate Solutions business while for Reinsurance business the setting of the reserves is performed by valuation actuaries within the P&C and L&H Business Management units.

Risk management activities are complemented by Swiss Re's Group Internal Audit and Compliance units:

- Group Internal Audit performs independent, objective assessments of the adequacy and effectiveness of internal control systems. It evaluates the execution of processes within Swiss Re, including those within Risk Management.
- The Compliance function oversees Swiss Re's compliance with applicable laws, regulations, rules and the Code of Conduct. It also assists the Group Board, Group Executive Committee and other management bodies in identifying, mitigating and managing compliance risks.

Risk control framework

Swiss Re operates within a clearly defined risk control framework. This is set out in the Group Risk Management Standards and comprises a body of standards that establish an internal control system for taking and managing risk.

These standards set responsibilities for risk takers and risk controllers. The risk control framework defines key tasks, which are the core components of Swiss Re's risk management cycle:

- *Risk tolerance and appetite assessment of plan* – ensures that the risk implications of plans are understood, and determines whether business and investment plans adhere to the risk appetite framework (risk appetite and tolerance).
- *Risk identification* – ensures that all risks to which Swiss Re is exposed are transparent in order to make them controllable and manageable.
- *Risk measurement* – enables Swiss Re to understand the magnitude of its risks and to set quantitative controls that limit its risk-taking.
- *Risk limit framework* – allows Swiss Re to control its risk-taking decisions and total risk accumulations, including the passive risk we are exposed to through our operations.
- *Risk reporting* – creates internal risk transparency and enables Swiss Re to meet external disclosure requirements.

In addition, Risk Management performs the following risk control activities:

- *Model and tool assurance* – ensures that models or tools used for costing, valuation and risk capital determination are based on sound scientific concepts, have been implemented and calibrated correctly, and produce accurate results.
- *Valuation assurance* – assesses the quality of valuations for financial instrument prices and reserves.
- *Insurance risk reviews* – assess the quality of decision-making in the taking of insurance risks by performing independent evaluations of underwriting, costing, pricing and claims handling.

Swiss Re has implemented a principle-based integrated internal control system to mitigate identified operational risks including financial reporting and compliance risks, as well as risks that could impair the effectiveness and efficiency of operations. This control system represents a subset of Swiss Re's risk control framework and is based on international standards established by COSO (the Committee of Sponsoring Organisations of the Treadway Commission). It is applied on multiple organisational levels, including Group, functions, regions and legal entities.

Risk transfer

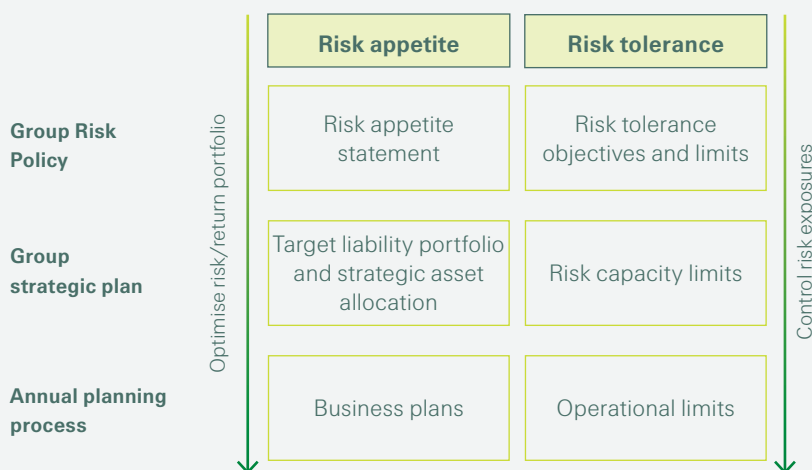
To efficiently manage capital across the Group and ensure that risk-taking in individual legal entities is well diversified, the Group employs internal retrocession and funding agreements. These serve to improve the fungibility of capital and consequently Group-wide diversification. In addition, the Group aims to maximise the amount of funds available centrally by optimising the excess capital held within its subsidiaries and branches.

Swiss Re also manages and mitigates insurance risk through external retrocession, insurance risk swaps or by transferring risk to capital markets through insurance-linked securities, industry loss warranties or other derivatives. This provides protection against extreme catastrophic events, further diversifies risk, stabilises economic results and releases underwriting capacity.

In addition, Swiss Re uses financial market derivative instruments as well as financial market securities to hedge financial market and credit risks arising from investments and insurance liabilities. Interest rate risk from insurance liabilities is managed through investments in fixed-income instruments whose pricing is sensitive to changes in government yields, such as government bonds.

Risk Appetite Framework

The risk appetite framework establishes the overall approach through which Swiss Re practices controlled risk-taking throughout the Group. The framework is set out in the Group Risk Policy and consists of two interlinked components: risk appetite and risk tolerance.



To meet the first objective, the Risk Policy defines respectability limits to ensure that the Group has enough resources to meet capital requirements at Group level as well as respectability and liquidity requirements for all legal entities. These limits ensure that Swiss Re has adequate capital and liquidity above minimum requirements to be considered a respectable counterparty by external stakeholders. To meet the second objective, Swiss Re's risk tolerance criteria includes resilience limits for SRZ to ensure that the main operating entity is able to withstand capital and liquidity stresses. To meet the third objective, the Group has established a Group-wide risk matrix methodology in which key operational risks are assessed against an acceptable level of expected losses. Any operational risk exposure that exceeds the Group's operational risk tolerance limit is subject to a mitigation plan that is monitored by the Group's Finance and Risk Committee.

Risk Appetite Framework

In the context of business strategy and planning, the risk appetite statement facilitates discussions about where and how Swiss Re should deploy its capital, liquidity and other resources under a risk/return view, while the risk tolerance sets clear boundaries to risk-taking.

During strategic planning and target-setting, Risk Management provides an opinion on the proposed strategy and targets to the Group Executive Committee and ultimately the Group Board. The opinion focuses on the risk impact of the proposed strategy and the risks related to its implementation. The strategic plan, risk appetite and capital allocation ambition are expressed in a target portfolio for the Group's assets and liabilities, which should ultimately deliver the Group's targeted performance.

Swiss Re's risk appetite outlines the Group's principles on acceptable risks and provides key directions for risk-taking and risk controlling as part of implementing Swiss Re's strategy: achieving targeted performance, providing liquidity and financial flexibility, managing capital adequacy, and protecting and growing franchise value.

The Group Board further details Swiss Re's risk appetite through its approval or review of the following key steering frameworks as part of the Group's planning process: target liability portfolio, strategic asset allocation and the Group's target capital structure.

Swiss Re's risk tolerance describes the extent to which the Group and SRZ Boards have authorised executive management to assume risk. It represents the amount of risk that Swiss Re is willing to accept within the constraints imposed by its capital and liquidity resources, its strategy, and the regulatory and rating agency environment within which it operates.

Swiss Re's risk tolerance is based on the following objectives:

- To maintain Group capital at a level that safeguards respectability with clients and regulators.
- To ensure the resilience of SRZ as the main operating entity from a capital and liquidity perspective.
- To avoid material operational risks that could subject the Group to large operational losses with corresponding consequences from an economic, reputational or regulatory perspective.

The risk tolerance respectability criteria for the Swiss Re Group are set out in the Group Risk Policy. The Group and SRZ Boards are responsible for approving the risk tolerance criteria, as well as for monitoring and reviewing risk tolerance. Breaches or anticipated breaches of limits established to control the risk tolerance criteria must be communicated to the Finance and Risk Committee.

Swiss Re's risk-taking is governed by a limit framework in order to ensure that accumulation risk and large losses remain at an acceptable level, as well as to steer the allocation of available risk capacity. The limit framework is rooted in the risk appetite and risk tolerance objectives set in the Group Risk Policy and helps to translate these objectives into concrete, measurable criteria. In addition, lower level limits are implemented to allocate scarce capacity. The limit framework also allows for risk monitoring and thus supports risk controlling during the execution of the plan.

Risk assessment

In SST 2021, total risk increases to USD 22.4 billion driven by higher insurance risk, offset partly by lower financial market and credit risk.

Swiss Re's internal model provides a meaningful assessment of the risks to which the company is exposed and is an important tool for managing the Group's risk position and related capital requirements as well as for defining the risk tolerance, risk limits and liquidity stress tests.

Swiss Re is exposed to insurance and financial risks that are calculated in its internal risk model, as well as other risks that are not explicitly part of the economic capital requirement but are actively monitored and controlled due to their significance for Swiss Re. These include operational, liquidity, model, valuation, regulatory, political, strategic and sustainability risks (see Swiss Re's risk landscape, p. 68).

Property and casualty insurance risk is mainly driven by underlying risks inherent in the business Swiss Re underwrites, in particular natural catastrophe risk, non-life claims inflation, costing and reserving and man-made risk. The main drivers of life and health insurance risk are mortality trend and lethal pandemic risk.

The Group's financial risk derives from financial market risk as well as from credit risk. Key drivers of financial market risk are credit spread and equity risk. Credit risk is mainly driven by the credit and surety business and default risk of capital market products.

Total risk is based on 99% tail value-at-risk (tail VaR) and represents the average unexpected loss that occurs with a frequency of less than once in 100 years over a one-year time horizon.

Total risk increases to USD 22.4 billion driven by higher insurance risk, offset partly by lower financial market and credit risk. The higher weight of insurance risk leads to increased diversification at risk category level.

Group capital requirement based on one-year 99% tail VaR

USD millions	SST 2020	SST 2021	Change	cross reference information
Property and casualty	11 708	12 895	1 187	see page 70
Life and health	9 857	11 852	1 996	see page 71
Financial market	11 218	10 594	-624	see page 72
Credit ¹	3 496	3 186	-310	see page 73
<i>Diversification</i>	<i>-14 945</i>	<i>-16 174</i>	<i>-1 228</i>	
Total risk	21 332	22 353	1 021	

¹ Credit comprises credit default and credit migration risk from both asset management and underwriting. Credit spread risk falls under financial market risk.

Swiss Re's internal risk model takes account of the accumulation and diversification between individual risks. The effect of diversification at the category level is demonstrated in the table above, which represents the difference between the Group 99% tail VaR and the sum of standalone tail VaR amounts in the individual risk categories. The extent of diversification is largely determined by the selected level of aggregation – the higher the aggregation level, the lower the diversification effect.

Alternative Risk Measurements for Swiss Re Group

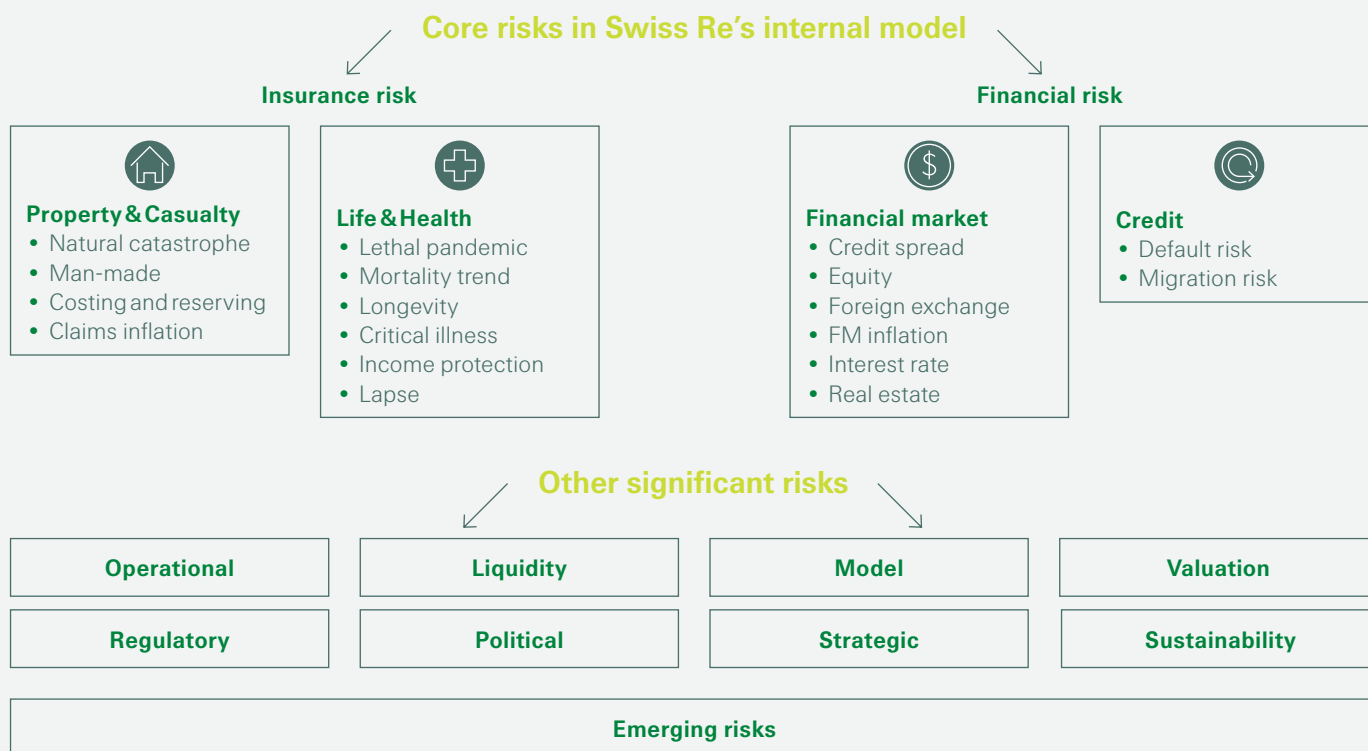
USD billions	SST 2020	SST 2021	Change in %
99% VaR¹	16.1	17.2	7
99.5% VaR¹	19.0	20.1	6

¹ For the alternative risk measurements, the same risk exposure and data basis is applied as for the SST calculation.

Alternative risk measurements – 99% and 99.5% VaR – increase to USD 17.2 billion and USD 20.1 billion, respectively.

Swiss Re's risk landscape

The risk categories shown in the table below are discussed on the following pages. Across these categories we identify and evaluate emerging threats and opportunities through a systematic framework that includes the assessment of potential surprise factors that could affect known loss potentials. Liquidity risk management is discussed on page 60.



Swiss Re is exposed to a broad landscape of risks. These include risks that are actively taken as part of insurance or asset management operations, and are calculated in the internal risk model as part of the Group's economic capital requirement as well as to allocate risk-taking capacity:

- **Property and casualty insurance risk** arises from coverage provided for property, liability, motor, and accident risks, as well as for specialty risks such as engineering, agriculture, aviation and marine. It includes underlying risks inherent in the business Swiss Re underwrites, such as inflation or uncertainty in pricing and reserving.
- **Life and health insurance risk** arises from coverage provided for mortality (death), longevity (annuity) and morbidity (illness and disability). In addition to potential shock events (such as a severe pandemic), it includes underlying risks inherent in life and health contracts that arise when mortality, morbidity, or lapse experience deviates from expectations.

- **Financial market risk** represents the potential impact on assets or liabilities that may arise from movements in financial market prices or rates, such as equity prices, interest rates, credit spreads, hedge fund prices, real estate prices, commodity prices or foreign exchange rates. Financial market risk originates from two main sources: investment activities and the sensitivity of the economic value of liabilities to financial market fluctuations.
- **Credit risk** reflects the potential financial loss that may arise due to diminished creditworthiness or default of counterparties of Swiss Re or of third parties; credit risk arises from investment and treasury activities, structured transactions and retrocession, as well as from liabilities underwritten by credit and surety insurance units.

The risk landscape also includes other risks that are not explicitly part of the Group's economic capital requirement but are actively monitored and controlled due to their significance for Swiss Re:

- **Liquidity risk** represents the possibility that Swiss Re will not be able to meet expected and unexpected cash flow and collateral needs without affecting either daily operations or Swiss Re's financial condition.
- **Operational risk** represents the potential economic, reputational or compliance impact of inadequate or failed internal processes, people and systems or from external events, including legal risk and the risk of a material misstatement in financial reporting. Swiss Re has implemented a capital model for operational risk, which is used for Solvency II purposes.
- **Strategic risk** represents the possibility that poor strategic decision-making, execution or response to industry changes or competitor actions could harm Swiss Re's competitive position and thus its franchise value.

- *Regulatory risk* arises from changes to insurance regulations and supervisory regimes as well as from interactions with regulatory authorities and supervisory regimes of the jurisdictions in which Swiss Re operates.
- *Political risk* comprises the consequences of political events or actions that could have an adverse impact on Swiss Re's business or operations.
- *Model risk* reflects the potential impact of model errors or the inappropriate use of model outputs. It may arise from data errors or limitations, operational or simulation errors, or limitations in model specification, calibration or implementation; model risk may also be caused by insufficient knowledge of the model and its limitations, in particular by management and other decision-makers.
- *Valuation risk* represents uncertainty around the appropriate value of assets or liabilities. It may arise from product complexity, parameter uncertainty, quality and consistency of data, valuation methodology, or changes in market conditions and liquidity. Swiss Re is exposed to financial valuation risk from investment assets it holds as well as reserve valuation risk from insurance liabilities that result from the coverage it underwrites.

- *Sustainability risk* comprises the environmental, social and ethical risks that may arise from individual business transactions or the way Swiss Re conducts its operations.
- Across all risk categories, Swiss Re actively identifies *emerging risks* and threats as part of its risk identification process; this includes new risks as well as changes to previously known risks that could create new risk exposures, or increase the potential exposure or interdependency between existing risks.

Some of these risks are reflected indirectly in the risk model, as their realisations may be contained in the historical data and scenarios used to calibrate some of the risk factors. In addition, output from the model is used in measuring liquidity risk under stressed conditions. As separate risk categories, these risks are an integral part of Swiss Re's risk landscape. They are monitored and managed within the Risk Management organisation, and included in risk reports to executive management and the Board at Group and legal entity level.

Reputational risk is not considered a separate risk category but rather represents a possible consequence of any risk type in addition to the potential financial and compliance impact.

Insurance risk

Insurance risk management involves identifying, assessing and controlling risks that Swiss Re takes through its underwriting activities, including related risks such as inflation or uncertainty in pricing and reserving.

Risk Management also provides independent assurance throughout the business cycle, starting with the annual business planning process. It reviews underwriting standards, costing models and large transactions, and monitors exposures, reserves and limits.

Swiss Re's Group limit framework includes risk limits for major insurance exposures that guard against risk accumulations and ensure that risk-taking remains within Swiss Re's risk tolerance. At the entity level, underwriting and capacity limits are assigned that are used to steer the business, and ensure adherence to the Group's risk limits and SST capitalisation targets.

Regular internal reports ensure transparency across the Group, providing management with quantitative and qualitative risk assessments. Swiss Re's

insurance risk landscape and related governance processes are regularly discussed and reviewed by the Senior Risk Council and other insurance risk oversight bodies in order to assist and advise the Group CRO in the risk oversight.

Swiss Re also manages and mitigates insurance risk through external retrocession, insurance risk swaps or by transferring risk to capital markets. This provides protection against extreme catastrophic events, further diversifies risk, stabilises economic results and releases underwriting capacity.

Property and casualty risk

+10%
Change since
SST 2020



Risk developments

The increase in property and casualty risk is mainly driven by a rise in non-life claims inflation risk reflecting the heightened probability of extreme inflation outcomes, as well as an increase in costing and reserving risk mainly due to COVID-19-related reserves.

Management

Legal entity CROs are responsible for overseeing all property and casualty exposures written in their areas. In addition, Group Risk Management monitors and controls accumulated exposures across Swiss Re to ensure that they remain within the defined risk tolerance level.

The first line of control for property and casualty risks lies within Swiss Re's underwriting units. In general, all transactions must be reviewed by at least two authorised individuals, and are subject to authority limits. Each underwriter is assigned an individual authority based on technical skills and experience. In addition, capacity limits are allocated to local teams; any business that exceeds this authority or is

otherwise complex or unusual triggers an escalation process that extends up to the Group Executive Committee. Certain single risks and specified renewable treaty classes with non-material changes can be authorised by only one individual underwriter with the necessary authority – but these risks and treaties are subject to checks after acceptance.

All transactions that could materially impact the risk at Group level or for key legal entities require independent review and sign-off by Risk Management before they are authorised. This is part of a three-signature principle, under which key transactions must be approved by Client Markets, Underwriting and Risk Management. For transactions of defined types and within defined limits, this may be applied through the approval of underwriting or pricing guidelines. For other transactions, the signatures must be secured through an individual review.

Swiss Re's limit framework for property and casualty exposures includes risk limits for major natural catastrophe scenarios and other key risks, such as terrorism, claims inflation, reserving and liability.

Insurance risk stress tests with a 200-year return period

Annualised unexpected loss, 99.5% VaR in USD millions ¹	SST 2021
Atlantic hurricane	5 826
Californian earthquake	4 739
European windstorm	2 345
Japanese earthquake	4 101
Lethal pandemic	3 616

¹ Excluding the impact of earned premiums for the business written and reinstatement premiums that could be triggered as a result of the event.

In SST 2021, the largest natural catastrophe exposure for Swiss Re Group derives from the Atlantic hurricane scenario with a USD 5.8 billion loss. The lethal pandemic loss is estimated to be at USD 3.6 billion.

Life and health risk

+20%
Change since
SST 2020



Risk developments

Higher life and health risk mainly reflects the business growth in Asia and the US, resulting in higher exposure to mortality trend, lethal pandemic and critical illness risk. The increase is further driven by the impact of lower interest rates and the appreciation of the Canadian dollar and the British pound against the US dollar.

Management

Legal entity CROs are responsible for overseeing all life and health exposures written in their respective areas. Accumulated exposures across Swiss Re are monitored and controlled by Group Risk Management to ensure that they remain at an acceptable level for the Group.

Costing actuaries represent the first line of control for life and health risks. All transactions that could materially change risk at Group level or for key legal

entities require independent review and sign-off by Risk Management before they can be authorised. This is part of a three-signature principle, under which key transactions must be approved by Client Markets, Products and Risk Management. For transactions of defined types and within defined limits, this may be applied through the approval of underwriting or pricing guidelines. For other transactions, the signatures must be secured through a review of the individual transaction.

Swiss Re's limit framework for life and health exposures includes risk limits for key risks, such as mortality, longevity, lethal pandemic, critical illness and income protection. Market exposure limits are in place for catastrophe and stop loss business. Swiss Re pays particular attention to densely populated areas and applies limits for individual buildings to guard against risk exposure accumulations.

Financial risk

Financial risk management involves identifying, assessing and controlling risks inherent in the financial markets as well as counterparty credit risks, while monitoring compliance with Swiss Re's risk appetite and risk management standards.

Swiss Re's central Financial Risk Management team oversees all activities that generate financial market or credit risk. Its mandate covers internally and externally managed assets, strategic participations, treasury activities, and credit and market risks that derive from Swiss Re's underwriting and retrocession activities, including structured transactions, credit insurance and surety business. The Head of Financial Risk Management reports to the Group Chief Risk Officer, with a secondary reporting line to the Group Chief Investment Officer.

Financial Risk Management controls exposure accumulation for financial market and credit risks. In addition, the team is responsible for assurance activities related to asset valuation and financial risk models, as well as for reporting Swiss Re's financial risks. These responsibilities are exercised through defined governance processes, including regular reviews by Swiss Re's Senior Risk Council and other financial risk oversight bodies.

All activities with financial market and credit risk are subject to limits at various levels of the organisation (eg Group, legal entities and lines of business). At the highest level, the Group Board of Directors sets a financial risk concentration limit which defines how much of the Group's risk exposure can derive from financial risk. The Group Executive Committee establishes the principal risk limits for aggregate

financial market and credit risk at Group level. Where required, additional risk limits are established by Risk Management for legal entities, key business lines, individual counterparties and countries. Furthermore, as part of the planning process, the risk-taking functions employ capacity limits to control the amount of risk mandated from the risk owner to the risk takers. Limits may be expressed in terms of notional value of policies, losses in a stress scenario, value at risk based on historic market moves, linear sensitivities to a particular risk factor or different methodologies of exposure aggregation.

Financial market risk

–6%
Change since SST 2020



Risk developments

The decrease in financial market risk is driven mainly by the sale of ReAssure Group Plc and an increase in credit hedges, which reduced credit spread risk. This is partly offset by higher financial market volatilities resulting from the COVID-19-related market turbulence, as well as by the appreciation of major currencies against the US dollar.

Management

Financial market risk is monitored and controlled by dedicated experts within the Group's Financial Risk Management team. Financial Risk Management regularly reports on key financial market risks and risk aggregations, as well as on specific limits for internally

and externally managed investment mandates. These reports track exposures, document limit usage and provide information on key risks that could affect the portfolio. The reports are presented and discussed with those responsible for the relevant business line at the Financial Market Risk Council.

The reporting process is complemented by regular risk discussions between Financial Risk Management, Asset Management and the Group's external investment managers, as well as by regular interactions with other key units that take financial market risk, such as Principal Investments and Acquisitions, Treasury, and the respective business teams that write transactions.

Financial Market SST ratio sensitivities

Impact on SST ratio	SST 2021
Interest rates +50bps	12pp
Interest rates -50bps	-14pp
Spreads +50bps	-5pp
Spreads -50bps	5pp
Equity values +25%	3pp
Equity values -25%	-4pp
Real estate values +25%	6pp
Real estate values -25%	-7pp

Among financial market sensitivities, the Group is most sensitive to a 50-basis point decrease in interest rates, leading to an estimated decrease in the SST ratio of 14 percentage points.

Credit risk stress test with a 200-year return period

Annualised unexpected loss, 99.5% VaR in USD millions	SST 2021
Credit default ¹	2 228

¹ Excluding the impact of earned premiums for the business written and reinstatement premiums that could be triggered as a result of the event.

Credit risk

-9%

Change since
SST 2020



Risk developments

Credit risk decreases mainly due to the sale of ReAssure Group Plc and the increase in credit hedges.

Management

Credit risk is monitored and controlled by experts within the Financial Risk Management team. Financial Risk Management regularly monitors and reports on counterparty credit quality, credit exposures and limits. In addition, it is responsible for regularly monitoring corporate counterparty credit quality and exposures, and for compiling watch lists of cases that merit close attention. These reports are presented and discussed with those responsible for the relevant business line at the Credit Council.

The reporting process is supported by a Group-wide credit exposure information system that contains all relevant data, including counterparty details, ratings, credit risk exposures, credit limits and watch lists. Key credit practitioners across Swiss Re have access to this system, thus providing the necessary transparency to implement specific exposure management strategies for individual counterparties, industry sectors and geographic regions.

Credit risks are aggregated by country in order to monitor and control risk accumulation to specific risk drivers, such as economic, sovereign, and political risks.

Management of other significant risks

Operational risk

The Group has implemented an internal control system to mitigate operational risks through three lines of control. This system assigns primary responsibility for identifying and managing operational risks to individual risk takers (first line of control), with independent oversight and control by the Risk Management and Compliance functions (second line of control) as well as Group Internal Audit (third line of control). Members of the Group Executive Committee are required to certify the effectiveness of the internal control system for their area of responsibility on a quarterly basis.

Operational risk is inherent within Swiss Re's business processes. As the company does not receive an explicit financial return for such risks, the approach to managing operational risk differs from the approach applied to other risk categories. The purpose of Operational Risk Management is not to eliminate risks but rather to identify and cost-effectively mitigate operational risks that approach or exceed Swiss Re's tolerance.

Risk Management is responsible for monitoring and controlling operational risks based on a centrally coordinated methodology. This includes a pre-defined taxonomy that is used for identifying, classifying and reporting operational risks, as well as a matrix in which risks are assessed according to their estimated probability and impact. Risks are assessed for their residual economic, financial reporting, reputational and compliance impact, taking into account existing mitigation and controls.

The matrix is also used to assess residual exposures against Swiss Re's tolerance limits for operational risk. This limit represents the level of operational risk that the Board of Directors and executive management teams are willing to accept. Material risks that exceed or are approaching risk tolerance are reported to executive management and Boards of Directors at Group and legal entity level. In addition, mitigation strategies are required for all risks that are outside of operational risk limits in order to bring them within tolerance.

Operational events and issues are recorded and managed in a central Operational Risk Management system in order to address the identified problems and avoid the recurrence of similar events. The results are reviewed by the relevant CRO and reported to the company's management team and Board of Directors.

COVID-19 has impacted many aspects of our risk and control landscape, in particular around outsourcing, financial reporting and data security. The Group did not experience any major operational or compliance failings thanks to early lessons from our Asia operations, and the resilience and pragmatism of our employees in adapting to a new work environment. In addition, effective communications and collaboration across teams, and between business and risk functions, enabled us to maintain all our critical processes throughout the crisis.

Strategic risk

Overall responsibility for managing strategic risk lies with the Group Board, which establishes Swiss Re's overall strategy. The Boards of legal entities are responsible for the strategic risk inherent in their specific strategy development and execution. Strategic risks are addressed by examining multi-year scenarios, considering the related risks, as well as monitoring the implementation of the chosen strategy year by year in terms of the annual business plan.

As part of their independent oversight role, Risk Management, Compliance and Group Internal Audit are responsible for controlling the risk-taking arising from the implementation of the strategy.

Regulatory risk

Regulatory developments and related risks that may affect Swiss Re and its subsidiaries or branches are identified, assessed and monitored as part of regular oversight activities. Swiss Re is actively engaged in a dialogue with relevant regulators to improve mutual understanding of the implications arising from new regulatory proposals. Periodic reports and recommendations on regulatory issues are provided to executive management and the Board of Directors at Group and legal entity level.

The regulatory environment of the insurance industry continues to evolve on the national, regional and international level. While some regulatory changes create new business opportunities, others come with significant costs and business restrictions. Growing regulatory complexity, increased national protectionism and a fragile global economy are persistent themes affecting regulation and the way Swiss Re operates worldwide.

Regulatory efforts are becoming increasingly forward-looking, aimed at a broad range of emerging risks, both actual and perceived. If new regulation is not based on clearly understood risks, the resulting requirements may create an excessive burden for both insurers and policyholders. It remains a key priority for Swiss Re to highlight the negative impacts of market access restrictions or impediments to global diversification towards regulators. At the same time, such risks are mitigated by seeking solutions that reduce the negative impact on Swiss Re and its clients.

Several regulators, particularly in Europe and Asia, have developed specific expectations of how climate risks should be managed and are translating these expectations into concrete regulations. New climate-related regulations are expected, even in jurisdictions which have thus far been hesitant to act. Swiss Re supports such measures and will continue to advocate for a harmonised and gradual implementation of these requirements in line with international standards, such as those recommended by the Financial Stability Board Task Force for Climate-related Financial Disclosure (TCFD), in order to avoid regulatory fragmentation and improve comparability.

Swiss Re consistently advocates the removal or reduction of market access barriers, so that policyholders, governments and national economies can fully benefit from international diversification and reliable, sound and affordable risk cover and transfer.

The ongoing pandemic presents challenges not only for the insurance industry, but for the entire global economic system. Swiss Re is a strong proponent of coordinated responses to COVID-19 as it believes that only through collaboration among governments, regulators and industry, can societies effectively manage events of such magnitude.

Political risk

Political developments can threaten Swiss Re's operating model but also open up opportunities for developing the business. The Group adopts a holistic view of political risk and analyses developments in individual markets and jurisdictions, as well as cross-border issues such as war, terrorism, energy-related issues and international trade controls.

Dedicated political risk analysts identify, monitor, and assess political developments across the world. Swiss Re's political risk experts also exercise oversight and control functions for named political risks, such as in the political risk insurance business; this includes monitoring political risk exposures, providing recommendations on particular transaction referrals and risk reporting. In addition, the Political Risk team provides specific country ratings that cover political, economic and security-related country risks; these ratings complement sovereign credit ratings and are used to support risk control activities and inform underwriting or other decision-making processes throughout the Group.

In addition to identifying and assessing the impact of political risk on its business, the Group seeks to raise awareness of political risk issues within the industry and among the broader public, through active dialogue with clients, the media and other stakeholders. The Group also builds relationships that expand its access to information and intelligence, and allow Swiss Re to further enhance its methodologies and standards. For example, Swiss Re participates in specialist events hosted by institutions such as industry and risk management associations, and maintains relationships with political risk specialists in other industries, think tanks and universities, as well as with governmental and non-governmental organisations.

Swiss Re continues to operate in the UK mainly through the UK branches of its Luxembourg entities. From 1 January 2021, Swiss Re's UK branches are operating under the UK's Temporary Permissions Regime which, subject to certain conditions, allows third country branches to carry on insurance and reinsurance business in the UK until licences are granted by UK regulators. Applications for licenses for third country branches have been submitted and Swiss Re is in regular contact with the UK's Prudential Regulatory Authority to progress the applications.

Model risk

Swiss Re uses models throughout its business processes and operations, in particular to price insurance products, value financial assets and liabilities, assess reserves and portfolio cash flows, and estimate risk and capital requirements. Model owners have primary responsibility for model-related risks and are required to adhere to a robust tool development process, including testing, peer review, documentation and sign-off. A similar process also applies to model maintenance.

Swiss Re's model governance is based on Group-wide standards for model assurance. These standards seek to ensure that each model has a clear scope, is based on sound mathematical and scientific concepts, has been implemented correctly and produces appropriate results given the stated purpose. Furthermore, the calibration of

model parameters (and the data on which calibration relies) must be trustworthy, while expert judgments are required to be sensible, documented and evidenced.

Analytical or financial models that are used for costing, valuation and risk capital calculations are governed by Swiss Re's Model and Tool Assurance Framework. Material models used for costing, valuation of reserves and assets, as well as Swiss Re's internal risk model, are validated by dedicated teams within Risk Management. These teams provide independent assurance that the framework has been adhered to, and also conduct independent validations. Swiss Re's risk model is also subject to regulatory scrutiny.

Model-related incidents are captured within Swiss Re's operational risk framework. In addition, material model developments, incidents and risks are reported in regular risk updates to executive management and the Board of Directors at Group and legal entity level.

Valuation risk

Financial valuation risk is managed by internal and external portfolio managers, who ensure that valuations remain in line with the market. In addition, Swiss Re has a function within Financial Risk Management that independently assesses valuations and valuation techniques; this team performs independent price verification for financial risk positions to confirm that valuations are reasonable and ensure there are no material misstatements of fair value in Swiss Re's financial reports. The results of the independent price verification process are reviewed by the Asset Valuation Committee. Summary results are regularly reported to executive management and the Board of Directors at Group and legal entity level. In addition, Swiss Re's external auditor conducts quarterly reviews as well as a comprehensive year-end audit of controls, methodology and results.

Risk and capital management

Risk assessment

Reserve valuation risk is managed by Swiss Re's Actuarial Control function, with dedicated teams for property and casualty, and for life and health valuations. These teams ensure that Swiss Re's reserve setting process uses an appropriate governance framework, including defined accountabilities and decision-making processes for risk takers (as the first line of control) as well as for Actuarial Control. The framework ensures that there is independent assurance on the data, assumptions, models and processes used for valuation purposes; for all property and casualty business and selected life and health portfolios, it also includes an independent valuation of coverage provided to ensure that reserves are within an adequate range. Regular deep-dive investigations are performed into selected portfolios in order to review the appropriateness of both the reserves and the applied reserving approach. In addition, Swiss Re's external auditor conducts quarterly reviews as well as a comprehensive year-end audit of controls, methodology and results.

Sustainability risk

Swiss Re's continued business success depends on the successful management of sustainability risks, thus helping to maintain the trust of its stakeholders. The Group has a long-standing commitment to sustainable business practices, active corporate citizenship, as well as good, transparent governance. All employees are required to commit to and comply with Swiss Re's values and sustainability policies.

Potential sustainability risks are mitigated through clear corporate values, active dialogue and engagement with affected external stakeholders, and robust internal controls. These include a Group-wide Sustainability Risk Framework to identify and address sustainability risks across Swiss Re's business activities. The framework comprises sustainability-related policies – with pre-defined exclusions, underwriting criteria and quality standards – as well as a central due diligence process for related transactional risks.

Sustainability risks are monitored and managed by dedicated experts in Swiss Re's Group Sustainability Risk team, which is also responsible for maintaining the Sustainability Risk Framework. In addition, this unit supports Swiss Re's management and business strategy through tailored risk assessments and risk portfolio reviews. It fosters risk awareness through internal training, and facilitates development of innovative solutions to address sustainability issues. Finally, it represents and advocates Swiss Re's position on selected sustainability risk topics to external stakeholders.

Swiss Re is a founding signatory of the UN Principles for Sustainable Insurance (UN PSI) and is currently a board member of this initiative. The UN PSI seeks to promote sustainable insurance, which is intended, among other goals, to contribute to environmental, social and economic sustainability. Swiss Re has been actively contributing to the initiative for several years. During 2020, Swiss Re and the UN PSI convened four virtual events for insurers to continue work on promoting sustainable insurance.

As a signatory of the Paris Pledge for Action, the Group reinforced its support by committing to reach net-zero emissions for our insurance and investment portfolios by 2050 and for our own operations by 2030. Swiss Re is developing a methodology to assess the carbon footprint of our underwriting business. This will serve as a basis for carbon risk steering and will support Swiss Re and our clients in their transition. In this context, Swiss Re has contributed to a CRO Forum publication on methodologies to measure and eventually disclose the carbon footprint of insurance portfolios.

Reflecting the Group's strong overall commitment to sustainability, Swiss Re continued to be included in leading sustainability indices and rankings, such as FTSE4Good, Euronext Vigeo World 120, Ethibel Excellence Global, oekom Prime Investment and the Dow Jones Sustainability Index. For more information on Swiss Re's sustainability practices, see the Sustainability Report 2020.

Emerging risk

Anticipating possible developments in the risk landscape is a central element of Enterprise Risk Management. Swiss Re promotes pre-emptive thinking on risk in all areas of the business in order to reduce uncertainty and diminish the volatility of the Group's results, while also identifying new business opportunities and raising awareness for emerging risks.

For this purpose, Swiss Re's risk identification processes are supported by a systematic framework that identifies, assesses and monitors emerging risks and opportunities across all areas of Swiss Re's risk landscape. This framework combines a bottom-up approach driven by employee input with regional experts on emerging risk. The resulting information is complemented with insights from external parties such as think tanks, academic networks and international organisations, as well as from interaction with clients.

Findings are reported to management and internal stakeholders, including a prioritised overview of newly identified emerging risks and an estimate of their potential impact on Swiss Re's business. Swiss Re also publishes an annual emerging risk report (Swiss Re SONAR) to raise awareness across the industry.

To further advance risk awareness across the industry and beyond, Swiss Re maintains regular exchanges on emerging risks with its clients and continues to participate actively in strategic risk initiatives such as the CRO Forum's Emerging Risk Initiative and the International Risk Governance Council.

The following significant long-term emerging risks are deemed particularly important for Swiss Re's business:

Cyber risk – Edge computing

An emerging aspect of cyber risk is related to data processing at the periphery or edge of a network which is increasingly relevant with the prevalence of the Internet of Things (IoT). An important example is autonomous vehicles where time-lags in signal transmission and processing can prove fatal. Edge computing involves minimising latency in data transactions by adding computing power close to connected end-devices. It is playing a pivotal role in innovating and maintaining digital ecosystems across manufacturing, utilities, robotics and other spheres. In addition to such benefits, there are also inherent risks.

Potential business impact

Edge computing can lead to an increased cyber risk for the devices themselves but also to the network they are connected to. Heightened exposure can be a result of poor implementation and maintenance of edge computing devices. Such devices may not be designed and operated following the same security principles as for an e-banking system or a smartphone. The security focus on Operational Technology is still not the same as on Business IT. This emerging cyber risk is relevant to Swiss Re both as an operational threat and as a subject for insurance and reinsurance solutions for clients.

Mitigation measures

Swiss Re's Digital Governance Framework considers all activities where digital services are introduced, irrespective of whether it is Business IT or Operational Technology. Therefore, minimum baseline standards are being ensured for the secure usage of edge computing devices. Swiss Re regularly monitors and reassesses cyber security robustness against latest standards and threats, including the maintenance of an inventory of IoT devices.

Climate change – Moving to a low carbon future

To meet the objectives of the Paris agreement, global warming needs to stay below 2°C compared to pre-industrial levels. To achieve this, the target is to reduce greenhouse gas emissions to net-zero by 2050. A rapid transition to a low carbon economy is required. The changes are needed across all industries and entail an entire cluster of new risks which need to be understood, assessed and where possible mitigated. Swiss Re, and the insurance industry in general, regularly assesses the changing risk landscape and can help accelerate this transition through risk transfer products and as a long-term investor.

Potential business impact

The insurance sector is exposed to transition risks which may arise as a result of policy, legal, technology and market changes that are required to facilitate the transition to a low-carbon economy. For insurers and reinsurers, investment risks arising from this transition are mainly linked to the potential re-pricing of carbon-intensive financial assets, and the speed at which any such re-pricing might occur. To a lesser extent, insurers and reinsurers may also need to adapt to potential impacts on insurance resulting from, for example, reductions in insurance premium volumes from carbon-intensive sectors or coverage of new technologies without established loss histories, which may increase uncertainties in lines of business such as property and engineering.

Mitigation measures

Swiss Re is taking proactive measures to reduce potential business impacts on our investment and insurance portfolios, for example, reducing exposure to assets with the potential to be stranded in carbon-intensive energy infrastructure (eg thermal coal). More generally, climate change requires global risk mitigation actions and Swiss Re is dedicated to supporting decarbonisation pathways. Swiss Re underwrites renewable energy risk and is actively adapting existing products, as well as developing new risk transfer solutions. A new focus area for the future will be the risk cluster related to innovations in carbon removal which will be an integral part of reaching net-zero.

Prolonged large-scale power blackout

Long-lasting power blackouts can be triggered by natural catastrophes (eg solar storms), and intentional (eg cyber risk) or unintentional man-made events. Power blackout becomes more likely as energy grids are increasingly operating at capacity limits and are not always well maintained. Adding to the complexity and interdependency are alternative energy supplies and the digitisation of parts of the grid interacting with older installed infrastructure. All of these can trigger or exacerbate power blackouts.


Potential business impact

A prolonged large-scale power blackout can lead to widespread property damage, business interruption, financial market impacts and operational disruptions. Importantly, it is likely that business impacts will increase non-linearly the longer a power blackout lasts. This could lead to catastrophic economic losses. Loss exposure for the insurance industry could be significant, though many of these risks remain uninsured.

Mitigation measures

Swiss Re actively addresses prolonged power blackout risk through scenario assessment to estimate the potential business impact. As an example of such a scenario assessment, Swiss Re looked at direct and indirect loss potentials from a long-duration power blackout in the US triggered by a solar storm. Enriched by findings from vulnerability assessments for the US energy industry, as well as from internal exposure data, this also provided insights for underwriting.

Swiss Re maintains a risk dialogue with governmental bodies, power suppliers and other stakeholders to discuss power blackout risk and potential mitigation measures. Considerations include preventive measures, possibilities for public-private partnerships to create insurance pool solutions and other approaches to improve resilience.

 For more information about emerging risk, see the Swiss Re SONAR report.

Swiss Re's strong governance supports the Board of Directors' and the Group Executive Committee's leadership during the COVID-19 crisis.

Contents

Overview	80
Group structure and shareholders	84
Capital structure	86
Board of Directors	88
Executive Management	102
Shareholders' participation rights	108
Changes of control and defence measures	109
Auditors	110
Information policy	112

Overview

The global pandemic has forced companies to better articulate their corporate strategies and to explain how their boards and management teams are furthering those strategies in fraught times.



Walter B. Kielholz
Chairman of the Board of Directors



The Board of Directors' dedicated commitment and strong leadership are key to navigate through a crisis. ”

COVID-19 Governance

Swiss Re has navigated the crisis very successfully and ensured seamless continuity of business operations. To address the crisis, the Board of Directors and its Board committees increased the frequency of their meetings, demonstrating their commitment to decisive leadership and providing critical support for the Group Executive Committee (Group EC). The Board of Directors received regular updates on the spread of the pandemic, its impact on Swiss Re's employees, operations and business, as well as the mitigating efforts put in place. The Board of Directors was informed of how management handled the evolving pandemic and its effect on client interactions, writing new business and managing claims, as well as the many reporting necessities. The Board committees dealt with COVID-19-related topics based on their respective competencies and responsibilities. Their tasks are described in the section on the Board committees (see page 98). Swiss Re's Group Crisis Management Team (GCMT), under the lead of the Group CRO and the Group COO as deputy, held weekly meetings between February and May 2020. The GCMT is composed of Group EC members (Group CFO, Group CIO, Group CUO, Group HRO, Group CLO) as well as further senior management members, such as the Head Group Communications, Head Investor Relations and Head IT. The GCMT took the lead in developing and coordinating the implementation of business continuity measures across the Swiss Re Group to protect the health and safety of our employees. Measures included work-from-home protocols, guidelines on travel and the closure of our premises. Coordination was handled through local incident management teams. The GCMT reported to the Group EC after each of its meetings. Beginning in May, the Group EC held regular calls to address pandemic-related matters. GCMT and Group EC directives and actions were in line with the recommendations and guidelines set by the Swiss Federal Council and Switzerland's Federal Office of Public Health and all local directives.

Cyber Risk

The cyber threat landscape is constantly evolving, and Swiss Re's Board of Directors continues to closely monitor the company's cyber threat resilience. The Board of Directors were updated on important cyber security developments, in particular the increase of Covid-19 related attacks across the globe and the wide-ranging SolarWinds cyber incident. Swiss Re's IT infrastructure and cyber defence measures proved to be resilient and no breaches were reported. Besides the ever-changing cyber threat landscape, Swiss Re's exposure and digital footprint is expanding due to our digitalisation efforts, the move of critical business applications to the cloud and our business transformation with the development of new markets and new innovative products. The Finance and Risk Committee received an in-depth report on cloud security with the focus on protecting Swiss Re and client data related to public cloud services. In April 2020 the Finance and Risk Committee also reviewed the annual cyber risk assessment report, which evaluates Swiss Re's cyber risk exposure and cyber threat resilience. The regular re-assessment enables the Board members to understand how well the company's assets are protected against the evolving risks of intrusions, data breaches, and loss of access. Members of the Finance and Risk Committee regularly share their cyber expertise with Management and the topic of cyber risk remains a standing item on the Finance and Risk Committee agenda. The company's cyber risk strategy will continue to be a key focus area for the Board and its Committees.

Corporate Governance Trends

Sustainability remains top priority

Legislators, regulators, asset managers, shareholders and other stakeholders are increasingly looking to corporate governance as a means of improving transparency and accountability for sustainability. In particular, companies are now expected to have appropriate governance structures and governance priorities to address environmental, social and governance (ESG) issues. Corporate governance objectives over which boards have assumed greater oversight responsibility in recent years, such as diversity, better alignment of executive compensation and stakeholder engagement, are increasingly seen as having ESG aspects, making these topics even more important. ESG is figuring more prominently particularly in Europe, but also in the United States and in other key jurisdictions, in investment decisions and in corporate disclosure. We expect to see an increased focus on corporate disclosure, particularly around climate change. Europe is taking the lead on climate-related disclosures, and there is an emerging consensus on the need for greater standardisation of climate disclosures and performance measures. We also expect that demonstrating leadership on ESG topics will be seen by asset managers, shareholders and others, including employees and customers, as a differentiating factor, providing advantages across a range of areas for those able to demonstrate a commitment to, and significant transparency around, ESG themes. Please continue reading for more information on our sustainability highlights 2020/2021. For more information on our sustainability governance please refer to the next page.

Sustainability Highlights 2020/21

Sustainability-related targets and KPIs linked to compensation

As part of our Group Sustainability Strategy implementation, we introduced sustainability as an additional qualitative assessment dimension for determining our Group Annual Performance Incentive (API) pool. This establishes a clear connection between sustainability targets and compensation for all employees, including the Group EC. The sustainability assessment for 2020 is primarily based on qualitative key performance indicators (KPIs) and targets. These are aligned with our 2030 Sustainability Ambitions and our net-zero commitments. In the course of 2020, we further enhanced the framework by defining quantitative KPIs and respective targets, which will form the basis for the 2021 performance assessment. Swiss Re will continue refining sustainability-related KPIs and targets to ensure we are reaching our ambitious sustainability commitments. For a description of the Group API pool funding process see our Financial Report 2020 on page 121. For performance outcomes on the qualitative assessment, including sustainability aspects, in 2020, please see our Financial Report 2020, page 133, as well as our Sustainability Report, pages 16–21.

For more information on Swiss Re's approach regarding sustainability, please refer to pages 148–179 of this Financial Report as well as to our separate Sustainability Report:

<https://reports.swissre.com/sustainability-report/2020>

Our Sustainability Governance

Swiss Re has a well-defined governance framework to develop, enhance, implement and monitor its Group Sustainability Strategy. At Swiss Re’s highest governance level, the Board of Directors is responsible for overseeing the development and adoption of the Group Sustainability Strategy and related policies. It has assigned detailed responsibilities to four Board committees:

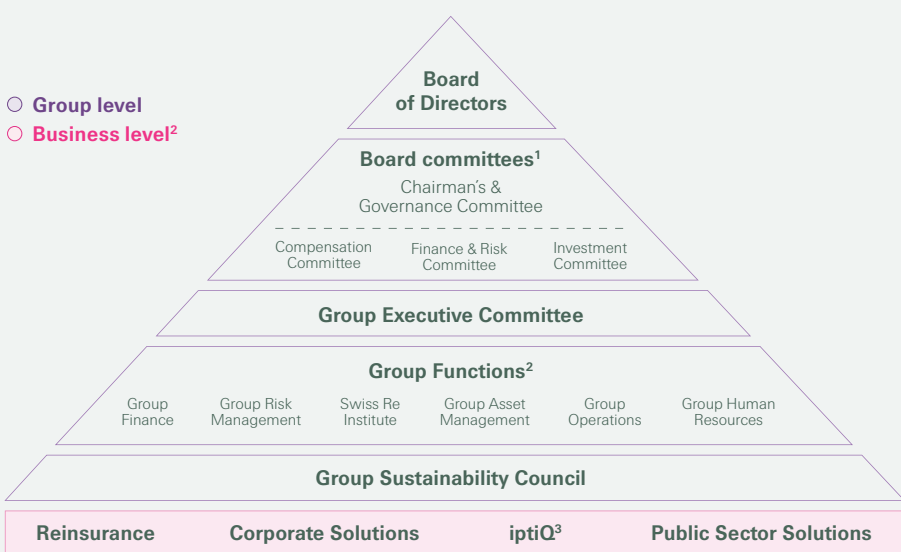
- **The Chairman’s and Governance Committee** monitors and reviews general progress toward achievement of the Group’s Sustainability Strategy, including all sustainability-related external engagements, based on regular updates from management and the sustainability team.
- **The Compensation Committee** establishes and reviews the compensation framework, guidelines and performance criteria. Performance criteria include sustainability-related topics.

- **The Finance and Risk Committee** defines the Group Risk Policy, reviews risk capacity limits, monitors adherence to risk tolerance, and reviews all top risk issues and exposures, including those with a specific sustainability dimension.
- **The Investment Committee** reviews Swiss Re’s Asset Management activities and, as part of this, receives regular updates on Group Asset Management’s approach to enhancing responsible investing.

While the Board of Directors is responsible for oversight, the Group EC ensures the implementation of the Group Sustainability Strategy. It therefore approves detailed sustainability policies, such as the oil and gas policy updated in 2020. For further details please refer to page 38 in our Sustainability Report, available at: <https://reports.swissre.com/sustainability-report/2020> Furthermore, it sets and monitors risk capacity limits (including for natural catastrophes) and determines product policy and underwriting standards. The Group EC members have explicit responsibilities related to sustainability, which include but are not limited to the following:

Sustainability Governance

- Group level
- Business level²



¹ Only those Board committees with allocated responsibilities related to sustainability are listed.
² Dedicated sustainability roles, networks and/or committees in all Group Functions and on Business level.
³ The Division iptiQ has been in place since 1 January 2021. The Business Unit Life Capital was disbanded at the end of December 2020.

- **The Group Chief Risk Officer (Group CRO)** is responsible for establishing the Group’s Risk Management Framework for all risk categories, including risks related to sustainability. In addition, the Group CRO chairs the Group Sustainability Council (GSC). In this role, he guides the GSC’s sustainability activities across the Swiss Re Group.
- **The Group Chief Investment Officer (Group CIO)** is responsible for ensuring consistent integration of ESG aspects across the investment process. The Group CIO is responsible for investment decisions within the Strategic Asset Allocation implementation, including those related to responsible investing, and is informed of ESG updates through various channels, including the Asset Management Investment Committee.
- **The Group Chief Financial Officer (Group CFO)** is responsible for Swiss Re’s investor relations and public disclosures, including the Group Annual Report, which includes our climate-related financial disclosures.
- **The Group Chief Underwriting Officer (Group CUO)** is responsible for Swiss Re Institute’s research agenda which includes sustainability and resilience-related topics.
- **The Group Chief Operating Officer (Group COO)** is responsible for the Corporate Real Estate & Services (CRES) division which steers and monitors the reduction of Swiss Re’s direct environmental footprint and is in charge of Swiss Re’s Greenhouse Neutral Programme to reduce our own CO₂ emissions as well as the commitment to reach net-zero CO₂ emissions in our operations by 2030.

Find out more

 For more information please visit: www.swissre.com/sustainability

Key Focus Area 2020/2021 Changes to the Group structure

The Business Unit Life Capital, which combined the closed book business of ReAssure with the open book businesses of elipsLife and iptiQ, was disbanded by the end of December 2020, following the completion of the sale of ReAssure to Phoenix Group Holdings plc. Effective 1 September 2020, the CEO Life Capital ceased to be a member of the Group Executive Committee. The Business Unit Corporate Solutions assumed responsibility for elipsLife as of 1 October 2020, which provides life and health insurance solutions and services for corporate clients, allowing it to better leverage this Business Units relationships with corporates and brokers. Swiss Re's white-labelling digital insurance platform iptiQ became a standalone division reporting to the Group CEO, effective 1 January 2021, enabling a greater focus on this business.

On 25 September 2020, we announced that we would further streamline the legal entity structure of the Swiss Re Group. Swiss Re intends to reorganise the legal entity structure of its Corporate Solutions Business. As part of the changes, Swiss Re intends to make Swiss Reinsurance Company Ltd the sole direct wholly-owned operating subsidiary of Swiss Re Ltd. Swiss Reinsurance Company Ltd would in turn have separate holding companies for the Reinsurance and Corporate Solutions Business Units, as well as the Division iptiQ. The streamlining of the Group's legal entity structure will not change the fact that these businesses continue to operate independently. It is expected that the target legal entity structure will be implemented by the end of 2021, subject to receipt of the required regulatory approvals.

Swiss Re's Corporate Governance Framework

The **Board of Directors** has ultimate responsibility for the success of Swiss Re Ltd and the Group within a framework of effective and prudent controls. It is responsible for the overall direction, supervision and control of Swiss Re Ltd and the Group and of the **Group EC**, as well as for supervising compliance with applicable laws, rules and regulations. Such responsibilities cannot be delegated and therefore rest with the entire Board. The Board of Directors has delegated the management of Swiss Re Ltd and the Group to the Group EC.

This corporate governance framework ensures sustainability, fosters transparency and facilitates a quality assessment of the Swiss Re Group's organisation and business.

Swiss Re's Governance Documents

Swiss Re's **Code of Conduct** provides key principles that guide Swiss Re in making responsible decisions and achieving results using the highest ethical standards. It is built on the five Swiss Re Corporate Values: Integrity, Team Spirit, Passion to Perform, Agility and Client Centricity. The **Corporate Governance Guidelines** set out Swiss Re's harmonised governance principles and standards, ensuring a consistent and tailored corporate governance approach across the Group. The **Articles of Association** define the legal and organisational framework of Swiss Re Ltd as the Group's holding company. The **Bylaws** define Swiss Re's governance framework and include the responsibilities of the Board of Directors and the Group EC and their members. The **Board Committee Charters** outline the duties and responsibilities of the Board Committees and form part of the Bylaws. The Bylaws and the Board Committee Charters are not publicly available.

For Swiss Re's governance documents please visit:



Group Code of Conduct

files.swissre.com/codeofconduct/

Corporate Governance Guidelines

www.swissre.com/corporategovernanceguidelines

Articles of Association (Swiss Re Ltd)

www.swissre.com/articlesofassociation

Swiss Re's corporate governance adheres to:

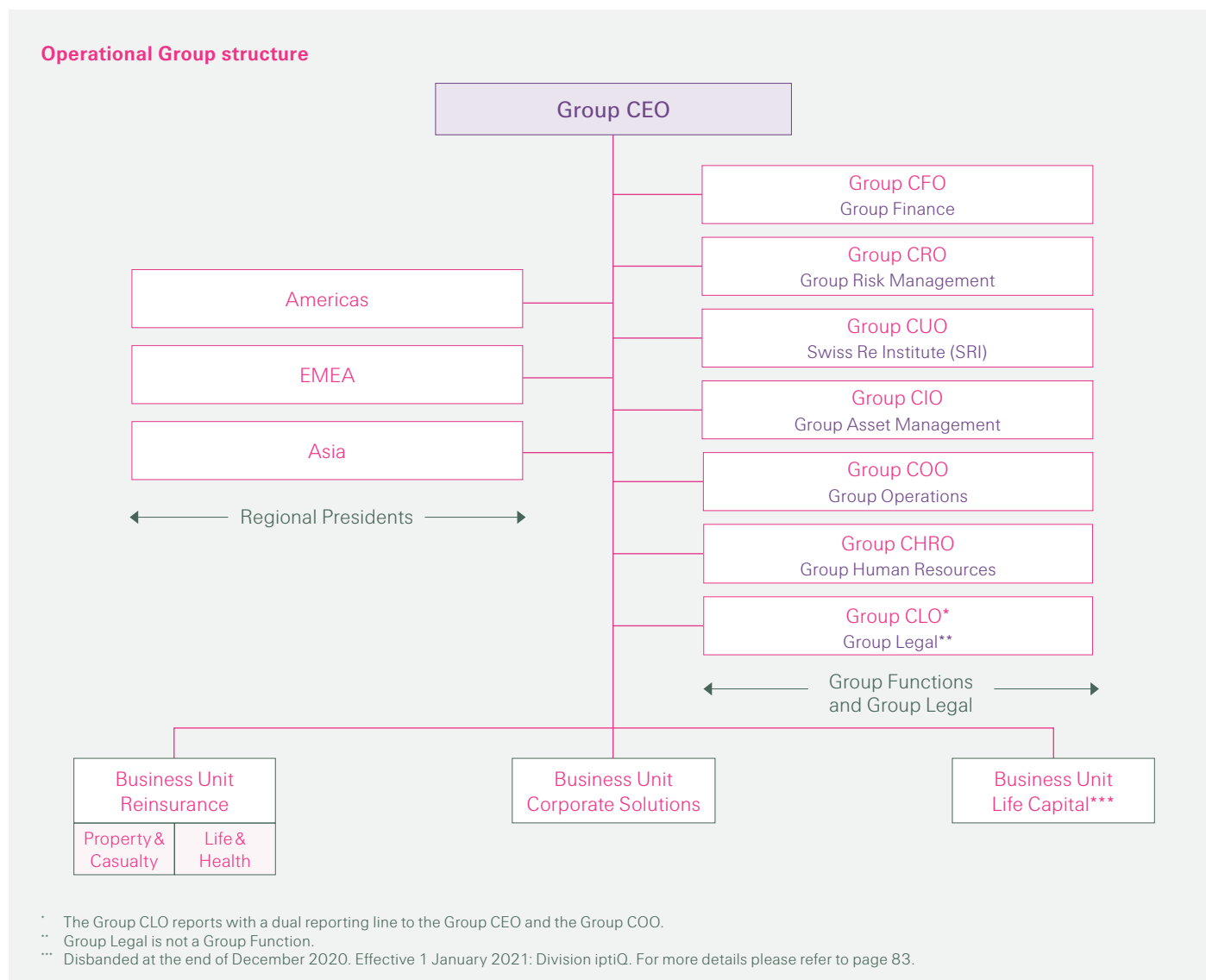
- The SIX Swiss Exchange's Directive on Information Relating to Corporate Governance (including its annex) dated 20 June 2019, effective as of 2 January 2020.
- The Swiss Code of Best Practice for Corporate Governance (Swiss Code) of 28 August 2014, issued by *economiesuisse*, the Swiss business federation.
- The Swiss Financial Market Supervisory Authority FINMA provisions on corporate governance, risk management and internal control system at insurers.

Swiss Re's corporate governance also complies with applicable local rules and regulations in all jurisdictions where it conducts business.

Information on compensation

Information on compensation and shareholdings of, and loans to, the members of the Board of Directors and the Group EC are included in the Compensation Report beginning on page 114 this Financial Report.

Group structure and shareholders



Legal structure – listed and non-listed Group companies

Swiss Re Ltd, the Group's holding company, is a joint stock company, listed in accordance with the International Reporting Standard on SIX Swiss Exchange (ISIN CH0126881561, Swiss Security Number 12688156), domiciled at Mythenquai 50/60 in 8022 Zurich, and organised under the laws of Switzerland.

Information on its market capitalisation is provided on pages 32–33 of this Financial Report. No other Group companies have shares listed. More information on the Group companies is provided in Note 20 to the Group financial statements on pages 278–280.

Swiss Re Ltd has a level I American Depository Receipts (ADR) programme in the US. The ADR are traded over the counter (OTC) (ISIN US8708861088, OTC symbol SSREY). One Swiss Re Ltd share equals four ADR. Neither the ADR nor the underlying Swiss Re Ltd shares are listed on a securities exchange in the US. Shares represented by ADR for which no specific voting instructions are received by the depositary from an ADR holder, are not voted at shareholder meetings.

Significant shareholders

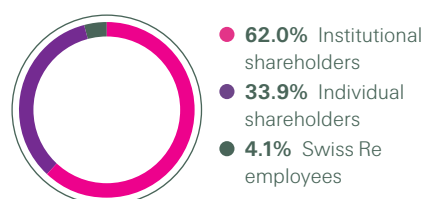
The following table provides a summary of the disclosure notifications of major shareholders holding more than 3% of voting rights:

Shareholder	Number of shares	% of voting rights and share capital	Creation of the obligation to notify
BlackRock, Inc.	15 995 446	5.04	31 December 2020

For the detailed disclosure notification please visit: www.swissre.com/disclosureofshareholdings

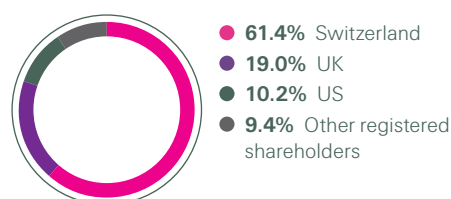
Registered shareholdings by type

As of 31 December 2020



Registered shareholdings by country

As of 31 December 2020



Shareholder structure

Registered – unregistered¹ shares

As of 31 December 2020	Shares	in %
Registered shares ²	174 237 358	54.9
Unregistered shares ²	114 739 041	36.1
Shares held by Swiss Re	28 520 907	9.0
Share buy-back programme	0	0.0
Total shares issued	317 497 306	100.0

¹ "Unregistered" shares refers to shares for which no application has been received by the owner to enter the shares in the share register.

² Without Swiss Re's holdings.

Registered shares with voting rights by shareholder type

As of 31 December 2020	Shareholders	in %	Shares	in %
Individual shareholders	90 579	89.5	59 109 999	33.9
Swiss Re employees	6 671	6.6	7 146 975	4.1
Total individual shareholders	97 250	96.1	66 256 974	38.0
Institutional shareholders	3 934	3.9	107 980 384	62.0
Total	101 184	100.0	174 237 358	100.0

Registered shares with voting rights by country

As of 31 December 2020	Shareholders	in %	Shares	in %
Switzerland	87 417	86.4	106 990 760	61.4
UK	969	0.9	33 128 665	19.0
US	1 405	1.4	17 782 985	10.2
Other	11 393	11.3	16 334 948	9.4
Total	101 184	100.0	174 237 358	100.0

Registered shares with voting rights by size of holding

As of 31 December 2020	Shareholders	in %	Shares	in %
Holdings of 1–2 000 shares	94 671	93.6	34 781 138	20.0
Holdings of 2 001–200 000 shares	6 437	6.3	58 905 181	33.8
Holdings of > 200 000 shares	76	0.1	80 551 039	46.2
Total	101 184	100.0	174 237 358	100.0

More information

More information on the Swiss Re Ltd shares, such as the price performance and trading volume in 2020, Swiss Re's dividend policy and dividends, the share buy-back programmes and an overview of the key share statistics since 2014, is included in the section "Share performance" on pages 32–33 of this Financial Report.

Cross-shareholdings

Swiss Re has no cross-shareholdings in excess of 5% of capital or voting rights with any other company.

Capital structure

Capital

As a result of the cancellation of shares repurchased under the share buy-back programme that was completed on 18 February 2020, the fully paid-in share capital of Swiss Re Ltd as of 31 December 2020 amounted to CHF 31 749 730.60. It is divided into 317 497 306 registered shares, each with a par value of CHF 0.10.

Conditional and authorised capital in particular

Conditional capital for Equity-Linked Financing Instruments

The conditional capital of Swiss Re Ltd as of 31 December 2020 amounts to CHF 5 000 000, permitting the issuance of a maximum of 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, corresponding to 15.74% of the existing share capital.

Such shares are issued through the voluntary or mandatory exercise of conversion and/or option rights granted by the company or Group companies in connection with bonds or similar instruments, including loans or other financial instruments (Equity-Linked Financing Instruments).

Authorised capital

The authorised capital of Swiss Re Ltd as of 31 December 2020 amounts to CHF 8 500 000. The Board of Directors is authorised to increase the share capital of the company at any time up to 17 April 2021 through the issue of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, corresponding to 26.77% of the existing share capital.

For more information on the terms and conditions of the conditional capital and the authorised capital please refer to articles 3a and 3b of the Articles of Association. **The Articles of Association are available at: www.swissre.com/articlesofassociation**

Changes in capital

Changes in 2020

The Annual General Meeting 2020 approved the reduction of the ordinary share capital by CHF 990 739.80 from CHF 32 740 470.40 to CHF 31 749 730.60 by cancelling 9 907 398 shares with a nominal value of CHF 0.10 each repurchased by Swiss Re Ltd on a second trading line on the SIX Swiss Exchange, via Cantonal Bank of Zurich as agent. The 9 907 398 shares were repurchased under the share buy-back programme launched on 6 May 2019 until its completion on 18 February 2020.

In line with the requirements of article 733 of the Swiss Code of Obligations, this reduction of the ordinary share capital was published in the Swiss Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) on 28 July 2020.

On 17 April 2020 the Annual General Meeting authorised a public share buy-back programme for cancellation purposes of up to CHF 1 billion purchase value for the Board of Directors to repurchase Swiss Re Ltd's shares prior to the 2021 Annual General Meeting. The Board of Directors concluded at its meeting following the Annual General Meeting that the share buy-back programme will not be launched due to the volatility in the financial markets and the global economic situation precipitated by the COVID-19 pandemic.

Changes in 2019

The Annual General Meeting 2019 approved the reduction of the ordinary share capital by CHF 1 121 476.10 from CHF 33 861 946.50 to CHF 32 740 470.40 by cancelling 11 214 761 shares with a nominal value of CHF 0.10 each repurchased by Swiss Re Ltd on a second trading line on the SIX Swiss Exchange, via Cantonal Bank of Zurich as agent. The 11 214 761 shares were repurchased under the share buy-back programme launched on 7 May 2018 until its completion on 15 February 2019. The purchase value of the repurchased own shares corresponded to CHF 999 999 983.08.

In line with the requirements of article 733 of the Swiss Code of Obligations, this reduction of the ordinary share capital was published in the Swiss Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) on 16 July 2019.

On 17 April 2019 the Annual General Meeting authorised a public share buy-back programme for cancellation purposes consisting of two tranches of up to CHF 1 billion purchase value each for the Board of Directors to repurchase Swiss Re Ltd's shares prior to the 2020 Annual General Meeting. The first tranche of the programme was launched on 6 May 2019 and completed on 18 February 2020. The purchase value of the repurchased own shares corresponded to CHF 999 999 970.00. Together with the third quarter 2019 results, which were published on 31 October 2019, the Board of Directors announced that it had decided not to launch the second tranche of the share buy-back programme due to the capital deployment, significant natural catastrophe losses in 2019 and the decision to suspend the initial public offering of ReAssure.

	31 December 2019			31 December 2020		
	Capital in CHF	In % of the share capital	Shares	Capital in CHF	In % of the share capital	Shares
Share capital	32 740 470.40	100%	327 404 704	31 749 730.60	100%	317 497 306
Conditional capital						
for Equity-Linked Financing Instruments	5 000 000.00	15.27%	50 000 000	5 000 000.00	15.74%	50 000 000
Authorised capital	8 500 000.00	25.96%	85 000 000	8 500 000.00	26.77%	85 000 000

For further details on the share buy-back programmes, please visit: www.swissre.com/sharebuyback

Furthermore, the Annual General Meeting 2019 renewed the authorised capital (until 17 April 2021) and made further amendments to the provisions of the Articles of Association concerning authorised and conditional capital (re-setting several sub-limits, and amending the description of permitted cases of an exclusion of subscription or advance subscription rights).

Changes in previous years

Information about changes in share capital of Swiss Re Ltd as well as of our former parent company Swiss Reinsurance Company Ltd for earlier years is provided in the Annual Reports of these companies for the respective years. For details please visit: www.swissre.com/investors/financial-information.html

Shares

All shares issued by Swiss Re Ltd are fully paid-in registered shares, each with a par value of CHF 0.10. Each share carries one vote. The shares rank equally among each other in all respects (including in respect of entitlements to dividends and liquidation proceeds). There are no categories of shares with a higher or limited voting power, privileged dividend entitlement or any other preferential rights, nor are there any other securities representing a part of the company's share capital.

The company cannot exercise the voting rights of treasury shares. As of 31 December 2020, shareholders had registered 174 237 358 shares with the share register for the purpose of exercising their voting rights, out of a total of 317 497 306 shares issued.

Profit-sharing and participation certificates

Swiss Re Ltd has not issued any profit-sharing and participation certificates.

Limitations on transferability and nominee registrations

Free transferability

The company maintains a share register for the registered shares, in which owners and usufructuaries are entered. Persons acquisition registered shares will, upon application, be entered in the share register without limitation as shareholder with voting power if evidence of the acquisition of the shares is provided and if they expressly declare that they have acquired the shares in their own name and for their own account.

Admissibility of nominee registrations

Persons not expressly declaring in their application for entry in the share register that they are holding shares for their own account (nominees) are entered without further inquiry in the share register of Swiss Re Ltd as shareholders with voting rights up to a maximum of 2% of the outstanding share capital available at the time. Additional shares held by such nominees that exceed the limit of 2% of the outstanding share capital are entered in the share register with voting rights only if such nominees disclose the names, addresses and shareholdings of any persons for whose account the nominee is holding 0.5% or more of the outstanding share capital. In addition, such nominees must comply with the disclosure requirements of the FMIA.

For more information on the transfer of shares please refer to article 4 of the Articles of Association. **The Articles of Association are available at: www.swissre.com/articlesofassociation**

Convertible bonds and options

Convertible bonds

As of 31 December 2020, except as provided below, neither Swiss Re Ltd nor any of its subsidiaries has any bonds outstanding that are convertible into equity securities of Swiss Re Ltd.

On 6 June 2018, Swiss Re Ltd placed with the market via a repackaging vehicle USD 500 000 000 of six-year exchangeable notes, which may be stock-settled at the option of Swiss Re Ltd. Subject to the conditions of the notes, noteholders may exchange their notes for ordinary shares of Swiss Re Ltd at a conversion price of USD 106.6067 (adjusted from the initial exchange price of USD 115.2593 and the subsequently adjusted exchange price of USD 111.6987). The exchange price is subject to further adjustment in certain circumstances described in the conditions of the notes. To economically offset the settlement of a noteholder-initiated exchange, Swiss Re Ltd purchased matching call options on Swiss Re Ltd shares with a portion of the proceeds. Consequently, no new Swiss Re Ltd shares will be issued upon a noteholder-initiated exchange. The settlement and delivery of these notes took place on 13 June 2018. For further details please see Note 7 to the financial statements on page 302 of this Financial Report. Assuming all of the notes were exchanged at the request of noteholders, 4 690 136 registered shares of Swiss Re Ltd would have to be delivered (corresponding to 1.48% of the existing share capital).

Shares

Vesting of share awards to Swiss Re employees are physically settled (with treasury shares). The number of issued shares will not be affected. For details on shares granted to Swiss Re employees and for more information on the quantitative impact of vested shares please see Note 16 to the Group financial statements on page 273 of this Financial Report. Assuming maximum vesting of all share awards granted as of 31 December 2020, 2 990 046 registered shares of Swiss Re Ltd would have to be delivered (corresponding to 0.94% of the existing share capital).

 **The Articles of Association are available at:**

www.swissre.com/articlesofassociation

Board of Directors

The Board of Directors is ultimately responsible for the success of Swiss Re Ltd and the Group.

Members of the Board of Directors

According to Article 14 of the Articles of Association, the Board of Directors of Swiss Re Ltd, the holding company of the Group, shall consist of at least seven members. As of 31 December 2020, the Board of Directors consisted of the following members:

Name	Nationality	Age	Initial election
Walter B. Kielholz (Chairman)	Swiss	69	1998 ¹
Renato Fassbind (Vice Chairman, Lead Independent Director)	Swiss	65	2011
Raymond K.F. Ch'ien	Chinese	68	2008 ¹
Sergio P. Ermotti	Swiss	60	2020
Karen Gavan	Canadian	59	2018
Joachim Oechslin	Swiss	50	2020
Deanna Ong	Singaporean	49	2020
Jay Ralph	American, Swiss	61	2017
Joerg Reinhardt	German	64	2017
Philip K. Ryan	American	64	2015
Sir Paul Tucker	British	62	2016
Jacques de Vaucleroy	Belgian	59	2017
Susan L. Wagner	American	59	2014
Larry Zimpleman	American	69	2018

¹ Initially elected to the Board of Directors of Swiss Reinsurance Company Ltd, the Group's former parent company, and subsequently elected to the Board of Directors of Swiss Re Ltd in 2011.

The following two members of the Board of Directors did not stand for re-election at the AGM 2020:

Name	Nationality	Age	Initial election
Trevor Manuel	South African	64	2015
Eileen Rominger	American	66	2018

For the biographies of former Board members, please refer to: www.swissre.com/formerboardmembers



Felix Horber
Group Company Secretary

Felix Horber, attorney-at-law, has been Group Company Secretary of Swiss Re since 2007. He holds a PhD in Law and an Executive Master in European and International Business Law. He is a Certified Director for Board Effectiveness and a Lecturer in Law at the University of St. Gallen (HSG), Switzerland.

**Walter B. Kielholz**

Chairman, non-executive
Born: 1951
Nationality: Swiss

Walter B. Kielholz was elected to the Board of Directors of Swiss Reinsurance Company Ltd in 1998 and to the Board of Directors of Swiss Re Ltd in connection with its formation in 2011. He was Vice Chairman from 2003 to April 2009 and has been Chairman of the Board of Directors since May 2009. He chairs the Chairman's and Governance Committee.

Professional experience

Walter B. Kielholz began his career at the General Reinsurance Corporation, Zurich, in 1976, where he held several positions in the US, in the UK and Italy before assuming responsibility for the company's European marketing. In 1986, he joined Credit Suisse, where he was responsible for relationships with large insurance groups. He joined Swiss Re in 1989, where he became an Executive Board member in 1993 and was Chief Executive Officer from 1997 to 2002. He was also a member of the Board of Directors of Credit Suisse Group Ltd from 1999 to 2014 and served as Chairman from 2003 to 2009.

Educational background

- Business Finance and Accounting degree, University of St. Gallen, Switzerland

External mandates

- Vice Chairman of the Institute of International Finance
- Member of the European Financial Services Round Table
- Chairman of the Zurich Art Society

**Renato Fassbind**

Vice Chairman and Lead Independent Director, non-executive and independent
Born: 1955
Nationality: Swiss

Renato Fassbind was elected to the Board of Directors of Swiss Re Ltd in 2011. He was appointed Vice Chairman in 2012 and Lead Independent Director in 2014. He chairs the Nomination Committee and the Audit Committee and is a member of the Chairman's and Governance Committee and the Compensation Committee.

Professional experience

After two years with Kunz Consulting AG, Renato Fassbind joined F. Hoffmann-La Roche Ltd in 1984, becoming Head of Internal Audit in 1988. From 1986 to 1987, he worked as a public accountant with Peat Marwick in New Jersey, USA. In 1990, he joined ABB Ltd as Head of Corporate Staff Audit and, from 1997 to 2002, was Chief Financial Officer and a member of the Group Executive Committee. In 2002, he joined Diethelm Keller Holding Ltd as Group Chief Executive Officer. From 2004 to 2010, he was Chief Financial Officer and a member of the Executive Board of Credit Suisse Group Ltd.

Educational background

- PhD in Economics, University of Zurich, Switzerland
- Certified Public Accountant (CPA), Denver, USA

External mandates

- Board member of Nestlé S.A.*
- Board member of Kühne + Nagel International Ltd*

**Raymond K.F. Ch'ien**

Member, non-executive and independent
Born: 1952
Nationality: Chinese

Raymond K.F. Ch'ien was elected to the Board of Directors of Swiss Reinsurance Company Ltd in 2008 and to the Board of Directors of Swiss Re Ltd in connection with its formation in 2011. He is a member of the Compensation Committee and the Investment Committee. He is also a member of the Board of Directors of Swiss Re Asia Pte. Ltd.

Professional experience

Raymond K.F. Ch'ien was Group Managing Director of Lam Soon Hong Kong Group from 1984 to 1997. From 1999 to 2011, he was Chairman of CDC Corporation, a software development company, and from 2003 to 2015 Chairman of MTR Corporation Limited, which operates a major public transport network in Hong Kong. From 1997 to 2020, Raymond K.F. Ch'ien also served as an Independent Non-executive Director of the Hongkong and Shanghai Banking Corporation Limited.

Educational background

- PhD in Economics, University of Pennsylvania, USA

External mandates

- Chairman of the Board of Directors of Hang Seng Bank Ltd*
- Board member of China Resources Power Holdings Company Ltd*
- Honorary President of the Federation of Hong Kong Industries

* Listed company

Corporate governance

Board of Directors



Sergio P. Ermotti

Member, non-executive and independent
Born: 1960
Nationality: Swiss



Karen Gavan

Member, non-executive and independent
Born: 1961
Nationality: Canadian



Joachim Oechslin

Member, non-executive and independent
Born: 1970
Nationality: Swiss

Sergio P. Ermotti was elected to the Board of Directors of Swiss Re Ltd in 2020.

Professional experience

Sergio P. Ermotti was Group Chief Executive Officer and a member of the Group Executive Board of UBS Group from 2011 to 31 October 2020. Before joining UBS, he was Head of the Markets & Investment Banking Division as of December 2005, and Group Deputy Chief Executive Officer from 2007 to 2010 at UniCredit Group, responsible for Corporate and Investment Banking and Private Banking. Between 1987 and 2004, he held various positions at Merrill Lynch & Co. in the areas of equity derivatives and capital markets. He became Co-Head of Global Equity Markets and a member of the Executive Management Committee for Global Markets & Investment Banking in 2001.

Educational background

- Swiss-certified banking expert
- Advanced Management Programme, University of Oxford, United Kingdom

External mandates

- Chairman of Investindustrial Acquisition Corp.* (as of 1 January 2021)

Karen Gavan was elected to the Board of Directors of Swiss Re Ltd in 2018. She is a member of the Audit Committee and the Compensation Committee. She is also a member of the Board of Directors of Swiss Re America Holding Corporation.

Professional experience

Karen Gavan started her career in finance roles at Prudential Insurance, Imperial Life and Canada Life. She joined Transamerica Life in 1992 as Chief Financial Officer and added responsibilities over her tenure becoming Executive Vice President and Chief Financial Officer from 2000 to 2002 of Transamerica Life Canada/AEGON Canada, and from 2003 to 2005 the company's Chief Operating Officer. From 2005, Karen Gavan assumed a number of non-executive board mandates. She joined the Board of Economical Insurance in 2008 and, until her retirement in November 2016, also served for five years as President and Chief Executive Officer at Economical Insurance, preparing the company for its initial public offering. During her leadership, the company also launched Sonnet, Canada's first fully digital insurer.

Educational background

- Honours Bachelor of Commerce, Lakehead University, Canada
- Fellow of the Institute of Chartered Accountants of Ontario, Canada

External mandates

- Board member of Mackenzie Financial Corporation
- Board member of HSBC Bank Canada

Joachim Oechslin was elected to the Board of Directors of Swiss Re Ltd in 2020. He is a member of the Finance and Risk Committee and the Investment Committee.

Professional experience

Joachim Oechslin started his professional career in 1998 as a consultant at McKinsey & Company, specialising in the financial services sector. In 2001, he joined Winterthur Insurance, Switzerland, where he was Chief Risk Officer of Winterthur Life & Pensions until 2003 and Group Chief Risk Officer of Winterthur Group from 2003 to 2006. Joachim Oechslin became a member of the Executive Committee of Winterthur Group in 2006. Following the acquisition of Winterthur Group by AXA in 2006, he assumed the position of Deputy Group Chief Risk Officer of AXA Group. In 2007, he joined Munich Re Group as Group Chief Risk Officer and a member of the Group Committee. In 2013, he moved to Credit Suisse Group, where he was Group Chief Risk Officer and a member of the Group Executive Board from January 2014 to February 2019. Currently, Joachim Oechslin serves as Senior Advisor at Credit Suisse Group.

Educational background

- Degree in Electrical Engineering, Higher Technical Institute (HTL), Winterthur, Switzerland
- Master of Science in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

External mandates

- None

* Listed company

**Deanna Ong**

Member, non-executive and independent
 Born: 1971
 Nationality: Singaporean

Deanna Ong was elected to the Board of Directors of Swiss Re Ltd in 2020. She is a member of the Audit Committee. She is also a member of the Board of Directors and Chairperson of the Audit Committee of Swiss Re Asia Pte. Ltd.

Professional experience

Deanna Ong has been Chief People Officer and a member of the Group Executive Committee at GIC, a sovereign wealth fund established by the Government of Singapore, since 2017, and Managing Director since 2008. Deanna Ong joined GIC in 1994 and held various finance roles covering public and private market assets until 2009. From 2009 to 2014, she was Director Finance, responsible for financial management across GIC's portfolio. In 2012, she also took on responsibility for Human Resources & Organisation and Corporate Governance. Prior to joining GIC, she was a tax accountant with Arthur Andersen & Co.

Educational background

- Bachelor of Accountancy, Nanyang Technological University, Singapore
- Stanford Executive Program, Stanford University, USA

External mandates

- Board member of the International Forum of Sovereign Wealth Funds

**Jay Ralph**

Member, non-executive and independent
 Born: 1959
 Nationality: American and Swiss

Jay Ralph was elected to the Board of Directors of Swiss Re Ltd in 2017. He is a member of the Finance and Risk Committee and the Investment Committee.

Professional experience

Jay Ralph was a member of the Board of Management of Allianz SE from 2010 to 2016, where he also served on a number of boards of directors of Allianz SE subsidiaries. He was Chief Executive Officer of Allianz Re from 2007 to 2009 and President and Chief Executive Officer of Allianz Risk Transfer from 1997 to 2006. Before joining Allianz, he was an auditor at Arthur Andersen & Co., Investment Officer at Northwestern Mutual Life Insurance Company, President at Centre Re Bermuda Ltd and a member of the Executive Board of Zurich Re.

Educational background

- MBA in Finance and Economics, University of Chicago, USA
- BBA in Finance and Accounting, University of Wisconsin, USA
- Certified Public Accountant (CPA), Chartered Financial Analyst (CFA) and Fellow of the Life Management Institute (FLMI)

External mandates

- Member of the Siemens Pension Advisory Board
- Treasurer and member of the Georgia O'Keeffe Museum Board of Trustees and member of the O'Keeffe Innovations Board

**Joerg Reinhardt**

Member, non-executive and independent
 Born: 1956
 Nationality: German

Joerg Reinhardt was elected to the Board of Directors of Swiss Re Ltd in 2017. He is a member of the Nomination Committee and the Compensation Committee.

Professional experience

Joerg Reinhardt has been Chairman of the Board of Directors of Novartis since 2013. He was Chairman of the Board of Management and the Executive Committee of Bayer HealthCare AG from 2010 to 2013 and, prior to that, held various executive positions at Novartis. He was Chief Operating Officer from 2008 to 2010, headed the Vaccines and Diagnostics Division from 2006 to 2008 and held a number of other senior roles, primarily in research and development, in the preceding years. Joerg Reinhardt started his career at Sandoz Pharma Ltd, a predecessor company of Novartis, in 1982.

Educational background

- PhD in Pharmaceutical Sciences, Saarland University, Germany

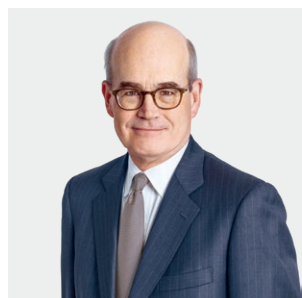
External mandates

- Chairman of the Board of Directors of Novartis Inc.*
- Chairman of the Board of Trustees of the Novartis Foundation

* Listed company

Corporate governance

Board of Directors



Philip K. Ryan

Member, non-executive and independent
Born: 1956
Nationality: American

Philip K. Ryan was elected to the Board of Directors of Swiss Re Ltd in 2015. He chairs the Finance and Risk Committee and is a member of the Chairman's and Governance Committee and the Audit Committee. He is also Chairman of Swiss Re America Holding Corporation.

Professional experience

Philip K. Ryan held various positions with Credit Suisse from 1985 to 2008, including Chairman of the Financial Institutions Group, Chief Financial Officer of Credit Suisse Group Ltd, Chief Financial Officer of Credit Suisse Asset Management, and Managing Director of CSFB Financial Institutions Group. He was Chief Financial Officer of the Power Corporation of Canada from 2008 to 2012. In that capacity, he was a director of IGM Financial Inc., Great-West Lifeco Inc. and several of their subsidiaries, including Putnam Investments.

Educational background

- MBA, Kelley School of Business, Indiana University, USA
- Bachelor's degree in Industrial and System Engineering, University of Illinois, USA

External mandates

- Operating Partner Corsair Capital
- Operating Partner MKB Growth Equity
- Member of the Advisory Board of NY Green Bank
- Member of the Smithsonian National Board



Sir Paul Tucker

Member, non-executive and independent
Born: 1958
Nationality: British

Sir Paul Tucker was elected to the Board of Directors of Swiss Re Ltd in 2016. He is a member of the Finance and Risk Committee and the Investment Committee.

Professional experience

Sir Paul Tucker was the Deputy Governor of the Bank of England from 2009 to 2013. He held various senior roles at the Bank of England from 1980 onwards, including as a member of the Monetary Policy Committee, Financial Policy Committee, Prudential Regulatory Authority Board and Court of Directors. He also served as a member of the Steering Committee of the G20 Financial Stability Board and as a member of the Board of the Bank for International Settlements. In 2014, he was granted a knighthood for his services to central banking. Sir Paul Tucker is the author of *Unelected Power: The Quest for Legitimacy in Central Banking and the Regulatory State* (Princeton University Press, 2018).

Educational background

- BA in Mathematics and Philosophy, Trinity College, Cambridge, United Kingdom

External mandates

- Chairman of the Systemic Risk Council
- Research Fellow at the Harvard Kennedy School of Government
- Board member of the Financial Services Volunteers Corps
- Senior Fellow at the Harvard Center for European Studies
- Governor of the Ditchley Foundation
- President of the UK's National Institute of Economic and Social Research



Jacques de Vaucleroy

Member, non-executive and independent
Born: 1961
Nationality: Belgian

Jacques de Vaucleroy was elected to the Board of Directors of Swiss Re Ltd in 2017. He chairs the Compensation Committee and is a member of the Chairman's and Governance Committee, the Nomination Committee and the Investment Committee. He is also Chairman of Swiss Re Europe S.A. and Swiss Re International SE.

Professional experience

Jacques de Vaucleroy was a member of the Management Committee of AXA Group from 2010 to 2016, serving as Chief Executive Officer for North, Central and Eastern Europe and Chief Executive Officer of Global Life & Savings. He also held a number of positions in boards of directors and supervisory boards of AXA companies. Before that, he spent 24 years at ING, where he held senior roles in banking, asset management and insurance. He was a member of the Executive Board of ING Group from 2006 to 2009, in charge of insurance and asset management in Europe.

Educational background

- Master's degree in Law, Université Catholique de Louvain, Belgium
- Master's degree in Business Law, Vrije Universiteit Brussel, Belgium

External mandates

- Chairman of Kazidomi SRL
- Board member of Colt Technology Services Group plc, Fidelity International Limited, Eight Roads Holdings Limited and Zabka Polska SA
- Board member of the Simón I. Patiño Foundation and the TADA non-profit organisation



Susan L. Wagner

Member, non-executive and independent
Born: 1961
Nationality: American

Susan L. Wagner was elected to the Board of Directors of Swiss Re Ltd in 2014. She chairs the Investment Committee and is a member of the Chairman's and Governance Committee, the Nomination Committee and the Finance and Risk Committee.

Professional experience

Susan L. Wagner is a co-founder of BlackRock, where she served as Vice Chairman and a member of the Global Executive and Operating Committees before retiring in 2012. Previously, Susan L. Wagner served as Chief Operating Officer, Head of Strategy and Corporate Development, and Head of the Alternative Investment and International Client Businesses. Prior to founding BlackRock, Susan L. Wagner was a Vice President at Lehman Brothers, supporting the investment banking and capital markets activities of mortgage and savings institutions.

Educational background

- BA in English and Economics, Wellesley College, USA
- MBA in Finance, University of Chicago, USA

External mandates

- Board member of Apple Inc.*
- Board member of BlackRock, Inc.*
- Board member of Color Health, Inc.
- Board member of Samsara Networks, Inc.
- Member of the Board of Trustees of Wellesley College, USA



Larry Zimpleman

Member, non-executive and independent
Born: 1951
Nationality: American

Larry Zimpleman was elected to the Board of Directors of Swiss Re Ltd in 2018. He is a member of the Audit Committee and the Finance and Risk Committee.

Professional experience

Larry Zimpleman started his career in 1971 as an actuarial intern at The Principal Financial Group, an investment management company that offers insurance solutions, asset management and retirement services to individual and institutional clients. From 1976 to 2006, he held various senior management and leadership positions at The Principal. He became President and Chief Executive Officer in 2008 and Chairman in 2009. In August 2015, Larry Zimpleman stepped down as President and CEO. His membership in the Board of Directors ended in May 2016.

Educational background

- Bachelor of Science, Drake University, USA
- MBA, Drake University, USA
- Fellow of the Society of Actuaries, USA

External mandates

- Member of the Board of Trustees of the Drake University
- Member of the Board of Trustees of the Iowa Clinic

Independence

At least three-quarters of the members of the Board of Directors must be independent members. Swiss Re Ltd defines independence in line with best practice corporate governance standards. To be considered independent a Board member may not be, and may not have been in the past five years, employed as a member of the Group EC, or by any subsidiary of the Group, or may not have a material relationship with any part of the Group (either directly or as a partner, director or shareholder of an organisation that has a material relationship with the Group) other than serving as an independent board member in any subsidiary. In addition, the Board agrees on other criteria that disqualify a Board member from being considered independent, taking into consideration provisions of applicable law, regulations and best practice. The Board members annually need to confirm that they meet additional criteria.

For an overview on all the independence criteria that apply to our Board members please refer to:

www.swissre.com/board-independence

All the members of the Board of Directors meet our independence criteria, with the exception of our Chairman. As a full-time Chairman he is not considered independent.

Conflicts of interest

The members of the Board of Directors are also subject to procedures to avoid any action, position or interest that conflicts with an interest of Swiss Re Ltd or the Group or gives the appearance of a conflict. Each member must disclose any conflict of interest relating to a matter to be discussed at a meeting, as soon as the member becomes aware of the conflict, to the Chairman. The respective member must not participate in the discussion and decision-making involving the interest at stake. The Chairman informs the Board of Directors of the existence of the conflict and it is reflected in the meeting minutes. Each member must disclose any conflict of interest generally arising to the Group CLO, or in his absence to the Group Chief Compliance Officer (Group CCO). The Group CLO (or in his absence the Group CCO) ensures that such a reported conflict of interest is dealt with accordingly.

* Listed company

Corporate governance

Board of Directors

Information about managerial positions and significant business connections of non-executive directors

Walter B. Kielholz, Chairman of the Board of Directors since 1 May 2009, was Swiss Re's CEO from 1 January 1997 to 31 December 2002. In line with Swiss Re Ltd's independence criteria, Walter B. Kielholz, being a full-time Chairman, is not considered independent. No other director has ever held a management position within the Group. None of the members of the Board of Directors has, or represents a company or organisation that has, any significant business connections with Swiss Re Ltd or any of the Group companies, other than as disclosed in Note 18 to the Group financial statements on page 276 of this Financial Report.

Other mandates, activities and functions

Article 26 of the Articles of Association governs the requirements regarding the external mandates held by Board members.

The Articles of Association are available under: www.swissre.com/articlesofassociation

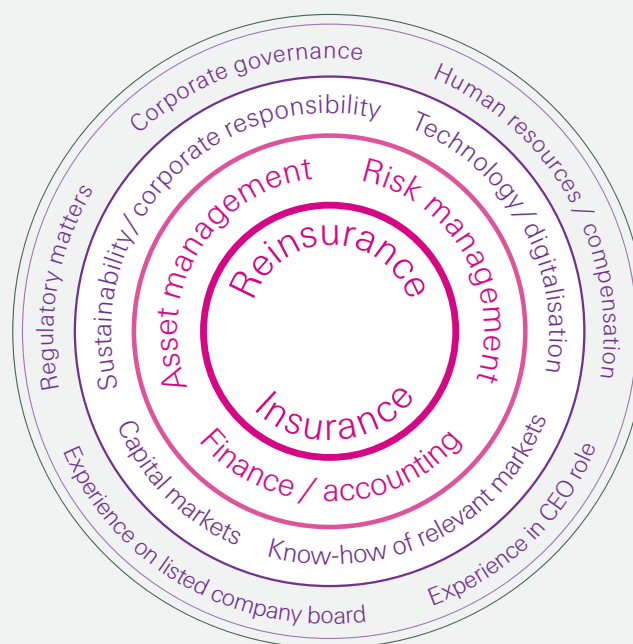
In addition, no member of the Board of Directors may serve on the board of directors of a listed company in which another member of the Board of Directors holds an executive function, or where a member of the Board of Directors is able to determine the compensation of another member of the Board of Directors.

All Board members comply with the requirements on external mandates set out in the Articles of Association. Any activities of Board members in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations, as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, are stated in each of the directors' biographies, which can be found on pages 89–93.

Changes in 2020

Sergio P. Ermotti, Joachim Oechslin and Deanna Ong were elected as new members to the Board of Directors by the shareholders at the Annual General Meeting, which took place in Zurich on 17 April 2020. Trevor Manuel and Eileen Rominger did not stand for re-election. The Annual General Meeting 2020 re-elected Walter B. Kielholz for a one-year term of office as a member and Chairman of the Board of Directors. Renato Fassbind (Vice Chairman and Lead Independent Director), Raymond K.F. Ch'ien, Karen Gavan, Jay Ralph, Joerg Reinhardt, Philip K. Ryan,

Board of Directors skills and competencies



Sir Paul Tucker, Jacques de Vaucleroy, Susan L. Wagner and Larry Zimpleman were individually re-elected by the Annual General Meeting 2020 for a further one-year term of office as members of the Board of Directors. The Board of Directors now consists of 14 members, it consisted of 13 members up to the Annual General Meeting 2020. The Annual General Meeting 2020 also re/elected Renato Fassbind, Raymond K.F. Ch'ien, Karen Gavan (new), Joerg Reinhardt and Jacques de Vaucleroy as members of the Compensation Committee for a one-year term of office.

Election, succession planning, qualifications, training and term of office

Election procedure

Members of the Board of Directors and the Chairman of the Board of Directors are elected individually by the Annual General Meeting for a term of office until completion of the next Annual General Meeting.

Succession planning

Succession planning is of significant importance to the Board of Directors. It regularly analyses its composition to confirm that its members' qualifications, skills and experience correspond to the Board's needs and requirements. The Board of Directors initiates the evaluation of potential new Board members in a timely manner with the continued aim to ensure

its members have the desired qualifications and experience as well as to further diversify and renew its composition. The Nomination Committee evaluates candidates for Board membership and makes recommendations to the Board of Directors for election or re-election proposals. The Board of Directors nominates candidates for Board membership for election at the Annual General Meeting, ensuring that the Board retains an adequate size and well-balanced composition and that at least three-quarters of its members are independent. With regard to its succession planning, the Board of Directors aims to safeguard the stability of its composition while also renewing the Board in a sensible way.

Qualifications

The Board of Directors needs to secure the necessary qualifications, skills and diversity to perform all required responsibilities. It must assemble among its members the balance of managerial expertise and knowledge from different fields required for the fulfilment of the oversight responsibility as well as for sound, independent decision-making in line with the needs of the business.

The Board of Directors defines the selection criteria against which candidates for Board membership are assessed. The requirements that potential Board members have to meet in terms of knowledge in various key areas and the industry are constantly increasing.

Membership on the Board of Directors requires experience in key sectors such as insurance and reinsurance, finance, accounting, capital markets, risk management and regulatory matters as well as leadership and decision-making experience in a large, complex financial institution. Further details are provided on the previous page. The mandate also demands significant commitment, integrity and intercultural communication competence.

The prevalence of these qualifications and skills ensures that the Board of Directors has the relevant expertise required for active involvement and supervision of an international listed company.

A Board member may not have any management or executive function within the Group.

Board members' training

The Board of Directors has a unique role in the company oversight. The company therefore strives to build a strong and effective Board culture, supported by ongoing learning, which is an important component to foster Board effectiveness.

Upon election new Board members undergo a comprehensive onboarding programme in order to gain a sound understanding of the Group's organisation, business and environment. The programme encompasses the study of detailed pre-reading materials, as well as a total of 24 hours of sessions with key management functions and topic experts over a period of nine months. Additionally, the Board members update and enhance their knowledge of emerging business trends and risks through regular meetings with internal and external experts throughout the year.

In 2020 the Board members spent time further educating themselves on natural catastrophe (re)insurance risks and the impact of climate change.

Additionally, one-to-one training sessions are offered at any time through the year with our top executives and experts.

Term of office

The members of the Board of Directors are elected for a term of office until completion of the next Annual General Meeting. Members whose term has expired are immediately eligible for re-election.

First election date

The initial election year of each member is stated in the table on page 88.

Nominations for re-election by the Annual General Meeting of 16 April 2021

The shareholders annually elect the members of the Board of Directors, the Chairman of the Board of Directors and the members of the Compensation Committee, individually and separately, for one-year terms, until completion of the next Annual General Meeting. The Board of Directors proposes, based on recommendations by the Nomination Committee, that each of the following Board members be **re-elected** for a one-year term:

- Renato Fassbind
- Raymond K.F. Ch'ien
- Sergio P. Ermotti
- Karen Gavan
- Joachim Oechsli
- Deanna Ong
- Jay Ralph
- Joerg Reinhardt
- Philip K. Ryan
- Sir Paul Tucker
- Jacques de Vaucleroy
- Susan L. Wagner
- Larry Zimpleman

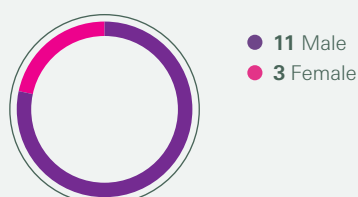
The Board of Directors proposes, based on a recommendation by the Nomination Committee, that **Sergio P. Ermotti be elected as new Chairman of the Board of Directors** to succeed Walter B. Kielholz. As announced by Swiss Re on 3 March 2020, Walter B. Kielholz, Chairman of the Board of Directors, will not stand for re-election at the Annual General Meeting 2021. **Sergio P. Ermotti's** biography is available on page 90.

The Board of Directors furthermore proposes, based on recommendations by the Nomination Committee, that **Raymond K.F. Ch'ien, Renato Fassbind, Karen Gavan, Joerg Reinhardt and Jacques de Vaucleroy** be re-elected as members of the **Compensation Committee**.

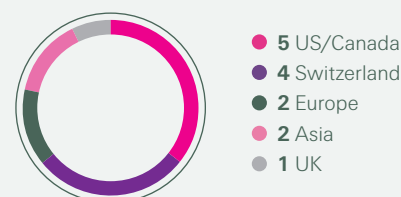
Board of Directors diversity

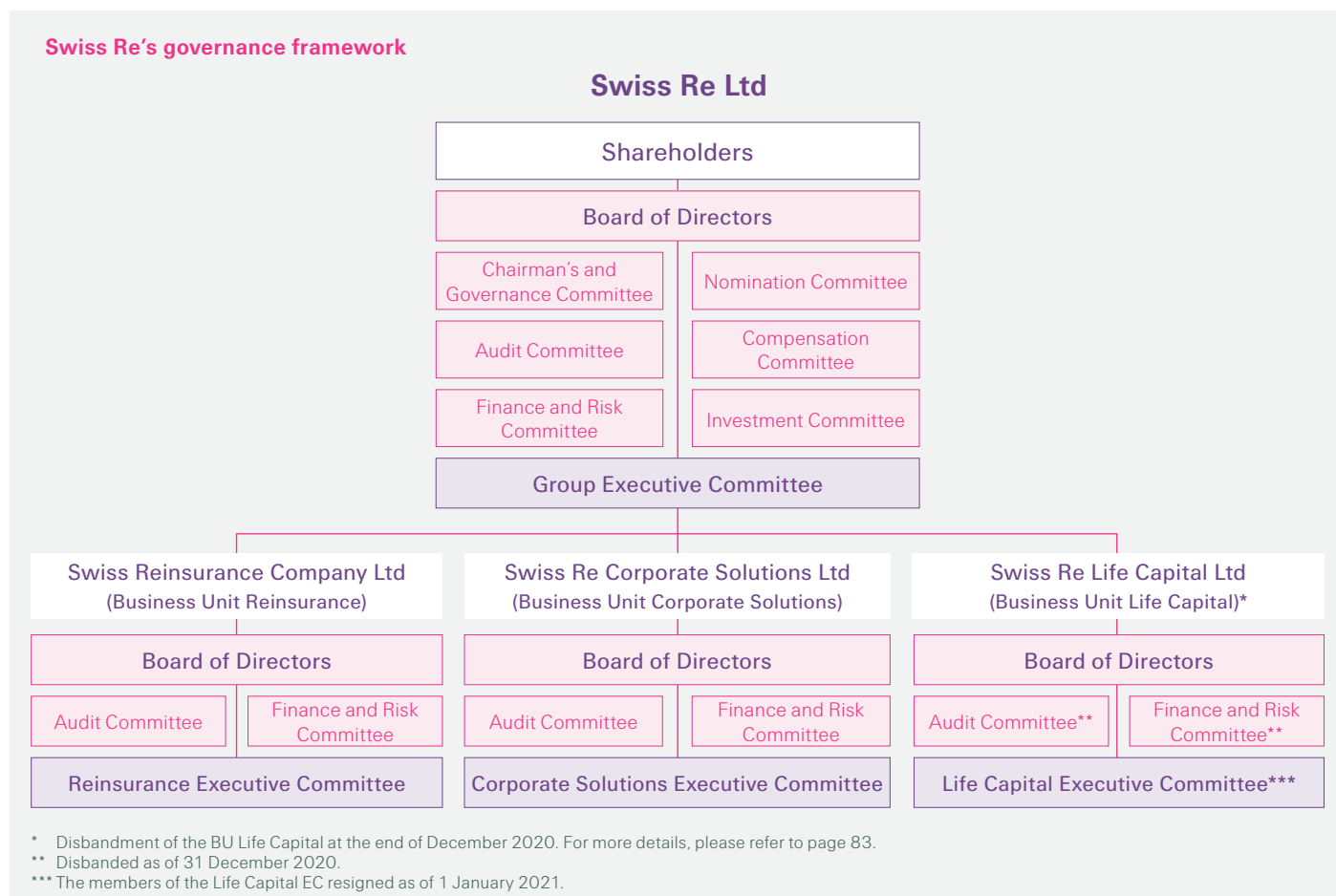
In addition to the skill sets and competencies of the members of the Board of Directors, the principles of gender and age diversity, inclusion, nationality, race, ethnicity, regional representation, transparency and the avoidance of conflicts of interest play an important role in the composition of the Board of Directors.

Gender diversity



Regional representation





Organisational structure of the Board of Directors

The Board of Directors constitutes itself at the first meeting following the Annual General Meeting. It is the Annual General Meeting though, which elects the Chairman and the members of the Compensation Committee. The Board of Directors elects from among its independent members a Vice Chairman and a Lead Independent Director. The same member may act in both roles. The Board of Directors also elects the chairpersons and members of the Board committees (other than the members of the Compensation Committee) as proposed by the Chairman's and Governance Committee. The Board of Directors may remove members from any such special function at any time. The Board of Directors also appoints its secretaries, who do not need to be members of the Board of Directors.

Committees of the Board of Directors

As determined by the applicable Swiss Corporate Law and the Articles of Association, the Board of Directors has inalienable and non-transferable responsibilities and authorities. The Board of Directors has established Board committees that support the Board in

fulfilling its duties. The Board has delegated certain responsibilities, including the preparation and execution of its resolutions, to the following six committees:

- Chairman's and Governance Committee
- Nomination Committee
- Audit Committee
- Compensation Committee
- Finance and Risk Committee
- Investment Committee

Each committee consists of a chairperson and at least three other members elected from among the Board of Directors. The members of the Compensation Committee are elected annually by the Annual General Meeting.

The term of office of a Board committee member is one year, beginning with the appointment at the constituting Board meeting following an Annual General Meeting and ending at the Board meeting following the subsequent Annual General Meeting. For Compensation Committee members, the term of office begins with the election at the Annual General Meeting until completion of the next Annual General Meeting.

Depending on the responsibility, the Board committees have decision-making powers or act in an advisory capacity. Please refer to page 98 for an overview of the key focus areas of the Board committees in 2020. The Board members' committee memberships are reflected in their biographies, which can be found on pages 89–93. For an overview of the Board committees' composition and responsibilities, please refer to: www.swissre.com/board-committees

Working methods of the Board of Directors and its committees

Convening meetings and invitation

The entire Board of Directors and its committees meet at the invitation of the Chairman of the Board of Directors as often as business requires or at least quarterly. Any member of the Board of Directors or the Group EC may, for a specific reason, require the Chairman to call an extraordinary Board of Directors or committee meeting. The Chairman defines the agenda for each meeting and therefore works closely with the chairpersons of the committees and the Group CEO.

The agenda, along with any supporting documents, is delivered to the participants, as a rule, at least ten calendar days in advance of a meeting in order to allow enough preparation time. The Chairman may determine that a Board of Directors meeting be held on an ad hoc basis, if circumstances require.

Resolutions and quorum

A Board meeting has a quorum if at least the Chairman, the Vice Chairman or the Lead Independent Director and the majority of the members of the Board of Directors are present in person, by telephone or by video conference. A Board committee has a quorum if the majority of the Board committee members are present or participate by telephone or video conference.

Resolutions are adopted by majority vote. In the event of a tie at Board meetings, the Chairman's vote is decisive. In the event of a tie at Board committee meetings, the item shall be submitted to a vote by the entire Board of Directors.

Board and committee meetings deal with the items on the agenda incorporating presentations by members of the Group EC and, where needed, by subject matter experts or external advisors. For every meeting of the Board of Directors, it is considered whether an executive session should be held for discussions between the Board of Directors and the Group CEO. Furthermore, private sessions are held for discussions involving all members of the Board of Directors only.

The Board of Directors and its committees can also adopt resolutions by written agreement if no member of the Board of Directors requests a discussion of the motion. A decision may only be taken by circular resolution if all the members sign the circular resolution or respond to the email, respectively. A circular resolution is adopted if the majority of the total number of Board members (or Board committee members) express their agreement with the resolution.

Each committee provides a report on its activities and recommendations following a committee meeting at the next Board of Directors meeting. If any significant topic arises, the committees contact the Board of Directors immediately. It is the responsibility of each committee to keep the full Board of Directors informed on a timely basis, as deemed appropriate.

Allocation of tasks within the Board of Directors

Chairman of the Board of Directors

The Chairman of the Board of Directors leads the Board of Directors, convenes the Board and committee meetings, establishes the agendas and presides over Board meetings. The Chairman coordinates the work of the Board committees together with the respective Chairpersons and ensures that the Board is kept informed about the committees' activities and findings. He ensures adequate reporting by the Group EC and the Group CEO to the Board of Directors and facilitates their communication with the Board. The Chairman presides over General Meetings of shareholders and represents the Group towards its shareholders, in industry associations and in the interaction with other stakeholders such as the media, political and regulatory authorities, governmental officials and the general public. Specifically, the Chairman keeps regular contact with the Group's regulator FINMA.

Vice Chairman

The Vice Chairman performs the duties of the Chairman if the Chairman is prevented from performing his duties or in a potential conflict-of-interest situation. The Vice Chairman may prepare and execute Board resolutions at the request of the Board and liaises between the Board and the Group EC in matters not reserved to the Chairman.

Lead Independent Director

The Vice Chairman or another member of the Board of Directors may also assume the role of Lead Independent Director. The Lead Independent Director acts as an intermediary between the Group and its shareholders and stakeholders in the absence of the Chairman or, in particular, when a senior independent member of the Board is required. He may convene and chair sessions where the Chairman is not present. He will communicate the outcome of these sessions to the Chairman.

For more information on the responsibilities of the Chairman, the Vice Chairman and the Lead Independent Director, please refer to:

www.swissre.com/board-lead

Minutes are kept of the discussions and resolutions taken at each meeting of the Board of Directors and its committees.

The table on page 99 provides an overview of the meetings of the Board of Directors and its committees held in 2020.

Self-assessment

An open, transparent and critical board room culture forms the basis for the Board of Directors' annual review of its own performance and effectiveness. The Board of Directors evaluates its work and the performance of the Chairman. It conducts the self-assessment on the basis of questionnaires, which deal with the Board's composition, organisation and processes, the Board's responsibilities as well as with the focus areas and goals of the year under review. The topics are discussed and take-aways defined to be incorporated in the goals for the upcoming year. In addition, each Board committee annually reviews the adequacy of its composition, organisation and processes as well as the scope of its responsibilities, assesses their accomplishments and evaluates the achievement of the goals set and its performance.

In addition, an independent external consultant had been engaged in 2019 to assess the effectiveness of the Board through one-on-one interviews with the Board members, with a focus on priority setting, committee work, relationship of the Board with senior management and Board culture. The advisor's report served as a basis for the self-assessment discussion of the Board at the end of the year. The findings were considered for the preparation of the self-assessment conducted in 2020.

The self-assessments also form the basis for the Board's succession planning, comprising the evaluation of the skills needed among the members of the Board of Directors and Board committees. Please refer to page 94 for an overview of the Board of Directors' skills and competencies.

Board committees: 2020 key focus areas

Chairman's and Governance Committee

- COVID-19 crisis: Oversaw detailed COVID-19 business and operational updates with the Group EC, including emergency scenarios and increased the number of meetings of the Board of Directors and Board committees meeting frequency
- Sustainability: Oversaw the enhanced Group Sustainability Strategy, including the introduction of quantitative sustainability KPIs and targets which will be embedded in the qualitative assessment for the purpose of the Group API pool funding process for 2021
- Proxy voting: Oversaw top investors' feedback provided at the Chairman's annual roadshow and during the AGM 2020 proxy solicitation and steered further improvements to ESG-related disclosures
- Public Affairs: Led the launch of an effective global Public Affairs Strategy and organisation
- Performance and self-assessments: Led the annual performance assessment and the annual self-assessment processes for the Board of Directors and the Group EC

Nomination Committee

- Succession planning: Steered the succession planning process for the Board members who are elected by the Annual General Meeting, including the composition of the Compensation Committee

Audit Committee

- P&C Reserving Process: Jointly with the Finance and Risk Committee led the review and benchmarking of Swiss Re's P&C reserving philosophy, process and governance and the implementation of the identified improvement measures
- Change in reporting basis: Oversaw the set-up of the IFRS project organisation to enable Swiss Re to adopt IFRS as of 1 January 2024 and to simplify its financial reporting landscape
- Transition of external audit: Oversaw audit transition procedures including independence of incoming auditor, governance model and timeline of key activities
- Finance Transformation: Led the creation of the Global Finance Transformation (GFT) Programme by merging the three BU Finance Transformation projects with one core platform for the target finance landscape to ensure harmonisation and IFRS delivery
- Recognition of COVID-19 impact in terms of complexity of losses, as well as successful adjustments to work policies, procedures and sign-offs

Compensation Committee

- Compensation Framework and Compensation Plan design: 1. Monitored the effectiveness of the Compensation Framework and its alignment with both shareholders' interests and long-term business strategy addressing i) pay for performance principles at the business and individual level, ii) performance differentiation and iii) gender pay equity
2. Reviewed and assessed the current Compensation Framework with a focus on the 2021 incentive compensation architecture
- Legal and regulatory developments: Monitored legal and regulatory developments, including continued compliance with the Ordinance against Excessive Compensation at Public Corporations
- Extraordinary topic: Assessed the impact of COVID-19 on Compensation Plans and monitored developments (eg market practice, shareholder expectations)

Finance and Risk Committee

- COVID-19: Closely monitored the impact of COVID-19 on the business, in particular with regards to claims management, underwriting processes and operational resilience
- Underwriting risk and capital management: Focused on developing tool to improve allocation of risk and capital
- Social inflation: Monitored the impact of social inflation trends on the casualty business
- Cyber: Continued to oversee cyber risk preparedness and improve data security

Investment Committee

- Investment positioning: Reviewed SAA positioning, risk usage and performance in the context of financial markets and Business Unit developments
- Reviewed ESG integration in investment process and choice of benchmarks, as well as the efforts to achieve net zero carbon emissions in the investment portfolio by 2050
- Monitored operational resilience of investment activities in light of COVID-19

Board of Directors and Board committee meetings in 2020

Body	Number and average duration of meetings	Invitees in advisory capacity ¹ , in addition to members
Board of Directors	13 meetings ² 3¾ hours	Group EC members ³ , Group Company Secretary
Chairman's and Governance Committee	6 meetings 2 hours	Group CEO, Group Company Secretary
Nomination Committee	4 meetings ¾ hour	Chairman Board of Directors, Group Company Secretary
Audit Committee	10 meetings 2½ hours	Group CEO, Group CFO, Group CLO, Group Chief Compliance Officer, Head Group Internal Audit, Chief Accounting Officer, lead auditors of external auditor, Group Company Secretary
Compensation Committee	7 meetings ⁴ 2¾ hours	Group CEO, Group Chief Human Resources Officer, Head Reward, advisors ⁵
Finance and Risk Committee	8 meetings 3 hours	Group CEO, Group CFO, Group CRO, Group CUO, Group CIO, Group COO, Group CLO, Group Treasurer, CEO Reinsurance, CEO Corporate Solutions, CEO Life Capital ⁶ , Group Company Secretary
Investment Committee	6 meetings ⁷ 2¾ hours	Group CEO, Group CFO, Group CRO, Group CIO, Head Financial Risk Management, Group Treasurer, CFO Asset Management, Group Company Secretary

¹ All invitees are requested to attend all meetings (please also see next page).

² In addition, two decisions by circular resolution.

³ The Group EC members attend Board meetings as deemed appropriate by the Chairman and the other Board members.

⁴ In addition, eight decisions by circular resolution.

⁵ The law firm Niederer Kraft Frey Ltd (NKF) and the human resources consulting firm Mercer provided support and advice for compensation issues during the reporting year. Representatives of NKF participated in six committee meetings in 2020, representatives of Mercer in three meetings. Mercer and NKF have further mandates with Swiss Re.

⁶ Until August 2020.

⁷ In addition, one decision by circular resolution.

Board of Directors and Group EC Areas of responsibility

Non-transferable duties

The Board of Directors has the ultimate responsibility for the success of Swiss Re Ltd and the Group within a framework of effective and prudent controls. It is responsible for the overall direction, supervision and control of Swiss Re Ltd and the Group and the Group EC as well as for supervising compliance with applicable laws, rules and regulations. Such responsibilities are non-transferable and rest with the entire Board. For an overview on the key responsibilities of the Board of Directors, please refer to www.swissre.com/board-responsibilities

Delegation of management

The Board of Directors has delegated the management of Swiss Re Ltd and the Group to the Group EC (see section on Executive Management, starting on page 102). Such delegated tasks are within the responsibility of the entire Group EC. The Board of Directors based the delegated responsibilities on authority levels, including monetary thresholds and limits.

Attendance rates¹ of Board members:

Board of Directors and Board committee meetings in 2020

Body	Attendance rate of Board members in %
Board of Directors	99.5
Chairman's and Governance Committee	100
Nomination Committee	100
Audit Committee	100
Compensation Committee	100
Finance and Risk Committee	97.7
Investment Committee	100
Overall attendance rate	99.5

Individual attendance rates¹ of Board members:

Board of Directors and Board committee meetings in 2020

Attendance in %	Number of Board members
100	13
95–99.9	0
90–94.9	1

¹ The attendance rates are calculated taking into account the duration of all meetings the Board members were required to attend. The Board members are required to attend (i) all Board meetings as well as (ii) all the meetings of the Board committees where they are a member.

Corporate governance

Board of Directors

Key responsibilities of the Group EC

Under the leadership of the Group CEO, the Group EC has management responsibility for matters concerning Swiss Re Ltd as a legal entity. Additionally, the Group EC has management and functional responsibility for Group matters. In particular, the Group EC focuses on (the control of) the implementation of Swiss Re Group's Strategy, as promulgated and approved by the Board of Directors. In particular, it includes the responsibilities addressing Group Strategy, including strategic and financial targets for the Business Units; decisions on Group-wide steering and control; allocation of capital and resources to business opportunities; asset and liability management, treasury, Group funding and capital management; finance and risk management, governance, compliance, legal and regulatory affairs; human resources, talent management as well as reputational issues and branding. For further details on the Group EC's responsibilities please refer to: www.swissre.com/management-responsibilities

Board supervision of Executive Management

The Board of Directors maintains effective and consistent oversight and monitors the execution of responsibilities it has delegated to the Group EC through the following control and information instruments.

Participation of Board members at Executive Management meetings

The Chairman is invited to all meetings of the Group EC and Business Unit Executive Committees and receives the corresponding documentation and minutes.

Special investigations

The Board committees are entitled to conduct or authorise special investigations at any time and at their full discretion into any matters within their respective scope of responsibilities, taking into consideration relevant peer group practice and general best practice. The committees are empowered to retain independent counsel, accountants or other experts if deemed necessary. No special investigations were conducted in the reporting year 2020.

Involvement of the Group EC in meetings of the Board of Directors

The Group EC members attend Board meetings as deemed appropriate by the Chairman and the other Board members. The presence of the entire Group EC was required for five Board meetings in 2020, and selected members were invited to eight further Board meetings. The Group EC members do not attend the constituent meeting of the Board of Directors following the Annual General Meeting and the Board self-assessment session.

Involvement of the Group EC in Board committee meetings

As a matter of principle, selected members of the Group EC as well as further senior management members participate in Board committee meetings as advisors. The attendance rate of the Group EC members at Board and Board committee meetings was 97.6% in 2020 (the attendance rate represents the total actual attendance time of all members at all meetings in the year under review, 2020, in relation to the corresponding target attendance time). A detailed summary of Group EC and further senior management participation in Board committee meetings is provided on the previous page.

Periodic reports to Board of Directors and its committees

The Group EC and further senior management members regularly provide the Board of Directors with different types of reports, in particular the following reports:

Executive Report (quarterly)

This comprehensive report gives an update on current business developments, covering the Group Functions and the Business Units, including major business transactions, claims, corporate development and key projects.

US GAAP Board Report (quarterly)

The report provides factual financial highlights from an accounting perspective, with a focus on historical development of the business as an informational basis before the publication of results.

EVM Board Report (annually)

The report provides factual financial highlights from an economic perspective, with a focus on historical value creation.

Group Performance Management Report (semi-annually)

The report tracks the actual performance of the Group and the segments against pre-defined financial targets, analyses the impact of management actions and provides information on current challenges.

Global Outlook for Insurance, Reinsurance and Financial Markets (quarterly)

The report describes trends and provides forecasts regarding the economic environment, the property & casualty/ life & health (re)insurance markets and the financial markets. Two additional reports have been provided during the reporting year to address COVID-19 topics: The **Recession update** as well as the **Global Outlook in times of COVID-19**.

Swiss Solvency Test Report (annually)

The report provides the legally required update on the assessment of solvency according to the Swiss Solvency Test (SST) of the Group, Swiss Reinsurance Company Ltd, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Reinsurance Ltd¹.

Swiss Re Liquidity Report (annually)

The report describes the liquidity position of the Group in current and in stressed market conditions.

In addition, reports are submitted to the Board committees, such as:

- Regular updates on claims
- Regular updates on reserving/reserve movements
- Group Legal Report (quarterly)
- Compliance Report (quarterly)
- Group Internal Audit Report (quarterly)
- Group Tax Report (annually)
- Group Risk Update (quarterly)
- Derivative Use Update (semi-annually)
- Report on Capital, Liquidity and Treasury Activities (quarterly)
- Global Regulatory Risk Report (annually)
- Financial Risk Management Update (quarterly)
- Own Risk and Solvency Assessment Report (ORSA) (annually)

¹ As of 24 November 2020, this entity was renamed to "Swiss Re Nexus Reinsurance Company Ltd."

Risk management

Embedded throughout the business, the Group Risk Management function ensures an integrated approach to managing current and emerging threats. Risk Management plays a key role in the business strategy and planning process, where Swiss Re's risk appetite framework facilitates risk/return discussions and sets boundaries to Group-wide risk-taking.

The Board of Directors keeps itself abreast of key risk themes and receives the following annual reports from Group Risk Management: the Swiss Solvency Test Report, the Swiss Re Liquidity Report, the SONAR Report on emerging risks, the Sustainability Report, as well as the Own Risk and Solvency Assessment Report. In addition, Group Risk Management provides the Finance and Risk Committee with regular group risk updates from the Group CRO, semi-annual reports on derivative use, as well as annual reports on global regulatory risk. The Investment Committee receives quarterly reports on financial risk management.

These reports cover compliance with the Group's risk tolerance criteria, major changes in risk and capital adequacy measures and a description of the Group's main risk issues, including related risk management actions. The Finance and Risk Committee regularly reports to the entire Board of Directors. For further information on Swiss Re's Risk Management, please see the Risk and Capital Management Report on pages 50–77 (for Risk Management in particular pages 61–77).

Duty to inform on extraordinary events

As soon as the Group CEO or other members of the Group EC become aware of any significant extraordinary business development or event, they are obliged to inform the Board of Directors immediately.

Right to obtain information

The Board of Directors has complete and open access to the Group CEO and the other members of the Group EC, the Chief Compliance Officer and the Head of Group Internal Audit (GIA). Any member of the Board of Directors who wishes to have access to any other officer or employee of the Group will coordinate such access through the Chairman. The Vice Chairman and the chairpersons may approach the Group EC members as well as further key executives directly if they require information to support their respective (Board committee's) duties. Any member of the Board of Directors may request at Board meetings to obtain information on any aspect of the Group's business. Outside Board meetings, any member can direct a request for the provision of information and business records to the Chairman.

Group Internal Audit

GIA is an independent assurance function, assisting the Board of Directors and Group EC to protect the assets, reputation and sustainability of the organisation. GIA assesses the adequacy and effectiveness of the Group's internal control system and adds value by improving the Group's operations.

GIA applies a risk-based approach, performing its own risk assessment as well as making use of risk assessments performed by the Group's Risk Management and other assurance functions (after reviewing the quality of the assurance work performed). Based on the results of the risk assessment, GIA produces an annual audit plan for review and approval by the Audit Committee. The audit plan is updated on a quarterly basis according to the Group's evolving needs. GIA provides formal quarterly updates on its activities to the Audit Committee, which include audit results, the status of management actions required, the appropriateness of the resources and skills of GIA and any changes in the tools and methodologies it uses.

The Head of GIA meets at least once per quarter with the Audit Committee and immediately reports any issue that could have a potentially material impact on the business of the Group to the Chair of the Audit Committee.

GIA has unrestricted access to any of the Group's property and employees relevant to any function under review. All employees are required to assist GIA in fulfilling its duty. GIA has no direct operational responsibility or authority over any of the activities it reviews.

GIA staff govern themselves by following the Code of Ethics (Code) issued by the Institute of Internal Auditors (IIA). The IIA's International Standards for the Professional Practice of Internal Auditing constitute the operating guidance for the department. The Code is available at: <https://na.theiia.org/special-promotion/PublicDocuments/Code%20of%20Ethics.pdf>

External auditor For information regarding the external auditors, please refer to pages 110–111.

Executive Management

Under the leadership of the Group CEO, the Group Executive Committee is responsible for the management of Swiss Re Ltd and the Group.

Members of the Group Executive Committee

The Group Executive Committee (Group EC) consisted of the following 13 members as of 31 December 2020:

Name	Nationality	Age	Function	Appointed in current role
Christian Mumenthaler	Swiss	51	Group Chief Executive Officer	July 2016 ¹
Urs Baertschi	Swiss, German	45	CEO Reinsurance Europe, Middle East and Africa (EMEA)/ Regional President EMEA	September 2019
Andreas Berger	German	54	CEO Corporate Solutions	March 2019
Anette Bronder	German	53	Group Chief Operating Officer	July 2019
John R. Dacey	American	60	Group Chief Financial Officer	April 2018 ²
Nigel Fretwell	British	58	Group Chief Human Resources Officer	May 2013 ³
Guido Fürer	Swiss	57	Group Chief Investment Officer	November 2012
Hermann Geiger	German	57	Group Chief Legal Officer	January 2009 ⁴
Russell Higginbotham	British	53	CEO Reinsurance Asia/Regional President Asia	July 2019 ⁵
Jonathan Isherwood	British	54	CEO Reinsurance Americas/Regional President Americas	April 2020 ⁶
Thierry Léger	French, Swiss	54	Group Chief Underwriting Officer	September 2020 ⁷
Moses Ojisekhoba	Nigerian, British	54	CEO Reinsurance	July 2016 ⁸
Patrick Raaflaub	Swiss, Italian	55	Group Chief Risk Officer	September 2014

Member of the Group EC since: ¹ January 2011, ² November 2012, ^{3,4} July 2019, ⁵ September 2018, ⁶ Jonathan Isherwood was appointed as Regional President Americas and a member of the Group EC with effect from 14 August 2020, ⁷ January 2016, ⁸ March 2012.

The following two Group EC members stepped down during 2020:

Name	Nationality	Age	Function	Stepped down
Edouard Schmid	Swiss	56	Chairman Swiss Re Institute & Group Chief Underwriting Officer	31 August 2020
J. Eric Smith	American	63	CEO Reinsurance Americas/Regional President Americas	13 August 2020

For the biographies of former Group EC members, please refer to: www.swissre.com/formergroupecmembers



Christian Mumenthaler

Group Chief Executive Officer
Born: 1969
Nationality: Swiss



Urs Baertschi

Chief Executive Officer Reinsurance EMEA/
Regional President EMEA
Born: 1975
Nationality: Swiss and German



Andreas Berger

Chief Executive Officer Corporate Solutions
Born: 1966
Nationality: German

Professional experience

Christian Mumenthaler started his career in 1997 as an associate at Boston Consulting Group. He joined Swiss Re in 1999 and was responsible for key company projects. In 2002, he established and headed the Group Retro and Syndication unit. Christian Mumenthaler served as Group Chief Risk Officer between 2005 and 2007 and was Head of Life & Health between 2007 and 2010. In January 2011, he was appointed Chief Marketing Officer Reinsurance and member of the Group Executive Committee and became Chief Executive Officer Reinsurance in October 2011. In July 2016, Christian Mumenthaler was appointed Group Chief Executive Officer.

Educational background

- PhD in Physics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

External mandates

- Chairman of Insurance Europe's Reinsurance Advisory Board
- Co-Chair of WEF Alliance of CEO Climate Leaders
- Vice Chairman of the Geneva Association
- Board member of *economiesuisse* and the Swiss American Chamber of Commerce
- Member of the Pan-European Insurance Forum, the IMD Foundation Board, the Global Reinsurance Forum, the Steering Board Insurance Development Forum, the Board of Trustees of *Avenir Suisse* and the Board of Trustees of the St. Gallen Foundation for International Studies

Professional experience

Urs Baertschi began his career at Swiss Re Capital Partners and Securitas Capital in a variety of private equity and corporate development roles. In 2001, he joined Cutlass Capital, a private equity firm focused on the health care industry, where he was appointed a Principal in 2006. In 2008, Urs Baertschi rejoined Swiss Re as the Head of US Direct Private Equity and was appointed Head of Principal Investments and Acquisitions Americas in 2010. In this role, he was responsible for the financial and strategic direct investments as well as corporate development transactions in the Americas. In 2016 Urs Baertschi became the President of Reinsurance, Latin America, with overall responsibility for the business in the region. In September 2019, he assumed the role of Chief Executive Officer Reinsurance EMEA and Regional President EMEA and became a member of the Group Executive Committee.

Educational background

- Bachelor's degree in Economics, University of Pennsylvania, USA
- Bachelor's degree in International Relations, University of Pennsylvania, USA

Professional experience

Andreas Berger started his insurance career in 1995 as a leadership trainee at Gerling Group, followed by various leadership positions at Boston Consulting Group. He returned to Gerling in 2004 as Head of Commercial Business and International Programs and Affinity Business. When Allianz Global Corporate & Specialty SE (AGCS) was created in 2006, Andreas Berger became its Global Head of Market Management & Communication, where he established an overall market management function for the corporate client segment and served as AGCS spokesperson. In 2009, he was appointed AGCS Chief Executive Officer, Regional Unit London, with responsibility for UK, Ireland, South Africa, the Middle East and Benelux. In 2011 Andreas Berger joined the AGCS Board of Management as Chief Regions & Market Officer (Central & Eastern Europe, Mediterranean, Africa and Asia). In addition, he assumed responsibility for the Global Broker Channel Distribution for the Allianz Group. Andreas Berger joined Swiss Re in March 2019 as Chief Executive Officer Corporate Solutions and member of the Group Executive Committee.

Educational background

- Master's degree in Law, Justus Liebig University Giessen, Germany
- Master's degree in Business Administration, Université de Paris-Dauphine (IX), France/Justus Liebig University Giessen, Germany

External mandates

- Member of the Executive Committee of the International Insurance Society
- Honorary appointment as member of the selection committee of the Collège des Ingénieurs
- Board member of the Latin American Chamber of Commerce in Switzerland (subject to election by the Annual General Meeting in 2021)



Anette Bronder

Group Chief Operating Officer

Born: 1967

Nationality: German



John R. Dacey

Group Chief Financial Officer

Born: 1960

Nationality: American



Nigel Fretwell

Group Chief Human Resources Officer

Born: 1962

Nationality: British

Professional experience

Anette Bronder started her career at Hewlett Packard GmbH, where she held several senior management positions, including Director Software Services for Central & Eastern Europe and Director HP Consulting Germany. In 2010, she was appointed Director of Enterprise Technology at Vodafone GmbH in Germany. In 2013, she assumed worldwide responsibility for the Enterprise Delivery and Operations division of Vodafone Group and was based in London. In 2015, Anette Bronder joined T-Systems International as Managing Director Digital Division, where she oversaw the new growth areas Internet of Things, Public Cloud and Healthcare for Deutsche Telekom worldwide. In 2017, she took on additional responsibility for Deutsche Telekom's global Security Portfolio and Security Operations. Anette Bronder joined Swiss Re in June 2019 and was appointed Group Chief Operating Officer and a member of the Group Executive Committee effective July 2019.

Educational background

- Master's degree in Economics and Social Sciences, University of Stuttgart, Germany

External mandates

- Member of the Board of Directors Air Liquide S.A.*

Professional experience

John R. Dacey started his career in 1986 at the Federal Reserve Bank of New York. From 1990 to 1998, he was a consultant and subsequently Partner at McKinsey & Company. He joined Winterthur Insurance in 1998 and was its Chief Financial Officer from 2000 to 2004 as well as a member of its Group Executive Board until 2007. From 2005 to 2007, he was Chief Strategy Officer and a member of its risk and investment committees. He joined AXA in 2007 as Group Regional Chief Executive Officer and Group Vice Chairman for Asia-Pacific as well as a member of their Group Executive Committee. John R. Dacey joined Swiss Re in October 2012 and was appointed Group Chief Strategy Officer and a member of the Group Executive Committee in November 2012. He also served as Chairman Admin Re® from November 2012 to May 2015. He was appointed Group Chief Financial Officer with effect from April 2018.

Educational background

- Bachelor's degree in Economics, Washington University, St. Louis, USA
- Master's degree in Public Policy, Harvard University, Cambridge, USA

External mandates

- Member of the Board of Directors China Pacific Insurance Co. Ltd.* (subject to approval by the China Banking and Insurance Regulatory Commission (CBIRC))

Professional experience

Nigel Fretwell started his career at Barclays PLC, where he held various management roles over 25 years. His last role was as Group Employee Relations Director, leading the development and delivery of key Group-wide People Strategy, Industrial Relations and Employment Policy initiatives. In 2005 he joined HSBC as Human Resources Director for the worldwide operations of HSBC Insurance Brokers Limited. He then served from 2008 to 2011 as Regional Head of Human Resources, Asia Pacific, and from 2009 concurrently as Global Head of Human Resources, Commercial Banking, and finally from 2011 to 2013 as Global Head of Human Resources for Retail Banking and Wealth Management, which included HSBC Insurance and HSBC Asset Management. Nigel Fretwell joined Swiss Re as Group Chief Human Resources Officer in May 2013 and was appointed as a member of the Group Executive Committee effective July 2019.

Educational background

- Master's degree in Strategic Human Resource Management, Kingston University, United Kingdom
- Associate of the Chartered Institute of Bankers

* Listed company



Guido Fürer

Group Chief Investment Officer
Born: 1963
Nationality: Swiss

Professional experience

Guido Fürer commenced his career at Swiss Bank Corporation/O'Connor & Associates in 1990, where he held leading positions in option trading at its capital market division. He joined Swiss Re in 1997 as Managing Director at Swiss Re New Markets, and from 2001 to 2004 he worked for Swiss Re's Private Equity unit. In 2004, he joined Asset Management with responsibility for tactical asset allocation prior to assuming the role of Head of Strategic Asset Allocation. Guido Fürer has led Swiss Re Group Asset Management since his appointment as Group Chief Investment Officer and a member of the Group Executive Committee in November 2012. In 2019, he additionally assumed the roles of Swiss Re Country President Switzerland and Chairman of the Swiss Re Strategic Council.

Educational background

- Master's degree in Economics, University of Zurich, Switzerland
- PhD in Financial Risk Management, University of Zurich, Switzerland
- Executive MBA from INSEAD, Fontainebleau, France

External mandates

- Member of the Board of Directors FWD Group Ltd
- Member of the Board of Directors FWD Ltd
- Member of the Advisory Board of the Department of Banking and Finance, University of Zurich, Switzerland
- Member of the Board of Trustees of G&B Schwyzer-Winiker Stiftung



Hermann Geiger

Group Chief Legal Officer
Born: 1963
Nationality: German

Professional experience

Hermann Geiger started his professional career in 1990 as a law clerk and qualified attorney at law, working with various major law firms, specialising in financial services transactions and regulation, capital markets, corporate and litigation. In 1995, he joined GE Insurance Solutions where he served as General Counsel Europe & Asia in the insurance business of General Electric. Following the acquisition of GE Insurance Solutions by Swiss Re in 2006, Hermann Geiger joined Swiss Re as Regional General Counsel Europe. In 2009, he assumed the global position as Head Legal & Compliance and Group Chief Legal Officer. As of 1 July 2019, Hermann Geiger was appointed as a member of the Group Executive Committee.

Educational background

- PhD in Law, University of Constance, Germany
- PhD in Economics and Political Sciences, University of the German Federal Armed Forces Munich, Germany
- LL.M. (Master of Laws), University of Birmingham, United Kingdom

External mandates

- Board member of the European General Counsel Association
- Advisory Board member of ARIAS Europe
- Member of the Swiss-American Chamber of Commerce's legal committee



Russell Higginbotham

Chief Executive Officer Reinsurance Asia/
Regional President Asia
Born: 1967
Nationality: British

Professional experience

Russell Higginbotham started his career in 1986 at a UK life insurer and, in 1991, he joined Munich Re as a Senior marketing Analyst. Russell Higginbotham joined Swiss Re in 1994 and served in various roles in the Life & Health Reinsurance development and strategy teams. Between 2002 and 2005, he was Life & Health Country Manager for Japan and subsequently for South Korea. In 2006, he moved to Sydney and served as Chief Executive Officer of Swiss Re's Australia and New Zealand operations. From 2010 to 2015, he assumed the role of Chief Executive Officer Reinsurance UK & Ireland, based in London, and was named Head of Life & Health Products Reinsurance in 2016. He was appointed Chief Executive Officer Reinsurance EMEA, Regional President EMEA and a member of the Group Executive Committee in September 2018. With effect from July 2019, Russell Higginbotham assumed the role of Chief Executive Officer Reinsurance Asia and Regional President Asia.

Educational background

- Bachelor's degree (Hons) in Business, University of Hertfordshire, United Kingdom
- Master's degree in Business Administration, Henley Management College, United Kingdom

Corporate governance

Executive Management



Jonathan Isherwood

Chief Executive Officer Reinsurance Americas/Regional President Americas
Born: 1966
Nationality: British



Thierry Léger

Group Chief Underwriting Officer
Born: 1966
Nationality: French and Swiss



Moses Ojeisekhoba

Chief Executive Officer Reinsurance
Born: 1966
Nationality: Nigerian and British

Professional experience

Jonathan Isherwood started his career in 1991 with Ernst & Young, and moved to GE Capital as an audit/consulting leader in 1994. In 2000, he joined GE Insurance Solutions to build the Risk Management team and thereafter led the Global Property division. In 2005, he became CEO of GE Frankona AG and Chairman of the Board of ERC Copenhagen. In addition, he had global responsibility as President of Product Strategy of GE Insurance Solutions. Following the acquisition of GE Insurance Solutions by Swiss Re in 2006, Jonathan Isherwood joined Swiss Re as Head of Product Integration. From 2007 he led the Claims, Accounting & Liability Management division, and in 2013 assumed the role of Head Globals Reinsurance. Jonathan Isherwood was appointed as Chief Executive Officer Reinsurance Americas with effect from 1 April 2020, and Regional President Americas and member of the Group Executive Committee as of 14 August 2020.

Educational background

- Master's degree in Economics, Cambridge University, United Kingdom

Professional experience

Thierry Léger started his career in the civil construction industry before joining Swiss Re as an engineering underwriter in 1997. In 2001, he moved to Swiss Re New Markets, providing non-traditional solutions to insurance clients. Between 2003 and 2005, he was a member of the executive team in France as leader of the sales team. From 2006, Thierry Léger assumed increasing responsibility for Swiss Re's largest clients, ultimately becoming the Head of the newly created Globals Division in 2010 and a member of the then existing Group Management Board. In 2013, Thierry Léger became Head of Life & Health Products Reinsurance. As of January 2016, he was appointed Chief Executive Officer Life Capital and a member of the Group Executive Committee. With effect from 1 September 2020, Thierry Léger assumed the role of Group Chief Underwriting Officer.

Educational background

- Master's degree in Civil Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- Executive MBA, University of St. Gallen, Switzerland

Professional experience

Moses Ojeisekhoba started his career in insurance as a registered representative and agent of The Prudential Insurance Company of America in 1990. From 1992 to 1996, he was a Risk and Underwriting Manager at Unico American Corporation. He then joined the Chubb Group of Insurance Companies as regional Underwriting Manager and, in 1999, became Corporate Product Development Manager in New Jersey and thereafter moved to London as Strategic Marketing Manager for Chubb Europe. In 2002, he was appointed International Field Operations Officer for Chubb Personal Insurance before becoming Head Asia-Pacific in 2009, a position he remained in until he joined Swiss Re. Moses Ojeisekhoba joined Swiss Re in February 2012 and was appointed Chief Executive Officer Reinsurance Asia, Regional President Asia and a member of the Group Executive Committee in March 2012. In July 2016, Moses Ojeisekhoba was appointed as Chief Executive Officer Reinsurance.

Educational background

- Master's degree in Management, London Business School, United Kingdom
- Bachelor of Science in Statistics, University of Ibadan, Nigeria



Patrick Raaflaub

Group Chief Risk Officer
Born: 1965
Nationality: Swiss and Italian

Professional experience

Patrick Raaflaub began his career as an economist at Credit Suisse. He then was a founding member of a consulting start-up and research fellow at the University of St. Gallen. He joined Swiss Re in 1994 and was appointed Chief Financial Officer of Swiss Re Italia SpA in 1997, and then was Divisional Controller Americas Division from 2000. He worked as Head of Finance Zurich from 2003, then Regional Chief Financial Officer Europe and Asia from 2005. From 2006, he was Head of Group Capital Management, where he was responsible for capital management at Group level and global regulatory affairs. In 2008, he joined the Swiss Financial Market Supervisory Authority FINMA as Chief Executive Officer. Patrick Raaflaub returned to Swiss Re as Group Chief Risk Officer and a member of the Group Executive Committee in September 2014.

Educational background

- PhD in Political Science, University of St. Gallen, Switzerland

External mandates

- Member of the Board of Directors CSS Holding AG
- Member of the Managing Board Swiss Insurance Association (SIA)

Changes in 2020

Jonathan Isherwood, previously Head of Globals Reinsurance, was appointed CEO Reinsurance Americas with effect from 1 April 2020, and Regional President Americas and a member of the Group Executive Committee effective 14 August 2020. He succeeded J. Eric Smith, who retired on 13 August 2020.

Thierry Léger, former Chief Executive Officer Life Capital, was appointed Group Chief Underwriting Officer with effect from 1 September 2020. He succeeded Edouard Schmid, who decided to step down from his role as Chairman Swiss Re Institute & Group Chief Underwriting Officer effective 31 August 2020.

The Group EC consists of 13 members since 1 September 2020; prior to that, it consisted of 14 members.

Other mandates, activities and vested interests

Article 26 of the Articles of Association governs the requirements regarding external mandates held by Group EC members (**please see: www.swissre.com/articlesofassociation**). All Group EC members comply with these requirements. Information on external mandates held by the Group EC members is provided in their biographies (pages 103–107).

Management contracts

Swiss Re Ltd has not entered into any management contracts with any third parties.

Key responsibilities of the Group Executive Committee members

The Board of Directors has delegated the management of Swiss Re Ltd and the Group to the Group EC. Such delegated tasks are within the responsibility of the entire Group EC. The Group EC discharges its responsibilities as a joint body, except for responsibilities delegated to the Group CEO and further Group EC members. For an overview of the individual Group EC members' key responsibilities please refer to: **www.swissre.com/groupecmembers-responsibilities**

Shareholders' participation rights

The Annual General Meeting elects the Independent Proxy who represents shareholders' votes.

Voting right restrictions, statutory group clauses and exception rules

Swiss Re Ltd does not have any voting right restrictions or statutory group clauses (other than the limitations on nominee registrations set out on page 87) in place. Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. Accordingly, no such exceptions were granted in 2020.

Statutory rules on participating in the General Meeting of shareholders

Owners, usufructuaries or nominees entered in the share register as having voting rights on a specific qualifying day determined by the Board of Directors are entitled to one vote per share held at the General Meeting of shareholders.

Swiss Re Ltd's Articles of Association allow any shareholder with voting rights to have his or her shares represented at any General Meeting of shareholders by another person authorised in writing or by the Independent Proxy.

The Independent Proxy is elected by the Annual General Meeting for a term of office until completion of the next ordinary General Meeting of shareholders.

Please refer to article 11 of the Articles of Association of Swiss Re Ltd for further details on the right to vote and shareholder proxies. **The Articles of Association are available at: www.swissre.com/articlesofassociation**

Statutory quorums

The General Meeting of shareholders may pass resolutions without regard to the number of shareholders present at the meeting or shares represented by proxy.

Resolutions are passed by an absolute majority of votes validly cast (excluding blank and invalid ballots), except where the law requires otherwise.

The Chairman of the General Meeting of shareholders determines the voting procedure. Provided that the voting is not done electronically, voting shall take place openly based on a show of hands or by written ballot.

Convocation of the General Meeting of shareholders

In accordance with Swiss Re Ltd's Articles of Association, the Board of Directors convenes the General Meeting of shareholders through a notice published in the Swiss Official Gazette of Commerce at least 20 days before the date of the meeting. The notice must state the day, time and place of the General Meeting of shareholders, along with the agenda and proposals, which will be submitted by the Board of Directors.

Extraordinary General Meetings of shareholders may be called by a resolution of the General Meeting of shareholders or the Board of Directors, or by one or more shareholders with voting rights whose combined holdings represent at least 10% of the share capital.

Agenda

The Board of Directors announces the agenda items and the proposals for the General Meeting of shareholders. Shareholders with voting rights whose combined holdings represent shares with a nominal value of at least CHF 100 000 may, no later than 45 days before the date of the meeting, request in writing that a particular item, together with the relevant proposals, be included on the agenda.

Registrations in the share register

Any share whose owner, usufructuary or nominee is entered in the share register as having voting rights through said share on a specific qualifying day (record date) designated by the Board of Directors entitles its holder to one vote at the General Meeting of shareholders. In 2020, Swiss Re Ltd recognised the voting rights of shares registered no later than four working days before the Annual General Meeting of shareholders.

The 2020 Annual General Meeting of Swiss Re Ltd took place pursuant to the provisions of the Federal Council's Ordinance 2 on Measures to Combat the Coronavirus (COVID-19-Ordinance-2). As a result, shareholders could not attend the Annual General Meeting in person. Shareholders were able to exercise their right to vote and to participate in elections indirectly, via representation by the Independent Proxy.

Changes of control and defence measures

Swiss Re Ltd's Articles of Association contain neither an "opting out" nor an "opting up" provision.

Duty to make an offer

Swiss Re Ltd has not put in place any specific measures to defend against potential unfriendly takeover attempts. The Board of Directors believes that the company's best protection is a fair valuation of its shares and that the efficiency of a free market is preferable to artificial obstacles, which can have a negative impact on the share price in the long term.

In accordance with the Financial Markets Infrastructure Act (FMIA), any party who acquires Swiss Re Ltd shares which, added to those already owned, exceed the threshold of 33⅓% of Swiss Re Ltd shares, either directly, indirectly or in concert with third parties, and regardless of whether these voting rights of such Swiss Re Ltd shares are exercisable or not, triggers a mandatory takeover offer for the outstanding Swiss Re Ltd shares owned by all other shareholders.

The FMIA allows companies to include an "opting up" provision in their articles of association, which raises the mandatory takeover offer threshold up to 49%, or an "opting out" provision, which waives the mandatory offer. Swiss Re Ltd's Articles of Association contain neither of these provisions.

Clauses on changes of control

The mandates and employment contracts of the members of the Board of Directors, Group EC and further Executive Management members do not contain any provisions such as severance payments, notice periods of more than 12 months, additional pension fund contributions or the treatment of deferred compensation that would benefit them in a change of control situation.

Unvested deferred compensation may vest and employee participation plan rules may be amended upon a change of control (if the Board of Directors so decides; see below). In such an event, the rights of members of the Board of Directors and the Group EC, as well as of further Executive Management members, are identical to those of all other employees.

The Articles of Association provide that the Board of Directors (or to the extent delegated to it, the Compensation Committee) may decide on the continuation, acceleration, amendment or removal of any vesting, blocking or exercise conditions for the payment or grant of deferred compensation. The Board of Directors may also decide to replace the award with shares of the entity assuming control. For more information on the quantitative impact of vested shares, please refer to page 87 of this Corporate Governance Report under the paragraph entitled "Shares".

Auditors

The AGM 2020 elected KPMG as Swiss Re's new external auditor – effective for the financial year starting on 1 January 2021.

Duration of the mandate and term of office of the lead auditors

PricewaterhouseCoopers Ltd (PwC) was appointed as the external auditor of Swiss Re Ltd when the company was founded on 2 February 2011. PwC had been elected as the external auditor of the previous parent company of the Group, Swiss Reinsurance Company Ltd, at its Annual General Meeting 1991 and had been re-elected annually since then. The Annual General Meeting 2020, following the proposal of the Board of Directors, based on the recommendation by the Audit Committee, re-elected PwC as external auditor for the financial year 2020.

In line with the Swiss Code of Obligations and to foster external auditor independence, each of the two group audit engagement leaders rotates out of his or her role after seven years. Roy Clark has undertaken this role since April 2018 and Jasmine Chang since July 2020.

Information tools pertaining to the external audit

Responsibilities

The external auditor is accountable to the Audit Committee, the Board of Directors and ultimately to the shareholders. The Board of Directors reviews the external auditor's professional qualifications and is assisted in its oversight by the Audit Committee.

Cooperation and flow of information between the auditor and the Audit Committee

The Audit Committee liaises closely with the external auditor. The lead auditors participate as advisors at all Audit Committee meetings. For more information, see page 99.

PwC provided reports on selected topics at each of the Audit Committee meetings during the reporting year 2020: at the 30 January meeting, PwC provided the External Auditor Update, which covered the PwC Quality, Performance and 2019 Assurance Report as well as the audit-related, tax and non-audit services. At the 18 February Audit Committee meeting, it provided the Full-Year Audit Report and on

18 March, the PwC 2019 Final Board Report as well as the EVM review findings. At the meeting on 15 April, PwC provided the 2019 US GAAP and EVM control reports and the PwC Quality Assessment. At the Audit Committee meeting on 29 April, it provided the Q1 2020 PwC Report and at the 30 July meeting, the H1/Q2 2020 PwC Report. Furthermore, PwC provided the 2020 Audit Plan PwC/Fees Report at the 22 September meeting and the 9M/Q3 2020 PwC Report on 29 October.

The Audit Committee reviews and approves all planned audit services and any non-audit services provided by the external auditor.

It discusses the results of annual audits with the external auditor, including reports on the financial statements, necessary changes to the audit plans and critical accounting issues.

The external auditor shares with the Audit Committee its findings on the adequacy of the financial reporting process and the efficacy of the internal controls.

Fees paid to the auditor

The fees (excluding value added taxes) for professional services provided by PwC in 2020 were as follows:

USD millions	2019	2020
Audit fees	31.0	30.7
Non-audit fees	12.3	3.5
Audit-related assurance services	11.0	0.9
Services relating to corporate finance transactions	0.3	0.3
Tax related services	0.3	0.3
Other non-audit services	0.7	2.0
Total fees	43.3	34.2

In 2020, audit related assurance services included programme and control assessments as well as assurance mandates required by Swiss Re's regulators. Services relating to corporate finance transactions contained the arrangement and administration of a financing programme, tax-related services included advice on a number of tax matters and other non-audit services covered a variety of permitted advisory services primarily related to the recently launched IFRS programme.

It informs the Audit Committee about any differences of opinion between the external auditor and management encountered during the audits or in connection with the preparation of the financial statements.

Evaluation of the external auditor

It is the Audit Committee that is responsible for recommending an audit firm to the Board of Directors for election at the Annual General Meeting. Unlike in the European Union, there is no law in Switzerland that provides for a mandatory rotation of the external auditor after a certain number of years. The Audit Committee closely monitors regulatory developments in the EU and elsewhere on this topic. In order to be able to select and recommend an audit firm for election by the shareholders and in line with good corporate governance, the Audit Committee thoroughly evaluates the credentials of the current external auditor annually based on the following main criteria: Investment in the client relationship, quality of delivery, quality of the people and services and focus on client value. The Audit Committee presents the findings of the evaluation to the entire Board of Directors. PwC has a proven record of professionalism and efficiency and fully meets the high demands made by Swiss Re as a global re/insurance Group. The Audit Committee's assessment of the external auditor is furthermore based on the external auditor's qualifications, independence and performance. The Audit Committee also evaluates annually the performance of the lead auditors.

Qualifications

At least once a year, the external auditor submits a report to the Audit Committee describing the external auditor's own quality control procedures, including any material issues raised by its most recent internal reviews or inquiries or investigations by governmental or professional authorities within the preceding five years, as well as any steps taken to deal with any such issues.

Independence

At least once a year, the external auditor provides a formal written statement delineating all relationships with the company that might affect its independence. Any disclosed relationships or services that might interfere with the external auditor's objectivity and independence are reviewed by the Audit Committee, which then recommends appropriate action to be taken by the Board.

Performance

This assessment measures the external auditor's performance against a number of criteria, including: understanding of Swiss Re's business; technical knowledge and expertise; comprehensiveness of the audit plans; quality of the working relationship with management and clarity of communication. It is compiled based on the input of key people involved in the financial reporting process and the observations of the Audit Committee members.

Auditor rotation 2021

Considering that PwC has carried out the mandate as external auditor for the Swiss Re Group since 1991, the Board of Directors proposed to the shareholders at the AGM 2020 the election of KPMG as the Group's new external auditor for the financial year starting on 1 January 2021.

In September 2018, the Audit Committee had decided to launch a tender process in the first quarter of 2019 for a new external auditor of the Group. After a thorough tender process, the Board of Directors had decided, as proposed by the Audit Committee and in line with the main criteria mentioned in the chapter on the evaluation of the external auditor (far left of this page), to propose KPMG to the AGM 2020 for election as the new external audit firm to replace PwC for the financial year starting on 1 January 2021. On 31 July 2019, Swiss Re publicly announced the Board of Director's decision to nominate KPMG as

the new auditor as part of the news release on the first-half 2019 US GAAP results. For the news release, please refer to: www.swissre.com/media/news-releases/nr-20190731-hy-2019-news-release.html

The AGM 2020 elected KPMG as the new external auditor for a one-year term of office for the financial year starting on 1 January 2021. Following this election, KPMG became fully independent as of 1 July 2020 and started their work. Activities included the review of PwC's US GAAP workpapers for the 2019 audit in Switzerland and other key regions, process walkthroughs, as well as the shadowing of PwC's 2020 audit work. In parallel, KPMG conducted audit planning sessions with key departments and stakeholders within Swiss Re and established regular updates with Swiss Re management. Despite restrictions in travel and face-to-face interactions due to COVID-19, the audit transition has proceeded according to plan and KPMG will present its 2021 audit plan to the Audit Committee during the second quarter of 2021.

Audit fees

The Audit Committee annually reviews the audit fees as well as any fees paid to the external auditor for non-audit services based on recommendations by the Group CFO.

Special Auditor

Swiss Re Ltd's Articles of Association foresee that the Annual General Meeting may elect a Special Auditor for a term of three years which would be responsible for the special audit reports that are required by Swiss law in connection with changes in capital. Currently there is no Special Auditor elected.

Information policy

As a global company, Swiss Re strives to inform its stakeholders openly, consistently and in a transparent manner – beyond the minimum legal information requirements.

Swiss Re maintains open lines of communication with stakeholders on matters related to its financial and business performance, strategy and business activities through analyst and media conferences and calls, road shows, news releases and corporate reports. The latter encompass the company's Annual Report and the Half-Year Report, which are made available both in print and digitally. Additionally, Swiss Re publishes the Financial Condition Report, the Sustainability Report, solvency reports for the regulated entities and key quarterly financial information online.

On the Group's website (www.swissre.com), visitors can find a host of news and research, publications, videos and podcasts as well as discussion and analysis related to Swiss Re and the broader re/insurance industry. The financial calendar displayed below is also available online, and includes, among other things, access details for analyst conference calls as well as video recordings of annual and half-year results' presentations and Q1/Q3 key financial figures.

At www.swissre.com/media/contacts, interested parties – internal or external – can subscribe to the Media Relations mailing list to receive ad hoc disclosures and relevant corporate news via email. Contact details are provided on page 328.

The Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) is Swiss Re's official medium for prescribed announcements and official information.

The Chairman conducts an annual corporate governance roadshow to visit and engage in an ongoing dialogue with Swiss Re's largest shareholders. Throughout the year, our Investor Relations team, often joined by our Executive Management, holds regular meetings with institutional investors and analysts, including roadshows, conferences and calls. In 2020, due to COVID-19, most of these interactions took place virtually.

On 20 November 2020, Swiss Re held its virtual Investors' Day. Group CEO, Christian Mumenthaler, provided an update on the Group strategy, John R. Dacey, the Group CFO, on Swiss Re's financial strength and capital management, and the Group CIO, Guido Fürer, on the Group's asset

management. Thierry Léger, the Group CUO, spoke about how underwriting excellence is key to Swiss Re's success. Moses Ojeisekhoba and Andreas Berger, the CEOs of the Business Units Reinsurance and Corporate Solutions, then gave a strategic update on their businesses. The webcast was attended by a wide range of external participants including portfolio managers, buy-side and sell-side analysts.

The presentations as well as the conference call recordings from these events are available at: www.swissre.com/investors/presentations

Swiss Re strictly observes close periods around the publication of the Group's financial results. Close periods apply through the preparation of results or key financial data, and include a cooling-off period after their release. During such close periods, Swiss Re employees and members of the Board of Directors are not allowed to trade Swiss Re shares or financial instruments related to such shares.

Important dates in 2021

19 February	Annual results 2020
18 March	Publication of Annual Report 2020 and 2020 EVM results as well as the AGM 2021 invitation
16 April	157th Annual General Meeting
30 April	Release of first quarter 2021 key financial data
30 July	Half-year 2021 results
29 October	Release of nine months 2021 key financial data
1 December	Investors' Day, Zurich

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Swiss Re's compensation framework rewards sustainable long-term performance and aligns the interests of employees and shareholders.

Contents

Report from the Compensation Committee	116
Compensation highlights in 2020	118
Compensation framework	119
Compensation governance	128
Performance outcomes 2020	132
Compensation disclosure and shareholdings 2020	138
Report of the statutory auditor	147

Report from the Compensation Committee



Jacques de Vacleroy
Chair Compensation Committee



Swiss Re's vision, we make the world more resilient, has proven to be even more relevant. The Compensation Committee has worked to support this vision through the lens of compensation. ”

Dear shareholders,

The year 2020 has been an extraordinary year and Swiss Re's vision "we make the world more resilient" has proven to be even more relevant. The Compensation Committee has worked to support this vision through the lens of compensation. Against this background, I am pleased to present the 2020 Compensation Report, which informs you on the compensation outcomes and key decisions taken in 2020.

Compensation Committee activities

During 2020, the Compensation Committee met seven times (including one extraordinary meeting) and passed eight decisions by circular resolution. The Compensation Committee assessed the impact of COVID-19 on compensation and closely monitored market developments, company and employee needs as well as shareholder and other external stakeholder expectations.

Further, the Compensation Committee:

- reviewed the compensation framework and plan design to ensure continued fit for purpose as well as alignment with shareholders' interests and long-term business strategy: an outlook on the changes that will come into effect as of performance year 2021 is provided on page 124 of this Financial Report;
- reviewed the Committee's meeting architecture: changes were made to its working processes, tasks and responsibilities starting in 2021 to ascertain ongoing effectiveness, sound governance and focus on key topics;
- monitored compensation decisions in view of pay for performance, pay equity, shareholder alignment and long-term business strategy; and
- monitored legal and regulatory developments and confirmed compliance.

Compensation framework changes for performance year 2020

While Swiss Re's compensation framework remained stable overall, an additional performance metric for the Leadership Performance Plan (LPP) came into effect for the first time in 2020 as a consequence of a decision taken by the Group in 2019: as of 2020 grants, absolute economic net worth growth complements the already existing metrics return on equity (ROE) and relative total shareholder return. This strengthens the focus on growth in terms of operating value as an incentive driver. Further details on the LPP 2020 plan design are provided on pages 123–124 of this Financial Report.

Group business performance 2020

Key factors for annual compensation decisions covered a combination of US GAAP and Economic Value Management (EVM) based business results, qualitative factors and Swiss Re's pay-for-performance approach. Compensation decisions were made considering Swiss Re's overall performance for the reporting year in which the Group's US GAAP and economic performance was significantly impacted by the COVID-19 pandemic.

However, excluding COVID-19-related losses, the Group's business performance was strong with an ROE of 7.3% and net income of USD 2.2 billion. Property & Casualty Reinsurance delivered significant new business generation with 8% higher premiums earned, supported by price increases. The normalised combined ratio was in line with the estimate of 97% provided at the beginning of 2020. Life & Health Reinsurance's performance, excluding COVID-19 losses, was solid with an ROE within the target range of 10–12%. This was supported by a strong investment result and enabled a positive contribution to the Group's net result, despite COVID-19-related losses. Corporate Solutions' turnaround is ahead of plan; results excluding COVID-19-related losses reflect the benefits of portfolio repositioning, rate increases achieved for new business and lower large man-made losses compared to 2019. Life Capital continued to invest into the growth of the open books business and achieved a strategic milestone with the sale of ReAssure.

Pay for performance 2020

As a leading re/insurance provider, Swiss Re is a shock absorber for society and aims to improve the world's resilience to systemic risk. The Group's compensation framework is designed accordingly and tailored to the long-tail business environment of the re/insurance industry. As such, Swiss Re aims for positive but not excessive variable compensation payouts in relatively benign environments while making lower but proportionate payouts in adverse environments.

For 2020, the Group Annual Performance Incentive (API) pool is significantly below target as a consequence of negative financial results while at the same time having performed above target across all six qualitative assessment dimensions. Upon careful consideration, the Board of Directors has applied a degree of discretion and made a limited upward adjustment to the Group API pool. This decision took into consideration that the Swiss Re Group successfully navigated through the COVID-19 pandemic and that the financial results would have been well above the prior year's result when excluding the COVID-19 impact. Further, business continued as normal with all processes running timely and without disruptions, employees showed great personal resilience and demonstrated extraordinary efforts, and no salary cuts, furloughs nor layoffs or government support were needed due to COVID-19.

No in-flight changes to awards, metrics or targets nor additional incentive awards have been made to mitigate the impact of COVID-19. As the 2020 LPP grants were determined based on a share price of CHF 104.20 on 21 February 2020 (ie largely unimpacted by any COVID-19-related stock market developments), the Compensation Committee concluded that no windfall gains will occur. Details on the 2020 performance outcomes are provided on pages 132–137, and information on compensation disclosure and shareholdings for 2020 is detailed on pages 138–145 of this Financial Report.

Shareholder engagement and Annual General Meeting

The Compensation Committee proactively considers shareholders' expectations on Swiss Re's compensation framework and decisions. Shareholder support at the AGM 2020 for Swiss Re's compensation framework remained strong. Swiss Re's shareholders approved all compensation-related motions and the 2019 Compensation Report received a positive outcome in the consultative vote.

The Group recognised opportunities to further develop its disclosure practice and a number of changes are incorporated into this Compensation Report, including further transparency on Swiss Re's process for determining the Group API pool and on the use of and rationale for discretion as part of this process. Shareholders valued Swiss Re's deep commitment to sustainability/environment, social and governance (ESG) matters, diversity and inclusion. Additional details on how this commitment is reflected in the compensation framework are also included in this Compensation Report.

Consistent with last year and in line with Swiss Re Ltd's Articles of Association, shareholders will again be asked to approve the following amounts at the AGM 2021:

- Maximum aggregate amount of compensation for the members of the Board of Directors for the term of office from the AGM 2021 to the AGM 2022.
- Maximum aggregate amount of fixed compensation and variable long-term compensation for the members of the Group EC for the financial year 2022.
- Aggregate amount of variable short-term compensation for the members of the Group EC for the financial year 2020.

Shareholders will also be asked to support this Compensation Report in a consultative vote. The Compensation Committee is satisfied that this Compensation Report complies with applicable laws, rules and regulations.

Zurich, 18 March 2021

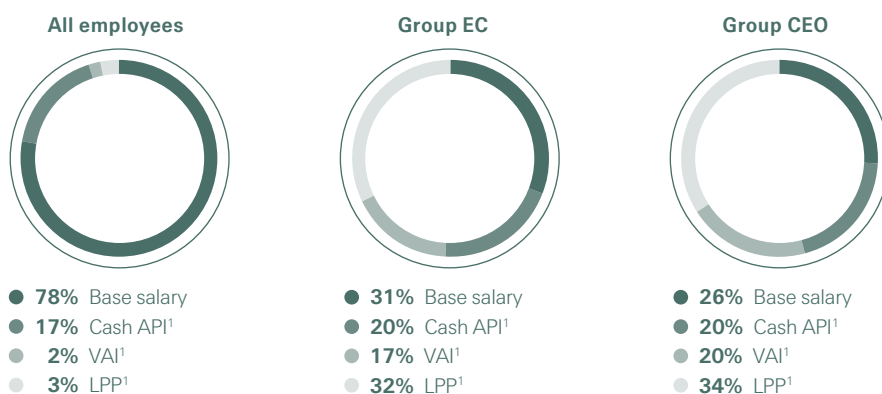


Jacques de Vacleroy
Chair Compensation Committee

Compensation highlights in 2020

Pay for performance

The Compensation Committee ensures that Group EC compensation is linked to the business performance of Swiss Re by delivering a substantial portion of compensation in the form of performance-related incentives.



¹ Variable/performance-related, whereby VAI and LPP are deferred

The Compensation Committee monitors how compensation is aligned with specific business metrics, including US GAAP net income and EVM profit.

USD millions (unless otherwise stated)	2018	2019	change	2020	change
US GAAP net income	421	727	73%	-878	-
EVM profit	-693	-19	-	-3 590	-
Regular dividend payments (CHF) ¹	5.60	5.90	5%	5.90	-
Financial Strength Rating (Standard & Poor's)	AA-	AA-		AA-	
Total equity	28 727	31 037	8%	27 258	-12%
Regular staff worldwide	14 943	15 401		13 189	
Aggregate compensation for all employees (CHF millions) ^{2, 3}	2 001	2 086	4%	1 937	-7%
Group EC members ⁴	14	16		15	
Aggregate Group EC compensation (CHF thousands) ^{2, 4}	44 253	47 002	6%	45 043	-4%

¹ Dividend payments are made in April of the following year. For 2020, an ordinary dividend of CHF 5.90 is proposed to the AGM 2021.

² Disclosure includes all awards for a reporting year, ie the 2020 aggregated compensation values include the fair value of the Leadership Performance Plan (LPP) granted in April 2020. The total Annual Performance Incentive (API) for 2020 for members of the Group EC is subject to approval by the shareholders at the AGM 2021. For individuals who left the Group EC during or before the reporting period, disclosure also includes legally or contractually required payments for the period when the individual was no longer in a Group EC position (eg base salary when on garden leave).

³ 2018 and 2019 figures for aggregate compensation for all employees restated to conform to 2020 presentation.

⁴ Including the Group CEO as well as individuals holding a Group EC position at one point during a reporting year. In 2020, 15 individuals held a Group EC position at one point in 2020 (16 in 2019), of whom 12 were active on the Group EC for the full year (nine in 2019).

Attribution of group income to key stakeholders

USD millions (unless otherwise stated)	2018	%	2019	%	2020	%
Income before tax and variable compensation	863	100%	1 215	100%	-797	100%
Variable compensation	373	43%	348 ¹	29%	347	-
Income tax expense	69	8%	140	12%	-266	-
US GAAP net income attributable to shareholders	421		727		-878	
of which paid out as dividend ²	1 659	192%	1 766	145%	1 925	-
of which share buyback	1 020	118%	1 010	83%	-	-
of which added to retained earnings within shareholders' equity	-2 258	-	-2 049	-	-2 803	-

¹ Restated to reflect final approved figure.

² FY 2020 is estimated based on the average monthly CHF/USD FX rate as of January 2021. The dividend is subject to AGM approval and the amount depends on the final number of dividend eligible shares and FX rates upon dividend payout.

Compensation framework

Guiding principles

Swiss Re's compensation framework is designed to add to the success of the business by:

- Supporting a culture of sustainable high performance with a focus on risk-adjusted financial results.
- Ensuring alignment of compensation to long-term business results and individual contribution, and recognising both what was achieved and how it was achieved.
- Supporting Swiss Re's commitment to attract, motivate and retain the qualified talent the Group needs to succeed globally.
- Aligning the interests of employees with those of Swiss Re's shareholders and society at large.
- Fostering compliance, supporting appropriate and controlled risk-taking in line with Swiss Re's business and risk strategy, and avoiding conflict of interest.

Swiss Re's total compensation is well balanced in terms of fixed versus variable compensation and short-term versus long-term incentives. This encourages sustainable long-term performance and supports shareholder alignment. Complemented by pension plans and benefits, the total reward package is competitive in local labour markets.

As a leading re/insurance provider, Swiss Re is a shock absorber for society and aims to improve the world's resilience to systemic risk. Volatility is inherent in the nature of Swiss Re's business and to ensure that the right decisions are taken for the company, shareholders, clients and communities, Swiss Re continues to underwrite risks even when the circumstances are challenging.

To incentivise employees to do the right thing for these stakeholders, it is important that we smooth this volatility within the Group's compensation framework. This is designed and tailored to reflect the nature of the business. Consequently, volatility in incentive plans, and in particular our Annual

Performance Incentive (API), requires some limitations. This safeguards that awards are capped in years without large events when positive performance outcomes are not entirely in the hands of the company or employees. At the same time, in eventful years where Swiss Re's employees duly perform according to the nature of the business, the downside needs to be proportionate (see page 121 of this Financial Report for details on the Group API pool funding process).

Compensation Policy

Building on the overarching compensation principles included in Swiss Re Ltd's Articles of Association, the compensation framework is captured within the Swiss Re Group Compensation Policy (Compensation Policy). The Compensation Policy is implemented globally to the extent possible. Variations may apply at the regional and Business Unit level to accommodate specific requirements, eg talent management and compliance with local regulations.

The Compensation Policy governs the compensation structure and processes and is regularly reviewed:

- The Human Resources function conducts a regular self-assessment and assesses the Compensation Policy against FINMA requirements and other relevant regulations as appropriate.
- The Compensation Committee reviews the self-assessment and reports on the effectiveness of the compensation decisions, and identifies potential areas for improvement.
- The Risk Management function annually reviews risks related to the Compensation Policy and reports its findings to the Compensation Committee.

Any use of personal hedging strategies or remuneration and liability-related insurance that could undermine the risk alignment effects and economic exposure embedded in compensation arrangements is prohibited.

The Board of Directors has approved an authority matrix that defines the limits to which each level of management can authorise compensation payments. The Group CEO, the Compensation Committee or the Board of Directors, as applicable, approves all compensation that exceeds the preset limits. The Group CEO is not involved in decision-making concerning his own compensation.

Diversity, Equity & Inclusion

Swiss Re is committed to ensuring equal pay for equal work regardless of gender, race, ethnicity, sexual orientation or other personal characteristics and has a non-discriminatory approach to determining compensation and benefits at all levels.

This approach includes, for example, having compensation ranges defined by job family or specialisation in the local market and strict governance around compensation decision-making and approvals. Every year, individual salaries and target incentives are reviewed to ensure and maintain internal pay equity and pay for performance. For large locations, regular statistical analysis is carried out in collaboration with external consultants to identify and address any potential risks of bias in compensation setting. In addition to equal pay analysis through a gender lens, in countries where the data is available, Swiss Re also conducts equal pay analysis through an ethnicity lens.

Compensation

Compensation framework

Overview of key compensation and benefits components for Group EC members and other employees

	Fixed compensation		Variable compensation			Participation plan
	Base salary	Benefits	(short-term)	(long-term)		(long-term)
			Cash API	VAI (deferral from the API)	LPP	GSPP
Eligibility	All employees	All employees	All employees	Employees with an API at or above USD 100 000	Group EC members and other key employees	All employees
Purpose	Attract and retain	Risk protection, market competitiveness, connection to Swiss Re values	Pay for performance	Pay for sustained performance	Alignment with future performance and shareholders	Alignment with shareholders
Plan duration				3 years	5 years for Group EC members and other key executives* (including a 2-year holding period); 3 years for remaining participants	3 years
Drivers	Role and experience	Market practice	Business and individual performance	Business performance	Business performance	
Settlement	Cash (immediate)	Pension, insurances, cash	Cash	Cash (deferred)	Shares	Shares
Performance KPIs			Business and individual performance	Measurement of the economic impact of profit/loss from previous years' business	Return on Equity (ROE) Economic Net Worth (ENW) growth Relative TSR (rTSR)	
Performance period			1 year	3 years	3 years	
Payout range			0 to 2 × TAPI (on total API granted)**	50% to 150% of deferred API	PSUs (ROE, ENW growth): 0% to 100% PSUs (rTSR): 0% to 200%	
Share price impact	No	No	No	No	Yes	Yes
Forfeiture rules	No	In certain plans	Yes	Yes	Yes	Yes (on match)
Clawback rules	No		Yes	Yes	Yes	Yes (on match)

* Certain members of Business Unit Executive Committees (BU ECs) and all Group Managing Directors (GMDs).

** For Group EC members, the API payout range is additionally capped at 3 × annual base salary.

Swiss Re aims for total compensation that is competitive in the market. Swiss Re also seeks to ensure that total compensation is well balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives.

Base salary

Base salary is the fixed compensation paid to employees for carrying out their role and is established based on the following factors:

- Scope and responsibilities of the role, and qualifications required to perform the role.
- Market value of the role in the location in which Swiss Re competes for talent.
- Skills and expertise of the individual in the role.

Benefits

Swiss Re aims to provide a competitive package of employee benefits. Benefits are designed and implemented under a global framework, while appropriately reflecting differing local employment market conditions.

The key objectives of Swiss Re's benefits packages are to:

- Be competitive in the markets where Swiss Re competes for talent.
- Provide a degree of financial resilience for employees as it relates to pension, health matters, disability and death.
- Connect with Swiss Re values and enhance engagement.

Additionally, forfeiture provisions apply in certain benefit plans.

Annual Performance Incentive

Purpose

The Annual Performance Incentive (API) is a performance-based, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation for achievements against both business and individual performance targets and demonstration of desired behaviours.

Structure

Swiss Re operates a Target API (TAPI) system along with a performance management framework for all employees, whereby results-oriented and behaviour-related performance criteria are equally weighted.

A TAPI is set based on multiple factors, but primarily on the role being performed, internal calibration and market benchmarks. The employee's total compensation and pay mix are taken into account when setting the TAPI.

The possible payout for the API ranges from 0 to 2 × TAPI. For Group EC members an additional cap applies, which is 3 × annual base salary. For details on the TAPI for the Group CEO, the aggregate TAPIs of Group EC members and API outcomes, please refer to pages 140–141 of this Financial Report.

Funding

Swiss Re uses a three-step process to assess business performance for the purposes of determining the overall Group API pool.

The starting point is the Group TAPI Pool, in principle derived in a bottom-up approach from the individual TAPIs (pro rata where needed) for all eligible employees.

The assessment process (as shown in the chart below) comprises a financial, a qualitative and an overall assessment.

The financial assessment covers four equally weighted Key Performance Indicators (KPIs) as approved by the Compensation Committee of the Board of Directors, for which targets are defined on an annual basis: Return on Equity (ROE), net operating margin, Economic Value Management (EVM) profit (% of Economic Net Worth/ENW) and ENW growth per share measured for both the Group and each Business Unit individually. Also, multi-year comparisons and an assessment of the quality of earnings are considered.

The qualitative assessment is based on six dimensions, which are assessed for the Group as well as for each Business Unit/ Group Function: client and service quality, risk and control behaviour, franchise building, human capital and talent management, strategic initiatives, and sustainability/ environmental, social and governance (ESG) considerations. Within the six dimensions, Swiss Re considers a number of measures including, for example, client satisfaction, employee engagement survey results, risk management and diversity & inclusion KPIs.

The financial and qualitative assessment each result in a performance factor (Financial Performance Factor/FPF and Qualitative Performance Factor/QPF). The FPF is floored at 0.7 and capped at 1.3, while the QPF is floored at 0.8 and capped at 1.2. The caps and floors in FPF and QPF serve to avoid excessive upward or downward volatility in the Group API Pool and build upon the guiding principles of Swiss Re's

compensation framework (see page 119 of this Financial Report). As such, they are reflective of the long-tail nature of Swiss Re's business and support the Group's longstanding practice of making positive but not excessive variable compensation payouts in relatively benign environments while making lower but proportionate payouts in adverse environments.

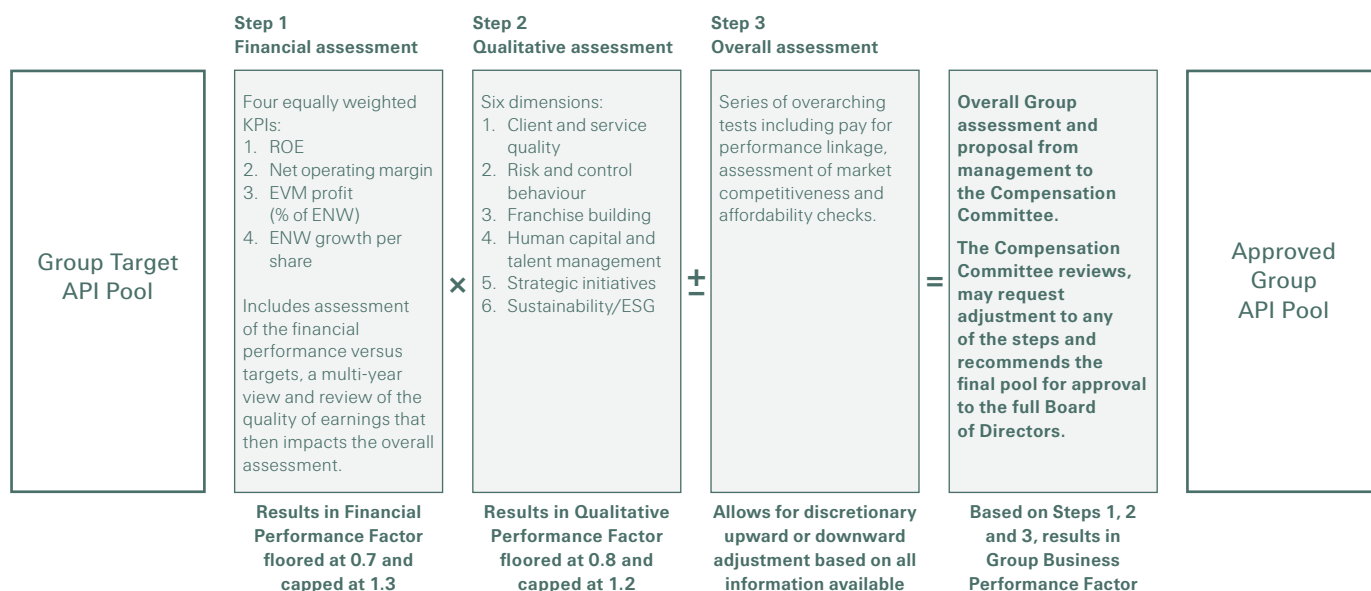
The FPF and QPF are multiplied and the result can then be adjusted upward or downward based on the overall assessment. In this step, the result of the financial and qualitative assessment is reviewed considering a number of different perspectives, including pay for performance linkage, reasonableness in the market context, affordability and proportionality of value-sharing among employees and shareholders. Combined, the three assessment steps allow for determining a Group Business Performance Factor (Group BPF) based on the following formula:

$$\text{Group BPF} = (\text{FPF} \times \text{QPF}) \pm \text{Overall Assessment Result}$$

The Group API Pool is subsequently determined by multiplying the Group TAPI Pool with the Group BPF.

As part of the process, the Compensation Committee can apply discretion to make an upward or downward adjustment to the Group BPF and Group API Pool recommended for approval to the Board of Directors. For information on the calculation of the 2020 BPF and the discretion applied in 2020, please refer to page 134 of this Financial Report.

Group API pool funding process



Compensation

Compensation framework

Allocation

The approved Group API pool is further split in pools for the Group EC, other senior executives, and for different Business Units/ Group Functions. This allocation is determined by the Group CEO based on the assessment of financial and qualitative performance of the respective Business Unit/Group Function.

The API for each individual employee is determined considering their TAPI, business and individual performance. Individual performance is assessed against the individual's established goals and Swiss Re's behaviour expectations and corporate values.

Settlement

API is settled in cash. When the total API level for an employee exceeds a pre-defined amount, a portion is deferred into the Value Alignment Incentive (VAI) and remains subject to performance conditions over the VAI plan duration of three years. The non-deferred portion is settled in immediate cash (cash API).

Forfeiture of unsettled awards and clawback provisions for settled awards apply in a range of events, enabling Swiss Re to seek repayment where appropriate. Examples of such events are acts which can be considered as malfeasance, fraud or misconduct.

Value Alignment Incentive

Purpose

When the total API level for an employee exceeds a pre-defined amount, a portion of the API is mandatorily deferred into the VAI. The VAI thereby introduces a time component to the performance-based, variable compensation. This supports the Group's business model by aligning a portion of variable compensation with sustainable long-term results. The aim is to ensure that the ultimate value of the deferred variable compensation is affected by the longer-term performance of the relevant Business Unit and the Group.

Plan duration

The VAI reflects a longer-term perspective by linking awards to performance over a three-year period.

Portion of API that is deferred

	Deferral into VAI
Group CEO	50% of API
Other Group EC members	45% of API
Other key executives	40% of API
All other employees	50% of the API amount exceeding USD 100 000 with a minimum deferral amount of USD 5 000 at USD 100 000 and up to a maximum of 40% of API

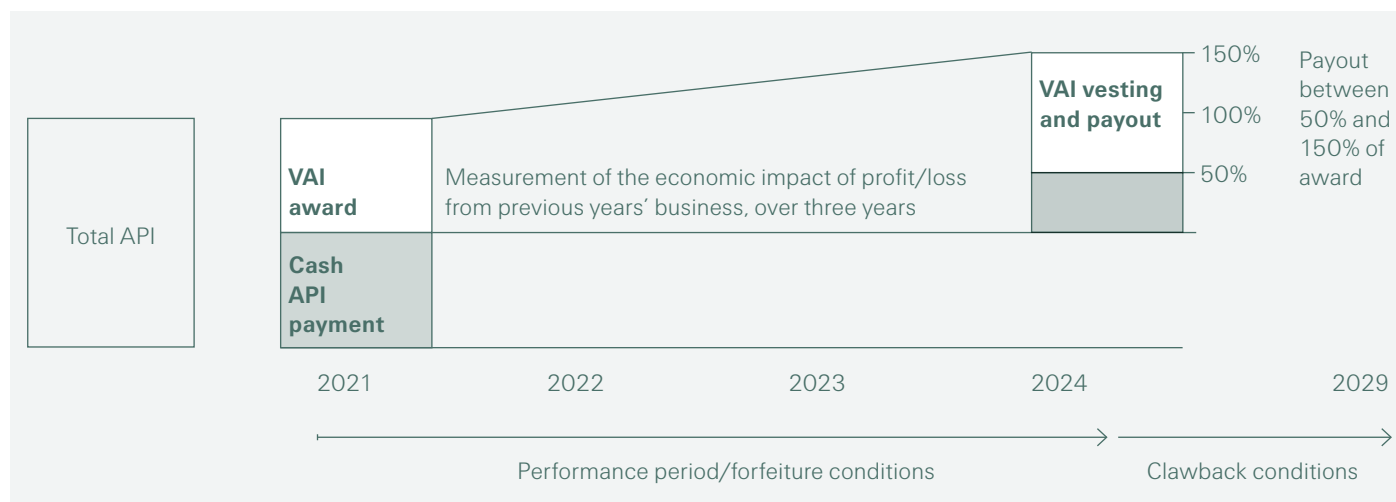
Performance measurement

The performance measurement calculation uses the three-year average of the published EVM previous years' business profit margin.

EVM is Swiss Re's proprietary integrated economic valuation and steering framework, consistently measuring performance across all businesses (please refer to the EVM section on pages 34–47 of this Financial Report).

EVM previous years' business profit measures the economic performance of existing contracts in comparison to the valuation assumptions set in the past; ie under-reserving (over-reserving) in the past leads to a negative (positive) EVM previous years' business performance when reserves are adjusted in the current year. The performance factor is a linear function, whereby payout ranges from 50% to 150%.

Value Alignment Incentive



Structure

The higher the API granted, the greater the amount of compensation that remains at risk through deferral into the VAI, as shown on the previous page.

Funding

The VAI is not funded as a separate pool. The Group API pool includes amounts paid in cash and amounts to be deferred into the VAI.

Settlement

At the end of the deferral period, the VAI is settled in cash. For the full three-year performance measurement period, forfeiture conditions apply.

Additionally, clawback provisions apply in a range of events as defined in the VAI plan rules (please refer to page 125 of this Financial Report for details on termination and clawback provisions).

For VAI performance outcomes over past years, please refer to page 135 of this Financial Report.

Leadership Performance Plan

Purpose

The purpose of the Leadership Performance Plan (LPP) is to provide an incentive for Swiss Re's senior management (including the members of the Group EC) to achieve sustainable company performance over the long term. The LPP is a forward-looking instrument awarded to incentivise decision-making that is also in the shareholders' interest.

The design of the LPP aims to:

- Focus participants' energies on earnings, capital efficiency and Swiss Re's position against peers, all of which are critical to sustain shareholder value creation.
- Focus participants on long-term goals.
- Attract and retain individuals with exceptional skill.
- Provide competitive compensation that rewards long-term performance.

LPP 2020 changes

The LPP has been in operation for more than eight years, supports Swiss Re's strong pay for performance culture and is aligned to market practice. During 2019, the LPP KPIs were reviewed to ensure that the defined purpose as outlined above can be fulfilled.

As a result of the review, a third metric, absolute economic net worth (ENW) growth, was added to complement the already existing metrics return on equity (ROE) and relative total shareholder return (rTSR). Absolute ENW growth measures the generation of new business, links capital generation, regulatory capital and dividend capacity, and neutralises the impact of share buy-backs.

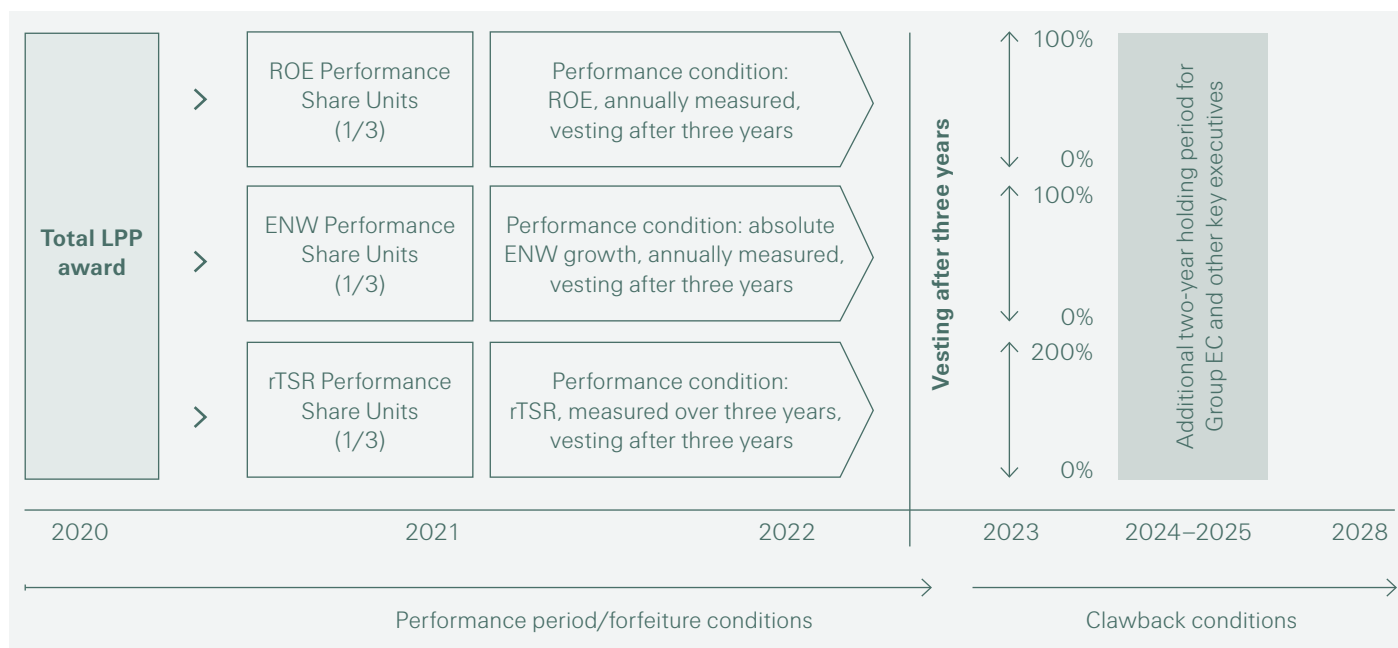
Outstanding awards (grants prior to 2020) have not been affected by this change.

Grant

The amounts disclosed under LPP in the section "Compensation disclosure and shareholdings 2020" reflect the grants made in April 2020. The LPP 2020 will be measured over the period from 1 January 2020 to 31 December 2022 and vests in 2023. Grant levels are determined based on multiple factors including the role being performed and market benchmarks.

The individual grant level for each member of the Group EC is based on a stable grant amount which in any year cannot exceed 1.5 × annual base salary for each member of the Group EC, excluding the Group CEO, and 2 × annual base salary for the Group CEO.

Leadership Performance Plan



Compensation

Compensation framework

Plan duration

The vesting period, during which performance is measured, is three years. For LPP awards granted to Group EC members and other key executives, the duration of the LPP is five years, comprising a three-year vesting and performance measurement period and an additional two-year holding period.

Structure

At the grant date, the award amount is split equally into three underlying Performance Share Unit (PSU) components. A valuation by a third party is used to determine the number of PSUs granted.

Performance Share Units: ROE

The performance condition for the first PSU component is ROE with a linear vesting line. Vesting is at 0% for an ROE at the risk-free rate* and at 100% for an ROE at a pre-defined premium above the risk-free rate. The premium is set at the beginning of the plan period. To align with external financial targets, the premium for the LPP 2020 has been set at 700 basis points above the risk-free rate. At the end of each year, the performance against the ROE condition is assessed and one third of the PSUs are locked in within a range of 0% to 100%. Vesting occurs only at the end of the full three-year plan period (capped at 100%**).

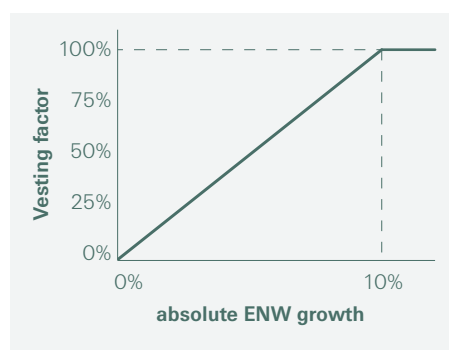
PSU vesting curve: ROE



Performance Share Units: ENW

The performance condition for the second PSU component is the growth of absolute ENW (the difference between the market-consistent value of assets and liabilities). Vesting is at 0% for an ENW growth of 0% and at 100% for an ENW growth of 10%. At the end of each year, the performance on absolute ENW growth is assessed and one third of the PSUs are locked in within a range of 0% to 100%. Vesting occurs only at the end of the full three-year plan period (capped at 100%**).

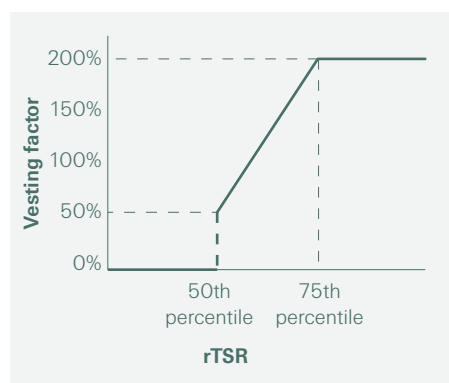
PSU vesting curve: ENW



Performance Share Units: rTSR

The third PSU performance condition is rTSR measured over three years. The PSUs vest within a range of 0% to 200%. Vesting starts at the 50th percentile of TSR relative to peers with 50% vesting and is capped at the 75th percentile relative to peers with 200%** vesting. In case of a negative TSR over three years, the Compensation Committee retains the discretion to trigger vesting at a lower level of TSR.

PSU vesting curve: rTSR



Swiss Re's three-year TSR performance is assessed relative to the TSR of the pre-defined peer group for the same period. This peer group consists of companies that are similar in scale and have a global footprint or a similar business mix to Swiss Re. The peer group, which is set at the beginning of the plan period, includes Allianz SE, American International Group Inc, Aviva PLC, AXASA, Chubb Limited, Everest Re Group Ltd, Hannover RueckSE, MetLife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, Prudential PLC, QBE Insurance Group Ltd, Reinsurance Group of America Inc, RenaissanceRe Holdings Ltd, SCOR SE and Zurich Insurance Group Ltd.

Funding

The LPP pool granted each year is reviewed in the context of sustainable business performance and affordability, and funded as part of the Group's total variable compensation pool.

Settlement

At the end of the three-year measurement period, PSUs will be settled in shares, unless there are legal or regulatory restrictions.

Forfeiture and clawback provisions apply in a range of events as defined in the LPP plan rules (please see page 125 of this Financial Report for termination and clawback provisions in long-term plans).

Swiss Re also makes it possible for all LPP participants to have shares sold or automatically settled on a net basis as applicable, to cover statutory tax and social security liabilities that may arise at vesting.

For LPP performance outcomes over past years, please refer to page 136.

Outlook for 2021

During 2020, a thorough review of Swiss Re's compensation framework was undertaken to ensure the Plan's continued effectiveness and pay-for-performance alignment. As a result, the LPP will be renamed to Leadership Share Plan (LSP).

As a consequence of this change to the global plan, the following key changes apply to grants as of 2021:

- The vesting factors for all performance conditions will be harmonised (0% to 150% for ENW, ROE and rTSR PSUs).
- In case of negative absolute TSR, vesting will be capped at maximum 100% even if Swiss Re meets or exceeds the rTSR peer group performance.

No other material changes have been made to plan duration, structure and settlement for Group EC members compared to the LPP and the above-mentioned changes apply to all participants that are granted PSUs under the LSP. Current unvested LPP awards (grants prior to 2021) are unaffected by this change.

More details on the LSP will be included in the 2021 Compensation Report.

* The annual risk-free rate is determined as the average of 12 monthly rates for ten-year US Treasury bonds of the corresponding performance year.

** Maximum vesting percentage refers to the maximum number of granted PSUs that can vest.

Global Share Participation Plan

Swiss Re offers its employees an opportunity to directly participate in the long-term success of the Group by purchasing shares (for up to a maximum of CHF 7 000 per year of a plan cycle and capped at 10% of base salary), through the Global Share Participation Plan (GSPP). Swiss Re provides a 30% match on the number of shares held by employees at the end of the three-year plan cycle. The match is subject to forfeiture in case of termination of employment before the end of the plan cycle.

The GSPP has the same core design in all locations.

Long-term compensation termination and clawback provisions

Termination reason	VAI	LPP	GSPP
Voluntary resignation	Unvested awards are forfeited pro rata and the performance factor is capped at 100% as of the date of termination of the employment relationship.	Unvested awards are forfeited as of the date of termination of the employment relationship.	Matching Share awards are forfeited as of the date of termination of the employment relationship.
Redundancy	Unvested awards shall vest on the regular vesting date, subject to performance.	Unvested awards shall vest on the regular vesting date, subject to performance.	Matching Share awards shall vest as of the date of termination of the employment relationship.
Retirement	Unvested awards shall vest on the regular vesting date, subject to performance.	Unvested awards shall vest on the regular vesting date, subject to performance.	Matching Share awards shall vest as of the date of termination of the employment relationship.
Termination for cause	Unvested awards are forfeited as of the date of termination of the employment relationship.	Unvested awards are forfeited as of the date of termination of the employment relationship.	Matching Share awards are forfeited as of the date of termination of the employment relationship.
Health/disability	Unvested awards shall vest on the regular vesting date, subject to performance.	Unvested awards shall vest on the regular vesting date, subject to performance.	Matching Share awards shall vest as of the date of termination of the employment relationship.
Death	Unvested awards shall vest immediately using the performance factor as presented during the latest Compensation Committee meeting.	Unvested awards shall vest immediately using the performance factors as presented during the latest Compensation Committee meeting.	Matching Share awards shall vest immediately.
Mutual agreement	Unvested awards may vest at Swiss Re's sole discretion. The final decision is subject to the review and approval of the Business Head, Head Reward, Group Chief Human Resources Officer and, if applicable, the Compensation Committee.	Unvested awards may vest at Swiss Re's sole discretion. The final decision is subject to the review and approval of the Business Head, Head Reward, Group Chief Human Resources Officer and, if applicable, the Compensation Committee.	Matching Share awards may vest if stated in the agreement between Swiss Re and the employee.

In events of malfeasance, fraud, misconduct, or as deemed appropriate by the Compensation Committee, awards are subject to clawback rules where Swiss Re is entitled to seek repayment of all or part of any awards paid, vested, settled or released, for a period of five years after settlement.

Compensation

Compensation framework

Supplementary information on Group EC members

Performance assessment

The Compensation Committee assesses the performance of the Group EC, including the Group CEO, against a set of quantitative and qualitative objectives. These objectives are agreed at the beginning of the year and are aligned with the Group's strategy.

Compensation approval

The determination of compensation for the Group EC, including the Group CEO, is ultimately subject to AGM approval, as outlined in the Articles of Association.

Benchmarking

The external compensation advisor to the Compensation Committee conducts an annual review of the compensation of the Group EC relative to a group of reference companies to ensure that market competitiveness is maintained. The reference companies are regularly reviewed by the Compensation Committee to ensure their relevance. The core peer group consists of the following globally active primary insurance and reinsurance firms: AIA Group Ltd, Allianz SE, American International Group Inc, Aviva PLC, AXA SA, Chubb Limited, Hannover Rueck SE, Insurance Australia Group Ltd, MetLife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, Prudential PLC, QBE Insurance Group Ltd, Reinsurance Group of America Inc, SCOR SE and Zurich Insurance Group Ltd.

Employment conditions and change of control provisions

The Group EC members, including the Group CEO, have open-ended employment agreements with notice periods of 12 months for termination either by the company or the individual. Their employment agreements do not contain severance clauses ("golden parachutes"), special provisions on the cancellation of contractual arrangements, agreements concerning special notice periods, waivers of lock-up periods for options, shorter vesting periods, additional contributions to pension funds or any other provisions protecting the individuals concerned against changes of control.

With regard to deferred compensation, in the event of a change of control, the rights of members of the Group EC and other members of senior management are identical to those of all other employees. Both the VAI and LPP Plan Rules include provisions governing change of control events.

Specifically, the Board of Directors (or to the extent delegated to it, the Compensation Committee) may decide at its discretion on the continuation, acceleration, amendment or removal of any vesting, blocking or exercise conditions for the payment or grant of deferred compensation. It may also decide to replace any LPP award with shares of the entity assuming control. In addition, it may apply any other measure which it considers equitable and reasonable, provided this does not constitute impermissible compensation pursuant to the Ordinance against Excessive Compensation at Public Corporations. Should the Board of Directors decide to accelerate vesting, performance factors will generally be based on the latest performance estimates available.

Information on "change of control" clauses is also covered in the Corporate Governance section on page 109 of this Financial Report. For more information on the quantitative impact of vested shares, please refer to page 87 of this Financial Report and Note 16 to the Group financial statements on page 273 of this Financial Report.

Group EC members are covered by the Group's standard defined contribution pension plans.

Stock Ownership Guidelines

Swiss Re has stock ownership guidelines which articulate the levels of stock ownership expected of the Group EC members, including the Group CEO. The guidelines are designed to increase the alignment of the interests of senior management and shareholders.

The guidelines define target ownership by role and the ownership levels required are:

- Group CEO – 3 × annual base salary.
- Other Group EC members – 2 × annual base salary.

Stock ownership guidelines also apply to the senior executives below the Group EC members (1 × annual base salary).

Members have a five-year timeframe to achieve these targets. In case of non-compliance and because Swiss Re believes that a meaningful stock ownership position is essential for alignment with the interests of shareholders, restrictions on the cash portion of the API and/or the vested VAI amounts will apply. These amounts may be settled in shares, then bought against market conditions.

All vested shares that are owned directly or indirectly by the relevant Group EC member and related parties will be included in the assessment of whether the guidelines have been met or not.

Compensation framework for the Board of Directors

The objective in compensating members of the Board of Directors is to attract and retain experienced individuals who are highly motivated to perform a critical role in the strategic oversight of Swiss Re and to contribute their individual business experience and expertise. The structure of fees for members of the Board of Directors takes account of the way their contribution to the success of Swiss Re differs from that of the members of the Group EC.

The fee components are structured to achieve a strong alignment with the interests of Swiss Re Ltd's shareholders:

- Fees are delivered 60% in cash and 40% in shares. The shares have a four-year blocking period.
- The Board members do not receive variable or performance-based compensation.
- The fee level for each Board member, subject to their re-election, is reviewed annually.
- The maximum aggregate amount of compensation for the members of the Board of Directors is approved by the Annual General Meeting (AGM) in advance of the term of office for which the Board members are (re-)elected.

Roles and time commitment

Swiss Re Ltd's Board of Directors has a special skill set including experience in key areas such as insurance and reinsurance, finance, accounting, capital markets, risk management and regulatory matters, as well as leadership and decision-making experience in large, complex financial institutions. The mandate also demands significant commitment, high integrity and intercultural communication competence. The fees for the members of the Board of Directors reflect different responsibilities and committee memberships. The individual level of pay therefore varies.

Certain committees, such as the Audit Committee, meet more frequently or hold longer meetings, and hence have higher workloads reflected in their fees. The table on page 99 of this Financial Report provides an overview of the meetings of the Board of Directors and its committees held in 2020.

The Chairman of the Board of Directors devotes himself full-time to his role. In defining the position of Chairman as a full-time role, Swiss Re applies best practice for regulated, complex financial institutions.

The Vice Chairman, who is also the Lead Independent Director, acts as a deputy of the Chairman if the Chairman is prevented from performing his duties or in potential conflict of interest situations. The Vice Chairman may prepare and execute Board resolutions on request of the Board and liaises between the Board and the Group EC in matters not reserved to the Chairman. The Lead Independent Director acts as an intermediary between the Group and its shareholders and stakeholders in the absence of the Chairman or, in particular, when a senior independent member of the Board is required. He may convene and chair sessions where the Chairman is not present. He will communicate the outcome of these sessions to the Chairman.

For further details on the duties and required expertise of the members of the Board of Directors (including the Chairman and Vice Chairman), please refer to pages 94–95 in the Corporate Governance chapter of this Financial Report.

Fee approval

In line with Swiss law, and as outlined in the Articles of Association, the aggregate compensation for the members of the Board of Directors for the next term of office is subject to shareholder approval at the AGM.

Subsidiary boards of directors

The majority of the board members at subsidiary level are Swiss Re executives who do not receive any additional compensation for their services in these roles. The non-executive members of the subsidiary boards receive their fees 100% in cash. When a member of the Board of Directors of Swiss Re Ltd also serves on the board of a subsidiary, the aggregate compensation of the Board of Directors proposed to the AGM for approval also includes any subsidiary board fees.

Outlook for 2021

As per 1 January 2021, a minimum Swiss pension fund solution was set up for those members of the Board of Directors who are not exempted from mandatory occupational benefit plans in Switzerland. This will be offered by an established external provider and applies only to a limited number of members of the Board of Directors depending on their personal situation due to which local law imposes such pension solution. The external provider was chosen to ensure independence of the Board of Directors from Swiss Re's pension fund.

Pension contributions are split equally between Swiss Re and the respective members of the Board of Directors. Contributions made by Swiss Re for the period from 1 January 2021 until the AGM 2021 are included in the table "Individual Board compensation for the period from the AGM 2020 to the AGM 2021" (refer to page 144 of this Financial Report).

Compensation governance

Authority for decisions related to compensation at the Board and Group EC level is governed by the Articles of Association and the Bylaws of Swiss Re Ltd, including the Charter of the Compensation Committee. The main responsibilities of the Compensation Committee are summarised in the table on the right.

The Articles of Association of Swiss Re Ltd include rules on

- The annual and binding approval by the AGM of the maximum aggregate amounts of compensation of members of the Board of Directors and of the Group EC (Article 22).
- The supplementary amount for changes in the Group EC (Article 23) if the maximum aggregate amount of compensation approved by the AGM is not sufficient to also cover compensation of a new Group EC member.
- The compensation principles for both the members of the Board of Directors and of the Group EC covering short-term and long-term elements, performance-related pay, payment in shares, financial instruments or units, compensation in kind or other types of benefits (Article 24).
- The agreements with members of the Board of Directors and the Group EC, external mandates and credits and loans (Articles 25 to 27).

The Articles of Association are available on the Swiss Re website at: www.swissre.com/articlesofassociation



Download the PDF to your mobile by scanning the QR code with your smartphone camera.

Roles and responsibilities in respect of compensation

Function	Description of roles and responsibilities
Board of Directors	<ul style="list-style-type: none"> • Establishes and periodically reviews Swiss Re's compensation framework, including guidelines and performance criteria. • Prepares the proposals to the AGM regarding Board of Directors and Group EC compensation. • Further details can be found in the Corporate Governance section on pages 78–112 of this Financial Report.
Compensation Committee	<ul style="list-style-type: none"> • Consists of at least four independent members of the Board of Directors. Each member of the Compensation Committee is elected individually at the AGM for a term of office until completion of the next AGM. • Is governed by a Charter approved by the Board of Directors, which defines the purpose, composition and procedural rules of the Compensation Committee, including its responsibilities and authorities for making proposals and decisions related to compensation of the members of the Board of Directors and the Group EC. • Assesses the individual performance of the members of the Group EC, including the Group CEO, and periodically reviews the effectiveness of the performance management process. • Is responsible for making recommendations to the Board of Directors and overseeing the design and implementation of compensation principles, policies, framework, plans and disclosure. • Reviews compensation principles, policies and share-based plans annually to ensure that these remain in line with Swiss Re's objectives and strategy, shareholders' interests and legal and regulatory requirements. • Further details can be found in the Corporate Governance section on pages 82 and 98 of this Financial Report.
Management	<ul style="list-style-type: none"> • The Group CEO and the Group Chief Human Resources Officer participate in the Compensation Committee meetings. • Other members of senior management may attend as deemed appropriate by the Compensation Committee and upon invitation by the Chair of the Compensation Committee. • No individual may attend any part of a meeting where their own compensation is discussed.
Secretary	<ul style="list-style-type: none"> • The Head Reward serves as the Secretary to the Compensation Committee and attends its meetings (excluding the executive sessions).
External Advisors	<ul style="list-style-type: none"> • Mercer provides information about remuneration trends, market benchmarking and advice on executive compensation issues. • Niederer Kraft Frey Ltd provides legal advice, mainly about specific aspects of compliance, plan rules and disclosure matters regarding compensation. • These advisors are retained by the Compensation Committee and provide the Compensation Committee with an external perspective. They may also have other mandates with Swiss Re.

Compensation approvals

The table below shows the approval processes for key compensation decisions:

Compensation item	Proposed	Endorsed	Approved
Maximum aggregate amount of compensation for the members of the Board of Directors for the next term of office	Compensation Committee	Chairman of the Board of Directors, Board of Directors	AGM
Maximum aggregate amount of fixed compensation and long-term variable compensation for the members of the Group EC	Group CEO	Chairman of the Board of Directors, Board of Directors, Compensation Committee	AGM
Aggregate amount of variable short-term compensation for the members of the Group EC	Group CEO	Chairman of the Board of Directors, Board of Directors, Compensation Committee	AGM
Compensation for the Chairman of the Board of Directors	Compensation Committee		Board of Directors ¹
Individual compensation for the members of the Board of Directors (excl. Chairman of the Board of Directors)	Compensation Committee	Chairman of the Board of Directors	Board of Directors ¹
Variable short-term compensation pools and long-term incentive pools for the Group and Group EC	Group CEO	Chairman of the Board of Directors, Compensation Committee	Board of Directors ¹
Compensation for Group CEO	Chairman of the Board of Directors	Compensation Committee	Board of Directors ²
Variable short-term compensation pools for the Control Functions	Group CEO	Compensation Committee, Chairs of the Audit Committee and the Finance and Risk Committee	Board of Directors
Individual compensation for the Heads of the Control Functions	Group CEO	Compensation Committee, Chairs of the Audit Committee and the Finance and Risk Committee	Board of Directors
Individual compensation for the members of the Group EC (excl. Group CEO)	Group CEO	Chairman of the Board of Directors, Compensation Committee	Board of Directors ²

¹ Within the maximum aggregate amount of compensation approved by the AGM.

² Within the maximum aggregate amount of compensation approved by the AGM and the additional amount available for changes in the Group EC after the AGM as per the Articles of Association, respectively.

Compensation Committee's time allocation to key topics in 2020



- 28% Review of compensation framework
- 28% Pay for performance for the Group
- 8% Pay for performance for Group EC members
- 12% Compliance and regulatory
- 13% Executive sessions
- 11% Other topics

Compensation Committee activities

The Compensation Committee operates as the Group's compensation committee and oversees the compensation framework applied at all entities of the Swiss Re Group.

The Compensation Committee has an annual agenda to ensure that important reviews take place at the right times throughout the year. The Compensation Committee also commits time to executive sessions and conducts a periodic self-evaluation to preserve its high level of effectiveness. During 2020, the Compensation Committee architecture (ie Compensation Committee governance processes, tasks and responsibilities) was reviewed to ensure that the Compensation

Committee is entrusted with appropriate responsibilities, material topics and has sufficient capacity to dedicate to their tasks.

The Compensation Committee held six regular meetings during 2020 and provided updates to the Board of Directors on topics discussed, decisions made and items for approval after each of these meetings.

In addition, the Compensation Committee held one extraordinary meeting and passed eight decisions by circular resolution during 2020.

A high-level overview of topics dealt with during the year is shown on page 130 of this Financial Report.

Compensation

Compensation governance

High-level overview of topics discussed by the Compensation Committee

At Swiss Re, the compensation cycle begins in December and runs through to April of the following year. The Compensation Committee oversees each stage of the process, starting with deciding on the variable compensation pool for the prior performance year, reviewing this decision and setting targets for the upcoming year.

Outlined below is an overview of the main topics discussed during the seven Compensation Committee meetings held in 2020:

	January	February	April	June	September	November	December
Past performance cycle	Performance assessment process and variable compensation pool		Review of decisions of prior compensation cycle				Investor and Proxy Advisor feedback
		Performance factors for deferred compensation awards					
Upcoming performance cycle	LPP pool for upcoming year						
		Performance targets for upcoming year			Upcoming performance cycle discussion		Upcoming performance cycle discussion
Group EC compensation and performance	Group EC performance assessment		Group EC compensation benchmarking				
		Group EC individual compensation proposals					
Board compensation			Board fees for upcoming compensation period	Review of subsidiary board compensation	Board compensation benchmarking and policy		
				Annual Benefits Review; Stock Ownership Guidelines	Compensation Policy	Compensation framework review (API, VAI and LPP design, API pool funding)	
Compensation plans & principles					Pay equity approach		Compensation approval authority matrix
					Integration of sustainability performance target		Integration of sustainability performance target
	COVID-19 impact						
Compliance, regulatory & other governance topics	Compensation Report			Compensation Report and AGM feedback	Role and mandate of external advisors		Compensation Report
	Compensation Committee (CC) goals			Review of CC goals	CC architecture		CC self-evaluation and review of CC goals
							CC architecture
	Compliance and regulatory developments						

The role of the Control Functions in compensation

The role of Swiss Re's Control Functions (defined as Group Risk Management, Compliance and Group Internal Audit) in compensation matters is well established.

Independence of the Control Functions

In order to ensure the continued independence of Control Functions, their compensation approval processes differ in that key annual compensation decisions for these functions are approved at the Board level. This includes the approval of the aggregate API pools of the Control Functions and the approval of the individual compensation for the Head of each Control Function.

Risk and control-related behaviour assessment

Swiss Re bears risks in the course of its business activities, including market, credit and liquidity, underwriting, operational (including legal and compliance) and reputational risk. The Control Functions annually perform an independent assessment of risk and control-related behaviours of the Group and each of the business functions, and of Swiss Re's Key Risk Takers individually.

These reports are delivered to key executives including the Group Chief Risk Officer and the Group Chief Human Resources Officer on an annual basis.

Key Risk Takers

Swiss Re's Key Risk Takers are executives in core risk-taking positions who decide on business and people strategies, approve budgets and can materially influence financial results or expose Swiss Re to significant operational or reputational risks.

As per 31 December 2020, Swiss Re identified 168 individuals (including the 13 members of the Group EC as per 31 December 2020), who qualify as Key Risk Takers. In addition to the members of the Group EC, this group consists of Business Unit EC members, other key executives and roles with core risk-taking authority. The list of Key Risk Takers is reviewed on a regular basis by Group Risk Management and Human Resources.

Influence of the behavioural assessment on compensation

The risk and control-related behaviour assessment of Group and Business Units/ Group Functions provides additional input to determine the Group API pool and its allocation to each Business Unit/Group Function. The assessment of each Key Risk Taker serves as additional input when considering individual performance and compensation outcomes.

Desired behaviours

Swiss Re's performance management approach supports a high-performance culture. Individual and team goals, as well as behaviours, are aligned to Swiss Re's purpose and business strategy. Swiss Re's "leadership from every seat" philosophy, as part of which desired behaviours are clearly articulated, is embedded in the continuous performance management and feedback discussions. This allows for forward-looking conversations that foster real-time improvement and faster adaptation to business needs and in doing so, arrive at a robust performance differentiation and transparent pay for performance.

Influence of sustainability on compensation

Since 2020, sustainability-related performance targets are defined for the Group as well as for each Business Unit and Group Function. Targets are grouped around several sustainability-related themes such as sustainability-related indices, climate change, sustainable business, and stakeholder engagement. The KPIs and targets are aligned to Swiss Re's Group Sustainability Strategy and take into account Swiss Re's sustainability ambitions and identified risks (see pages 16–21 in the Sustainability Report 2020 for details on sustainability performance targets and pages 36–43 for details on sustainability risks).

At the end of the year, the Group, Business Units and Group Functions report on their performance against such performance targets. The outcome of this reporting is considered as one of the six qualitative assessment dimensions in the Group API pool funding process (see page 121 of this Financial Report for details on the Group API pool funding process and pages 132–134 of this Financial Report for performance outcomes 2020).

Performance outcomes 2020

Key considerations for Swiss Re's annual compensation decisions cover US GAAP and EVM based business results, qualitative factors and Swiss Re's pay for performance approach.

The outcomes of the financial, qualitative and overall assessment, all part of Swiss Re's three-step funding process (as described on page 121 of this Financial Report), determined the Group API pool for 2020. In line with Swiss Re's established processes, key performance indicators (KPIs) and targets for the Group API pool were approved by the Compensation Committee at the beginning of 2020 and have not been modified in the wake of the COVID-19 pandemic.

Financial assessment (step 1)

Swiss Re Group and Business Units

In 2020, the Group's US GAAP and Economic Value Management (EVM) results were significantly impacted by COVID-19-related losses, affecting the performance of all Business Units in the Group. The vast majority of the Group's COVID-19 losses was driven by affirmative non-damage business interruption, higher mortality claims as well as cancelled or postponed events. Throughout 2020, Swiss Re showed a strong underlying performance across the Group. Property & Casualty Reinsurance delivered strong new business generation with higher premiums earned and price increases and a strong investment result supported Life & Health Reinsurance's solid performance. Corporate Solutions' turnaround is ahead of plan and Life Capital successfully closed the ReAssure sale.

US GAAP financial performance

Property & Casualty Reinsurance's performance was heavily driven by COVID-19-related losses as well as large natural catastrophe events and man-made losses, partially offset by strong new business generation with increased premiums earned, supported by increased prices. Life & Health Reinsurance's performance benefited from realised gains on fixed income securities and solid underwriting results due to active portfolio management, while still significantly impacted by COVID-19 losses.

The strong improvement of Corporate Solutions' ex-COVID-19 result reflected the strict execution of management actions announced in 2019, including 85% of the planned portfolio pruning and a substantial expense ratio reduction. Pricing momentum

combined with lower than expected large man-made losses and a favourable claims development from prior accident years contributed further to the technical result.

Life Capital's result was driven by the continued investment into growth of the open book businesses. Gross premiums written in the open book businesses increased by 22% during 2020 when measured at constant exchange rates. The completion of the ReAssure sale and successful deconsolidation of the business marks a key achievement for Life Capital. For further details on the US GAAP financial performance, refer to pages 182–293 of this Financial Report.

EVM financial performance

The underwriting result of Property & Casualty Reinsurance was primarily driven by COVID-19-related impacts, US liability experience and assumption updates, large natural catastrophe and man-made losses. This was partially offset by strong renewals from property natural catastrophe and specialty as well as reserve releases for natural catastrophe losses. The Life & Health Reinsurance underwriting result was driven by COVID-19-related claims and reserves as well as by capital costs updates, partially offset by new business transactional business growth in EMEA and the Americas. The investment profit was mainly driven by favourable interest rate impacts on the net duration position.

Corporate Solutions' underwriting loss was primarily driven by COVID-19-related losses more than offsetting otherwise good underwriting results reflecting the benefits of the management actions taken to improve profitability and low large man-made claims activity across all lines of business.

The unfavourable underwriting result of Life Capital was primarily driven by expenses to grow the open book businesses as well as a true-up to the gain on the sale of ReAssure, underperformance in elipsLife and unfavourable persistency in the closed book US business. For further details on the EVM financial performance, refer to the EVM chapter on pages 34–47 of this Financial Report.

Since the performance across all four financial KPIs was more than 30% below target, the FPF was set at 0.7 (floor) in line with Swiss Re's Group API pool funding process.

Qualitative assessment (step 2)

The year 2020 was heavily marked by the COVID-19 pandemic for Swiss Re and its employees. Despite this unprecedented situation, the Group performed above expectations across the six qualitative assessment dimensions and related goals considered in the Group API pool funding process.

Strategic initiatives

Business Units and Group Functions jointly delivered on key strategic initiatives, including the completion of the sale of ReAssure to Phoenix Group and the establishment of a roadmap for streamlining the Group's legal entity structure. Swiss Re has further expanded its risk-sharing platform, eg through a private sidecar transaction with Dutch pension investor PGGM and through a newly created standalone fund offering investors an efficient way to participate in Swiss Re's natural catastrophe business. In Corporate Solutions, achievements focusing on the unit's unique value proposition as a corporate insurer stood out.

Franchise building

Having joined forces with public and private partners to deploy innovative solutions and strengthen its franchise, Swiss Re is proud of its collaborative achievements, for example:

- Acting as a thought leader to foster learnings from the COVID-19 pandemic: the Group's client webinars, dedicated web and social media content reached above-benchmark engagement and made Swiss Re the most visible reinsurer on COVID-19 response.
- Putting its pioneering Risk Resilience Centre platform, which provides access to the world's richest data on COVID-19, at the service of global health by opening it to participants of The Trinity Challenge (a coalition of universities, foundations and leading companies with the aim of better protecting the world against health emergencies).

- Establishing many other new solutions and partnerships, such as Movinx together with Daimler and the Granular Insurance Company together with Verily, an Alphabet company; Movinx develops fully digital automotive and mobility insurance products and the Granular Insurance Company combines innovative health technology solutions with novel insurance and payment models.

Client & service quality

Swiss Re's client and service quality is assessed on an annual basis through leading external benchmarks. Both clients and non-clients perceived Swiss Re as a leading brand in property and casualty, and life and health reinsurance. Client satisfaction remained strong and clients commended the uninterrupted service and availability of their Swiss Re contacts during the pandemic.

Human capital & talent management

The Group's employee engagement survey results were above the financial services benchmark and at their highest level since the start of measurement in 2015, with notable increases on agility and the perception of having an inclusive work environment. Swiss Re did note early signs of a decrease in employees' personal resilience and has quickly taken mitigation actions, eg by establishing a new initiative with mental health champions and a programme leveraging learnings from the COVID-19 pandemic. Considering a diverse and inclusive workforce as integral to its success, the Group has further increased female representation in senior management and launched a new network to promote awareness and inclusion of people of colour in the workplace.

Risk and control behaviour

Reinsurance and risk are intrinsically linked. Assessment scores based on the continuous assessment by Swiss Re's Control Functions, including Group Internal Audit as an independent assurance function, have gone up compared to the prior year, demonstrating a robust risk governance framework with a defined risk appetite and accountability for managing risk. A clear tone from the top encouraged an effective and open risk culture.

Sustainability

2020 was the first year for which sustainability was considered as a separate assessment dimension in the Group API pool funding process. Sustainability-related performance targets focused on the Group's ranking in the Dow Jones Sustainability Index (DJSI), the alignment of its business goals with the Paris Agreement and the increase in the share of sustainable business volume and services. Swiss Re has accomplished notable achievements, for example reaching a leading score in the DJSI, which makes it the only reinsurer represented in the top 10 in this index. The Group also continued to co-lead the Net-Zero Asset Owner Alliance and established an internal triple-digit carbon levy to support the transition to net-zero emissions in operations by 2030. For further details on sustainability governance and sustainability performance targets, please refer to pages 82 and 16–21 of the Sustainability Report.

Considering the Group's performance across all six defined dimensions and established qualitative performance goals, the Board of Directors agreed a Qualitative Performance Factor of 1.05.

Overall assessment (step 3)

In line with Swiss Re's Group API pool funding process, the overall assessment allows for considering additional factors on top of the established KPIs and dimensions in the financial and qualitative assessments. Both the Compensation Committee and the full Board of Directors assessed in depth the 2020 performance of Swiss Re Group and recognised its successful navigation of the COVID-19 pandemic. Excluding the COVID-19 impact, the Group's 2020 financial results would have been well above the prior year's results. Swiss Re's incident management teams around the globe ensured the health and safety of all employees, which enabled business to continue as normal. All processes ran timely and without disruptions, and employees showed great personal resilience. Swiss Re did not impose any salary cuts or furloughs, nor did it lay off any employees or request government support due to COVID-19.

In view of the elements outlined on the previous pages, recognising employees' extraordinary efforts in the wake of the pandemic and considering aspects such as pay positioning and key talent retention risk, the Board of Directors has applied positive discretion in the overall assessment and adjusted the outcome of financial and qualitative assessments upwards by 0.105.

The Board of Directors considers this limited use of discretion appropriate in the context of 2020. It keeps the Group API pool significantly below target and as such, is in line with the majority of re/insurance organisations, which have projected incentive pools below target levels for 2020. It is also a continuation of Swiss Re's long-standing practice of having positive but not excessive variable compensation payouts in relatively benign environments and conversely, lower but proportionate variable compensation payouts in adverse environments. This practice is based on Swiss Re considering its role as that of a shock absorber for society, which mitigates excessive volatility and does its part to improve resilience to future systemic risks.

In line with Swiss Re's established Group API pool funding process, a Group Business Performance Factor (Group BPF) is calculated by multiplying FPF and QPF, and subsequently adding or subtracting any adjustment from the overall assessment. For 2020, this results in a Group BPF of 0.84 ($0.7 \times 1.05 + 0.105$). The Group API pool is in principle derived by multiplying the Group Target API (TAPI) pool with the Group BPF. The resulting Group API pool for 2020 is significantly below target but still proportionate.

Performance targets used for the financial assessment are considered to be commercially sensitive and disclosure of such may provide an unfair advantage to Swiss Re's competitors. However, to further increase transparency on the Group API pool funding process, results for each of the financial KPIs are disclosed.

Group API pool outcome 2020

Key performance indicator		Weighting	Achievement versus target	Result
Financial assessment (step 1)	ROE	25%	■	-3.1%
	Net operating margin	25%	■	-1.1%
	EVM profit (% of ENW)	25%	■	-10.4%
	ENW growth per share	25%	■	-0.1%
Resulting Financial Performance Factor (FPF):			■	0.70
Qualitative assessment (step 2)	Client and service quality		■	Overall slightly above target (see commentary on page 133)
	Risk and control behaviour		■	
	Franchise building		■	
	Human capital and talent management		■	
	Strategic initiatives		■	
	Sustainability		■	
Resulting Qualitative Performance Factor (QPF):			■	1.05
FPF*QPF:			■	0.735
Overall assessment (step 3)	Overall assessment of Group API Pool from a number of different perspectives, eg normalised results, labour market, capital market, compensation competitiveness and retention			+0.105
Resulting Group Business Performance Factor (BPF)¹:			■	0.84
Group API Pool approved by the Board of Directors			■	

¹ Based on (FPF 0.70 x QPF 1.05) + overall assessment 0.105 = Group BPF 0.84.

Value Alignment Incentive

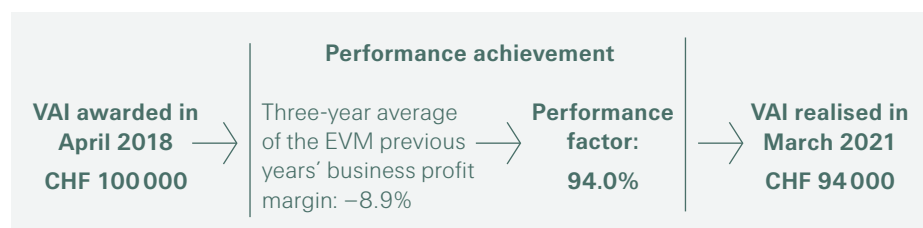
VAI performance is measured for the Group and each underlying business area. The performance factor for each participant is determined based on the business area that the participant worked for on 31 December of the year preceding the award (see pages 122–123 of this Financial Report for a detailed description of the VAI). The VAI 2017 (awarded 2018) performance factor of 94.0% for the Swiss Re Group is based on the three-year average previous years' business performance for years 2018, 2019 and 2020.

The main drivers were previous years' business losses, mainly driven by reserve increases, especially for losses related to COVID-19 for Reinsurance and Corporate Solutions in 2020, and US casualty in Corporate Solutions and Property & Casualty Reinsurance. Business area performance factors for the VAI 2017 (awarded 2018) ranged from 62.6% to 99.8%.

VAI plan year	Performance period remaining as of 31 December 2020	Swiss Re Group performance factor
2011 (awarded 2012)	Closed	103.0%
2012 (awarded 2013)	Closed	101.5%
2013 (awarded 2014)	Closed	100.3%
2014 (awarded 2015)	Closed	99.9%
2015 (awarded 2016)	Closed	100.0%
2016 (awarded 2017)	Closed	97.4%
2017 (awarded 2018)	–	94.0%
2018 (awarded 2019)	1 year	to be determined in 2022
2019 (awarded 2020)	2 years	to be determined in 2023

Illustrative example of realised performance for the VAI 2017 (awarded 2018)

Granted and realised VAI are shown below for a grant of CHF 100 000 on the VAI 2017 (awarded 2018). For illustrative purposes, this example considers only the Group performance factor. For disclosure of actual realised compensation 2020 for the Group CEO, please refer to page 142 of this Financial Report.



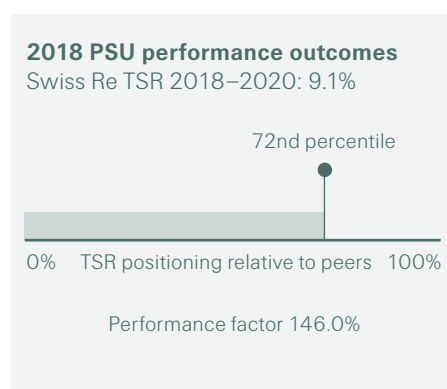
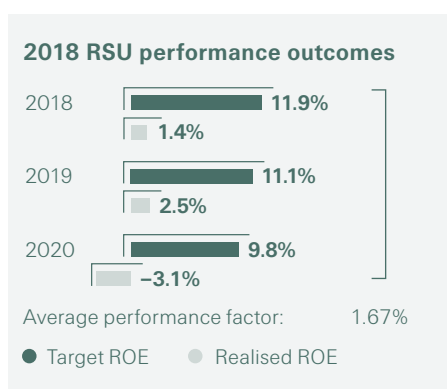
Leadership Performance Plan

The LPP award is consistently linked to the Group’s future achievement of multi-year performance conditions (ROE, ENW and rTSR), keeping the focus on the long-term success of the Group. Swiss Re made LPP grants in 2020 consistent with this rationale. The LPP is generally part of total compensation (see pages 123–124 for a detailed description of the LPP).

In line with Swiss Re’s existing methodology, the 2020 LPP grant was based on a share price of CHF 104.20 on the date after publication of the 2019 annual results (21 February 2020, ie prior to the stock market downturn in the wake of the COVID-19 pandemic) to determine the 2020 LPP grant allocation values. As such, the Compensation Committee concluded that no windfall gains will occur.

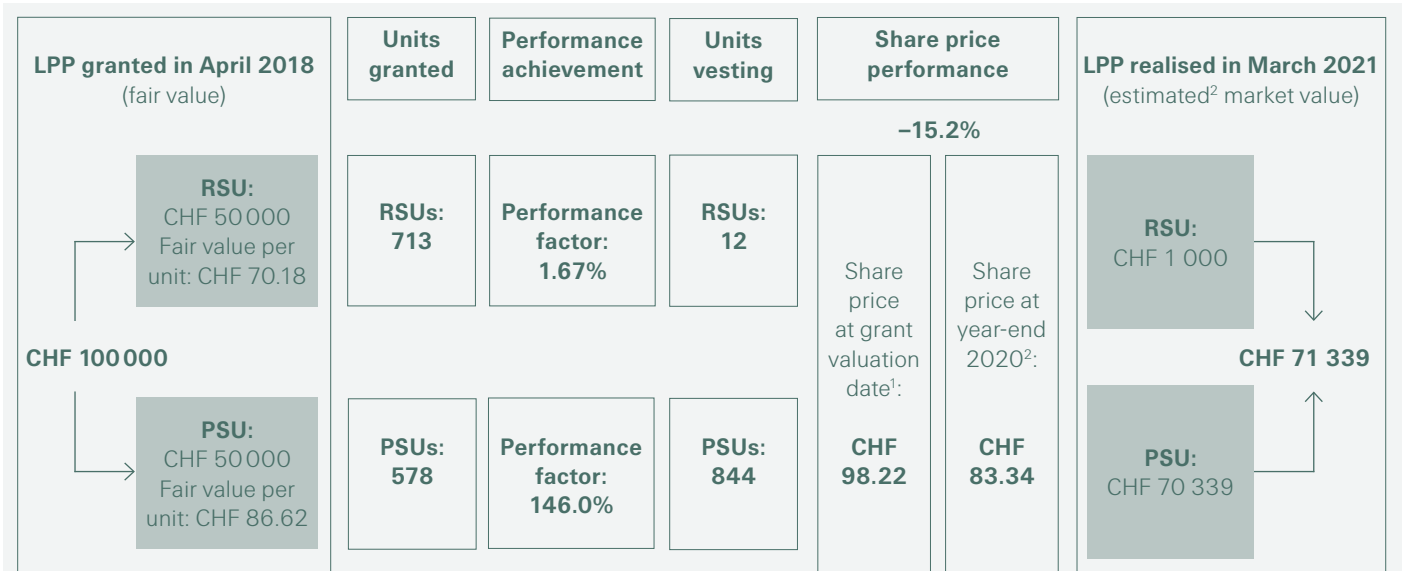
Awards prior to 2020 are split equally into Restricted Share Units (RSUs) and PSUs. The RSU component for such in-flight plan cycles (ie granted in 2018 and 2019) is measured against an ROE performance condition. At the end of each year, the performance is assessed and one third of the RSUs is locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked may vest. For the LPP 2018, the average performance factor for the RSUs was 1.67% for the three-year period. The PSU component is based on rTSR, measured against a pre-defined basket of peers, and vests within a range of 0% to 200%. For the LPP 2018, the performance factor for the PSUs was 146% for the three-year period. The table below gives an overview of the RSU and PSU performance achievement for the previous LPP plan years:

LPP plan year	Performance period remaining as of 31 December 2020	RSU average performance factor for the three-year period	PSU performance factor for the three-year period
2012	Closed	99.7%	200.0%
2013	Closed	99.7%	60.0%
2014	Closed	99.7%	81.0%
2015	Closed	66.7%	0.0%
2016	Closed	32.3%	0.0%
2017	Closed	1.67%	0.0%
2018	–	1.67%	146.0%
2019	1 year	to be determined in 2022	to be determined in 2022
2020	2 years	to be determined in 2023	to be determined in 2023



Illustrative example of realised performance for the LPP 2018–2021

Granted and realised LPP 2018–2021 are shown below for a sample grant of CHF 100 000 of the LPP 2018. This is a simplified representation for illustrative purposes only. The number of RSUs and PSUs has been rounded up to the nearest full number. For the disclosure of actual realised compensation for the Group CEO, please refer to page 142 of this Financial Report.



¹ The LPP 2018 grant was based on a grant valuation share price of CHF 98.22 (as of 26 February 2018, ie the next trading day after publication of the 2017 annual results).

² Since vesting of LPP 2018 will occur after the publication of this report, the closing share price at year-end 2020 was used to estimate the realised value.

Compensation disclosure and shareholdings 2020

Aggregate compensation of the Swiss Re Group

The aggregate compensation for the performance years 2019 and 2020 for all employees was as follows:

Category	Performance year 2019 ^{1,2}		Performance year 2020 ^{1,2}	
	Number of employees	Values (in CHF millions)	Number of employees	Values (in CHF millions)
Base salaries	15 401	1 378	13 189	1 289
Pensions and benefits	15 401	284	13 189	257
Cash Annual Performance Incentive ³	14 395	306	11 941	274
Value Alignment Incentive ³	524	36	598	33
Long-term variable compensation				
– Granted in units subject to performance conditions ⁴	453	52	469	50
– Granted in units not subject to performance conditions	1	1	43	2
Other payments				
– Severance payments ⁵	387	24	401	27
– Sign-on payments	127	5	150	5
Total⁶		2 086		1 937

¹ Regular employees (excludes contractors) per 31 December, compensation on actual FTE basis; 2019 reporting adjusted to conform to 2020 presentation. ReAssure employees are included for 2019 but not for 2020 as the sale of ReAssure to Phoenix Group was completed during 2020.

² Foreign currency conversions calculated using December 2020 year-to-date FX rates for 2020 figures and December 2019 year-to-date FX rates for 2019 figures (where relevant).

³ For 2019, includes separate variable short-term compensation and deferral schemes for ReAssure; for 2020, includes separate cash variable compensation scheme for one line of business.

⁴ Includes LPP; for 2019, also includes separate variable long-term compensation scheme for ReAssure.

⁵ Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.

⁶ Amounts are gross before deduction of employee social security contributions. Additional and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws, which amounted to CHF 225m in 2019 and CHF 190m in 2020.

As of 31 December 2020, the Group had 13 189 regular employees worldwide, compared to 15 401 regular employees at the end of 2019.

The total compensation of the Group for 2020 amounted to CHF 1 937 million (compared to CHF 2 086 million in 2019), whereof CHF 1 885 million has been or will be paid in cash (compared to CHF 2 033 million in 2019) and CHF 52 million has been granted in share-based awards (compared to CHF 53 million in 2019). The 2019 figures have been adjusted to conform to the 2020 presentation.

The value of all outstanding deferred compensation for all employees at 31 December 2020 amounted to CHF 228 million (compared to CHF 239 million in 2019), whereof CHF 90 million will be payable in cash (compared to CHF 103 million in 2019) and CHF 138 million in shares (compared to CHF 136 million in 2019). The figure for outstanding deferred compensation is determined based on the value at grant for both cash-based and share-based compensation.

In 2020 and 2019, a reduction of expenses amounting to CHF 6 million and CHF 1 million respectively, was recognised for compensation in previous financial years.

Aggregate compensation for Key Risk Takers

The aggregate compensation of the individuals that held a key risk-taking position as of 31 December of the performance years 2019 and 2020 was as follows (this table excludes members of the Group EC; members of the Group EC also qualify as Key Risk Takers and their compensation is disclosed separately in the table on page 140 of this Financial Report):

Category	Performance year 2019 ^{1,2}		Performance year 2020 ^{1,2}	
	Number of employees	Values (in CHF millions)	Number of employees	Values (in CHF millions)
Base salaries	148	48	155	53
Pensions and benefits	148	14	155	16
Cash Annual Performance Incentive ³	144	29	151	30
Value Alignment Incentive ³	135	15	144	15
Long-term variable compensation				
– Granted in units subject to performance conditions ⁴	139	22	146	23
– Granted in units not subject to performance conditions	1	1	0	0
Other payments				
– Severance payments ⁵	0	0	5	1
– Sign-on payments	12	3	13	1
Total⁶		132		139

¹ Disclosure excludes members of the Group EC who were in office as of 31 December of the reporting year; 2019 reporting adjusted to conform to current presentation. Group EC compensation is disclosed separately in the table on page 140. Disclosure includes Key Risk Takers in ReAssure for 2019 but not for 2020 as the sale of ReAssure to Phoenix Group was completed during 2020.

² Foreign currency conversions calculated using December 2020 year-to-date FX rates for 2020 figures and December 2019 year-to-date FX rates for 2019 figures (where relevant). Reported figures include Key Risk Takers who were in office as of 31 December of the reporting year and are full-year amounts, except for individuals hired during the year, for whom partial-year figures are reported.

³ For 2019, includes separate variable short-term compensation and deferral schemes for ReAssure; for 2020, includes separate cash variable compensation scheme for one line of business.

⁴ Includes LPP; for 2019, also includes separate variable long-term compensation scheme for ReAssure.

⁵ Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration.

⁶ Amounts are gross before deduction of employee social security contributions. Additional and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws, which amounted to CHF 6m in 2019 and CHF 6m in 2020.

Compensation decisions for members of governing bodies

The section below is in line with Swiss law and specifically with Articles 14 to 16 of the Ordinance against Excessive Compensation at Public Corporations (the Ordinance), which require disclosure of compensation granted to members of the Board of Directors and the Group EC. Compensation to members of the Board of Directors and the highest-paid member of the Group EC is shown separately. At the AGM 2019 and the AGM 2020, the shareholders approved the maximum aggregate compensation amounts for the Board of Directors and Group EC for the prospective periods. For the reconciliation of these aggregate amounts to what was awarded, please refer to page 146 of this Financial Report.

Compensation decisions for the Group EC

The number of Group EC positions decreased during 2020 from 14 to 13 (the position of CEO Life Capital was discontinued per 1 September 2020 due to the disbanding of the Business Unit Life Capital following the completion of the sale of ReAssure to Phoenix Group). The 2020 figures in the following table cover payments to 15 individuals who held a Group EC position at one point in 2020 (of whom 12 were active on the Group EC for the full year). The 2019 figures cover payments to 16 individuals who held a Group EC position at one point in 2019 (of whom nine were active on the Group EC for the full year) and legally or contractually required payments made in 2019 to an individual who stepped down from the Group EC in 2018.

For 2020, the total of the aggregate TAPIs for the members of the Group EC (pro-rata amount in relation to the active period on the Group EC) amounted to CHF 16.3 million (CHF 15.02 million in 2019), including the Group CEO. The increase in aggregate TAPIs is primarily due to the higher number of Group EC members who were active for the full year in 2020 (ie for individuals who joined the Group EC in 2019, only a pro-rata amount was included for 2019). For the Group CEO, the TAPI was CHF 2.5 million (no change compared to 2019).

	16 members 2019	15 members 2020
CHF thousands ¹		
Base salaries	12 279	12 848
Allowances ²	812	734
Funding of pension benefits ³	3 098	2 808
Total fixed compensation⁴	16 189	16 390
Cash Annual Performance Incentive ^{4, 5}	7 671	8 187
Value Alignment Incentive ^{4, 5}	6 474	6 908
Leadership Performance Plan ⁶	13 525	13 250
Total variable compensation	27 670	28 345
Total fixed and variable compensation	43 859	44 735
Compensation due to members leaving ⁷	3 143	308
Total compensation⁸	47 002	45 043

¹ Foreign currency conversions calculated using December 2020 year-to-date FX rates for 2020 figures and December 2019 year-to-date FX rates for 2019 figures (where relevant).

² Benefits or allowances, eg housing, schooling, lump sum expenses, relocation expenses and taxes, child and similar allowances. Also included is an amount of CHF 21 421 for 276 matching shares received by Group EC members participating in Swiss Re's Global Share Participation Plan in 2020 (2019: CHF 24 045 for 242 matching shares).

³ Swiss Re's Pension Fund has amended its regulations with effect from 1 January 2019, including some adjustments to the benefits provided to insureds in Switzerland. In consideration of those amendments (which apply both to Group EC members insured in Switzerland and all other employees insured in Switzerland), the figures disclosed for 2019 and 2020 include higher employer pension contributions and contributions to mitigate the effects of lower conversion rates.

⁴ Covers payments reflecting the time in the role as Group EC member.

⁵ For 2020, subject to shareholder approval at the AGM 2021. For 2019, based on shareholders' approval at the AGM 2020 of the aggregate amount of short-term variable compensation.

Disclosure includes pro-rata payments in relation to the active period on the Group EC for individuals who joined or left the Group EC.

⁶ Disclosure reflects all awards for a reporting year, ie the 2019 value reflects the fair value of LPP awards granted in April 2019 and the 2020 value reflects the fair value of LPP awards granted in April 2020. Any awards granted in 2020 and then forfeited at a later point in the same year are not included. The LPP for 2019 is split equally into two underlying components (50% RSUs and 50% PSUs). The award for 2020 is split equally into three underlying PSU components.

⁷ For individuals leaving the Group EC during or before the reporting period, this only covers legally or contractually required payments for the period when the individual was no longer in the Group EC position (eg base salary when on garden leave).

⁸ Amounts are gross before deduction of employee social security contributions. Additional and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws, which amounted to CHF 1 971 899 in 2019 and CHF 1 953 251 in 2020 (for the individuals who joined the Group EC during the reporting year, the figure excludes employer social security contributions made during the period prior to joining the Group EC).

Overall, total variable compensation for individual members of the Group EC (including the Group CEO) who were active on the Group EC for the full year 2020 ranged from 138% to 246% of total fixed compensation.

The proposed total API (including VAI) amount for 2020 for the Group EC (including the Group CEO) is CHF 15.1 million and includes pro-rata payments in relation to the active period on the Group EC for individuals who joined or left the Group EC in 2020.

After carefully considering the performance of the Group EC in 2020, the Compensation Committee and the Board of Directors concluded that the proposed amount of CHF 15.1 million is proportionate given the overall business environment for the Swiss Re Group and the qualitative achievements. This amount still remains significantly below target levels (see page 140 for further information). It represents an increase of CHF 1 million compared to the approved total API (including VAI) amount for 2019 for the Group EC (including the Group CEO), which was CHF 14.1 million. This increase is primarily driven by the increase in aggregate TAPs (which, as explained on the previous page, is due to the higher number of Group EC members who were active for the full year in 2020 compared to 2019), and partially offset by the effect of lower business performance (ie lower Group BPF).

Compensation decisions for the highest-paid member of the Group EC

The table below shows the compensation paid to Christian Mumenthaler, Group CEO (in the role since 1 July 2016):

CHF thousands	2019	2020
Base salary	1 500	1 500
Allowances ¹	35	34
Funding of pension benefits ²	221	222
Total fixed compensation	1 756	1 756
Cash Annual Performance Incentive ³	1 088	1 155
Value Alignment Incentive ³	1 088	1 155
Leadership Performance Plan ⁴	2 000	2 000
Total variable compensation	4 176	4 310
Total compensation⁵	5 932	6 066

¹ Benefits or allowances paid in cash. Includes healthcare and accident insurance benefits, lump sum expenses, transportation, and child and similar allowances.

² Swiss Re's Pension Fund has amended its regulations with effect from 1 January 2019, including some adjustments to the benefits provided to insureds in Switzerland. In consideration of those amendments (which apply to the Group CEO and Group EC members insured in Switzerland as well as all other employees insured in Switzerland), the figures disclosed for 2019 and 2020 include higher employer pension contributions and contributions to mitigate the effects of lower conversion rates.

³ For 2020, subject to shareholder approval at the AGM 2021. For 2019, as part of the aggregate amount of short-term variable compensation approved by the shareholders at the AGM 2020.

⁴ Disclosure reflects all awards for a reporting year, ie the 2019 value reflects the fair value of the LPP award granted in April 2019 and the 2020 value reflects the fair value of the LPP award granted in April 2020. The LPP for 2019 is split equally into two underlying components (50% RSUs and 50% PSUs). The award for 2020 is split equally into three underlying PSU components.

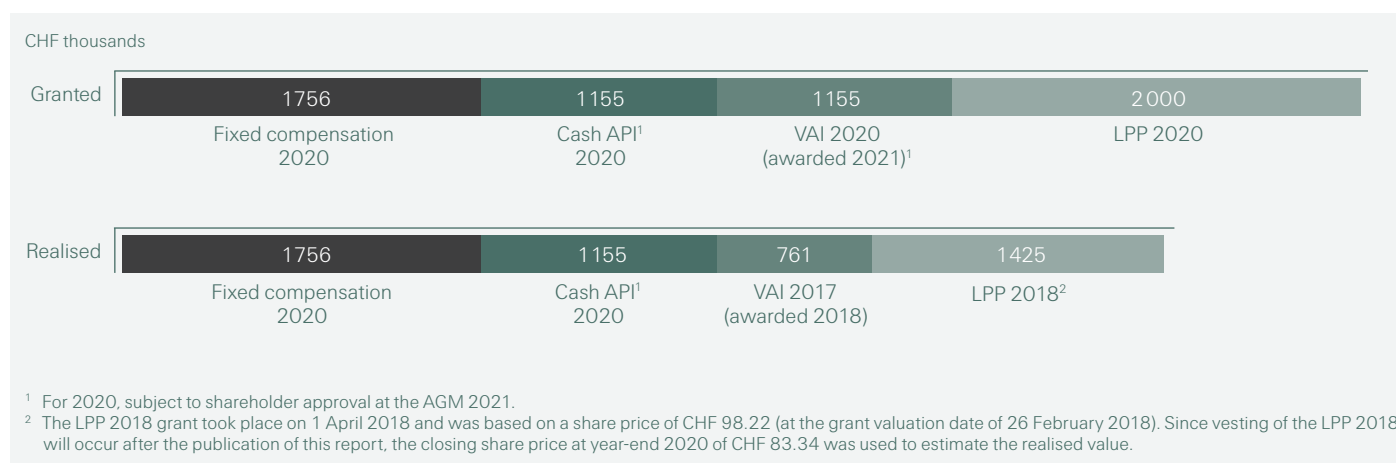
⁵ Amounts are gross before deduction of employee social security contributions. Additional and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws, which amounted to CHF 264 515 in 2019 and to CHF 246 040 in 2020.

Compensation

Compensation disclosure and shareholdings 2020

Realised compensation for the highest-paid member of the Group EC

The chart below shows the compensation granted to and realised by Christian Mumenthaler, Group CEO (in the role since 1 July 2016) during 2020.



The performance of the Group CEO is evaluated against both quantitative targets (as defined in the Group Plan approved by the Board of Directors) and qualitative goals agreed between the Board of Directors and the Group CEO, designed to support the long-term business strategy and drive sustainable performance across the Swiss Re Group.

While the Group's financial performance in 2020 was below target, the Board of Directors saw Swiss Re's performance as broadly in line with peers. It also recognised the encouraging underlying result excluding the COVID-19 impact, the outstanding investment result and the successful completion of the sale of ReAssure to Phoenix Group in a challenging business environment.

The Board of Directors was satisfied with the Group CEO's decisive leadership of the Group during the COVID-19 pandemic, an impressive turnaround in Corporate Solutions and Swiss Re's initiatives and external visibility on Sustainability and Environmental, Social and Governance (ESG) topics. In addition, it recognised that the Group CEO has built a very strong leadership team, which lays the ground for future success.

Overall, the Board of Directors was pleased with the Group CEO's effective management of the Group despite challenging conditions in the wake of the COVID-19 pandemic.

Additional information on compensation decisions

For US GAAP and statutory reporting purposes, VAI and LPP awards are accrued over the period during which they are earned. For the purpose of the disclosure required in this Compensation Report, the value of awards granted is included as compensation in the year of performance for the years 2019 and 2020, respectively.

Each member of the Group EC, including the Group CEO, participates in a defined contribution pension scheme. The funding of pension benefits shown in the previous two tables reflects the actual employer contributions.

Other payments to members of the Group EC

During 2020, no payments (or waivers of claims) other than those set out in the section "Compensation disclosure and shareholdings in 2020" were made to current members of the Group EC or persons closely related.

Shares held by members of the Group EC

The following table reflects Swiss Re share ownership by members of the Group EC as of 31 December:

Members of the Group EC	2019	2020
Christian Mumenthaler, Group Chief Executive Officer	75 305	83 157
Urs Baertschi, CEO Reinsurance EMEA/Regional President EMEA	546	1 371
Andreas Berger, CEO Corporate Solutions	34	125
Anette Bronder, Group Chief Operating Officer	0	135
John R. Dacey, Group Chief Financial Officer	29 809	30 346
Nigel Fretwell, Group Chief Human Resources Officer	12 272	12 436
Guido Fürer, Group Chief Investment Officer	53 983	54 203
Hermann Geiger, Group Chief Legal Officer	49 318	49 756
Russell Higginbotham, CEO Reinsurance Asia/Regional President Asia	4 662	8 546
Jonathan Isherwood, CEO Reinsurance Americas/Regional President Americas	n/a	51 196
Thierry Léger, Group Chief Underwriting Officer	56 167	56 343
Moses Ojeisekhoba, CEO Reinsurance	40 704	40 831
Patrick Raaflaub, Group Chief Risk Officer	16 590	24 063
Edouard Schmid, former Chairman Swiss Re Institute & Group Chief Underwriting Officer ¹	31 794	n/a
J. Eric Smith, former CEO Reinsurance Americas/Regional President Americas ²	25 262	n/a
Total	396 446	412 508

¹ The number of shares held on 31 August 2020 when Edouard Schmid stepped down from the Group EC was 31 935.

² The number of shares held on 13 August 2020 when J. Eric Smith stepped down from the Group EC was 25 355.

Leadership Performance Plan units held by members of the Group EC

The following table reflects total unvested LPP units (RSUs and PSUs) held by members of the Group EC as of 31 December:

Members of the Group EC	2019	2020
Christian Mumenthaler, Group Chief Executive Officer	100 734	81 031
Urs Baertschi, CEO Reinsurance EMEA/Regional President EMEA	10 076	14 134
Andreas Berger, CEO Corporate Solutions	11 293	24 858
Anette Bronder, Group Chief Operating Officer	11 293	24 858
John R. Dacey, Group Chief Financial Officer	50 369	40 517
Nigel Fretwell, Group Chief Human Resources Officer	30 222	24 689
Guido Fürer, Group Chief Investment Officer	62 960	50 645
Hermann Geiger, Group Chief Legal Officer	31 476	27 072
Russell Higginbotham, CEO Reinsurance Asia/Regional President Asia	31 808	31 402
Jonathan Isherwood, CEO Reinsurance Americas/Regional President Americas	n/a	28 740
Thierry Léger, Group Chief Underwriting Officer	50 369	41 647
Moses Ojeisekhoba, CEO Reinsurance	50 369	43 531
Patrick Raaflaub, Group Chief Risk Officer	50 369	40 517
Edouard Schmid, former Chairman Swiss Re Institute & Group Chief Underwriting Officer	44 095	n/a
J. Eric Smith, former CEO Reinsurance Americas/Regional President Americas	40 295	n/a
Total	575 728	473 641

Loans to members of the Group EC

As per Article 27 of the Articles of Association, credits and loans to members of the Group EC may be granted at employee conditions applicable for the Swiss Re Group, with a cap on the total amount of such credits and loans outstanding per member (currently CHF 3 million per member of the Group EC). During 2019, any outstanding loans and mortgages to current and former Group EC members were transferred to an external party. No loans or mortgages were granted to current or former members of the Group EC in 2020.

Compensation

Compensation disclosure and shareholdings 2020

Compensation for members of the Board of Directors

The following two tables illustrate (1) the individual compensation for the members of the Board of Directors for the reported financial years 2019 and 2020 and (2) the individual compensation for the members of the Board of Directors paid or payable for the term of office from AGM 2020 to AGM 2021. Figures are in CHF thousands and foreign currency conversions are calculated using December 2020 year-to-date FX rates for 2020 and 2021 figures, and December 2019 year-to-date FX rates for 2019 figures, where relevant.

(1) Individual Board compensation for the reported financial years 2019 and 2020

Members of the Board of Directors	Total 2019	Fees and allowances in cash	Fees in blocked shares	Total 2020
Walter B. Kielholz, Chairman	3 808	2 288	1 520	3 808
Renato Fassbind, Vice Chairman, Lead Independent Director, Chair Audit and Nomination Committees	826	496	330	826
Raymond K.F. Ch'ien, member ¹	441	305	130	435
Sergio P. Ermotti, member ²	n/a	91	60	151
Karen Gavan, member ³	433	332	133	465
Trevor Manuel, former member ⁴	351	70	47	117
Joachim Oechslin, member ²	n/a	131	87	218
Deanna Ong, member ^{1,2}	n/a	213	80	293
Jay Ralph, member	276	186	123	309
Joerg Reinhardt, member	296	184	122	306
Eileen Rominger, former member ⁴	275	55	37	92
Philip K. Ryan, member, Chair Finance and Risk Committee ³	898	642	240	882
Sir Paul Tucker, member	325	195	130	325
Jacques de Vaucleroy, member, Chair Compensation Committee ⁵	718	517	202	719
Susan L. Wagner, member, Chair Investment Committee	595	363	242	605
Larry Zimbleman, member ⁶	296	258	130	388
Total compensation for the reported financial years^{7,8}	9 538	6 326	3 613	9 939

¹ Includes fees for duties on the board of Singapore Group companies.

² Elected to Swiss Re's Board of Directors at the AGM of 17 April 2020.

³ Includes fees received for duties on the board of US Group companies.

⁴ Term of office expired after the completion of the AGM of 17 April 2020 and did not stand for re-election.

⁵ Includes fees for duties on the board of Luxembourg Group companies.

⁶ Includes fees for duties on the board of ReAssure Group companies from January to July 2020.

⁷ Compensation for the members of the Board of Directors includes fixed fees (cash and shares) and minimal allowances. No sign-on or severance payments have been made.

⁸ Amounts are gross and include social security contributions of the Board member. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 392 690 in 2019 and CHF 418 024 in 2020. For Board members domiciled outside of Switzerland, company social security contributions are refunded, if bilateral social security agreements between Switzerland and the country of domicile apply and provide for such refund.

(2) Individual Board compensation for the term of office between AGM 2020 and AGM 2021

The table below provides more detailed information on the compensation paid or payable to each Board member against the maximum aggregate amount of CHF 10.3 million, as approved by the AGM 2020:

Members of the Board of Directors	Base fees	Audit Committee fees	Compensation Committee fees	Finance and Risk Committee fees	Investment Committee fees	Nomination Committee fees	Additional fees ¹	Total ²
Walter B. Kielholz, Chairman								3 800
Renato Fassbind, Vice Chairman, Lead Independent Director, Chair Audit and Nomination Committees	225	425	50				125	825
Raymond K.F. Ch'ien, member	225		50		50		108	433
Sergio P. Ermotti, member	225							225
Karen Gavan, member	225	75	50				132	482
Joachim Oechslin, member	225			50	50			325
Deanna Ong, member	225	75					122	422
Jay Ralph, member	225			50	50			325
Joerg Reinhardt, member	225		50			30		305
Philip K. Ryan, member, Chair Finance and Risk Committee	225	75		300			282	882
Sir Paul Tucker, member	225			50	50			325
Jacques de Vaucleroy, member, Chair Compensation Committee	225		200		50	30	214	719
Susan L. Wagner, member, Chair Investment Committee	225			50	300	30		605
Larry Zimbleman, member	225	75		50			47	397
Total compensation for the term of office from AGM 2020 to AGM 2021³								10 092

¹ Including Vice Chairman or subsidiary fees (converted at 2020 average exchange rates where applicable).

² Excluding company contributions to social security systems paid by Swiss Re in line with applicable laws.

³ Including an amount of approximately CHF 17 000 for minimal benefits and CHF 4 500 for estimated employer pension contributions (as of 1 January 2021) as mandatory under Swiss law.

Shares held by members of the Board of Directors

The number of shares held by members of the Board of Directors as of 31 December were:

Members of the Board of Directors	2019	2020
Walter B. Kielholz, Chairman ¹	423 878	399 005
Renato Fassbind, Vice Chairman, Lead Independent Director, Chair Audit and Nomination Committees	31 143	35 513
Raymond K.F. Ch'ien, member	21 345	18 067
Sergio P. Ermotti, member ²	n/a	874
Karen Gavan, member ³	2 803	4 587
Trevor Manuel, former member ⁴	7 065	n/a
Joachim Oechslin, member ²	n/a	1 263
Deanna Ong, member ²	n/a	1 166
Jay Ralph, member	3 299	4 950
Joerg Reinhardt, member	25 684	27 300
Eileen Rominger, former member ⁴	1 997	n/a
Philip K. Ryan, member, Chair Finance and Risk Committee	15 693	18 871
Sir Paul Tucker, member	5 403	7 125
Jacques de Vaucleroy, member, Chair Compensation Committee	4 835	7 511
Susan L. Wagner, member, Chair Investment Committee	13 920	17 125
Larry Zimbleman, member	1 997	3 745
Total	559 062	547 102

¹Walter B. Kielholz reported in the reporting period the purchase of 300 call options for a total of 30 000 shares, if exercised. For further details, please refer to: www.swissre.com/investors/shares/management-transactions

²Elected to Swiss Re's Board of Directors at the AGM of 17 April 2020.

³Shareholdings include 2 500 American Depository Receipts (ADRs), equivalent to 625 shares.

⁴Term of office expired after the completion of the AGM of 17 April 2020 and did not stand for re-election.

Loans to members of the Board of Directors

No loans were granted to current or former members of the Board in 2020 and no loans were outstanding as of 31 December 2020.

Related parties transactions

Disclosure on compensation decisions in 2020 covers members of the Board of Directors and the Group EC as indicated, and for both includes related parties to the extent applicable. Such related parties cover spouses, partners, children and other dependents or closely linked persons. In 2020, no compensation was paid to any related party.

Compensation for former members of governing bodies

During 2020, payments in the total amount of CHF 0.22 million were made to nine former members of the Group EC. This amount is made up of company contributions payable by Swiss Re to governmental social security systems in line with applicable laws, matching shares awarded in the context of outstanding Global Share Participation Plan cycles, risk benefits, pension contributions and company commitments for tax-related services in line with contractual obligations.

Compensation

Compensation disclosure and shareholdings 2020


Reconciliation of AGM resolutions

Group EC compensation

Financial year 2020
CHF millions

 34.0

Maximum aggregate amount approved for fixed compensation and variable long-term compensation

 29.9

Amount paid/granted

Board of Directors

Term of office: AGM 2020–AGM 2021
CHF millions

 10.3

Maximum aggregate amount approved

 10.1

Amount paid/granted

Shareholder compensation resolutions and awarded compensation

The following explanations give an overview of the applicable framework of Swiss Re Ltd's Articles of Association based on the Ordinance, the approvals by the shareholders at the AGM 2020 of the respective motions proposed by the Board of Directors and the reconciliation of the shareholders' resolutions with the compensation awarded in the reporting year 2020.

Framework of the Articles of Association

In accordance with Article 22 of the Articles of Association, the Shareholders' Meeting shall approve annually and with binding effect the proposals of the Board of Directors in relation to:

- The maximum aggregate amount of compensation of the Board of Directors for the next term of office.
- The maximum aggregate amount of fixed compensation and variable long-term compensation of the Group EC for the following financial year.
- The aggregate amount of short-term compensation of the Group EC for the preceding completed financial year.

AGM 2020 voting results

At the AGM on 17 April 2020, shareholders approved the maximum aggregate prospective compensation of the members of the Board of Directors (84.7% approval). Shareholders also approved for the Group EC (i) the maximum aggregate prospective fixed compensation and variable long-term compensation and (ii) the aggregate retrospective variable short-term compensation. The outcomes were 85.5% and 86.4% approval, respectively. As in previous years, the 2019 Compensation Report was subject to a consultative vote and was approved by 87.7% of the shareholder votes.

Reconciliation of AGM 2019 resolutions for Group EC compensation¹

At the AGM 2019, shareholders approved a prospective maximum aggregate amount of CHF 34.0 million for fixed compensation and variable long-term compensation for the financial year 2020 for the members of the Group EC expected at the time of the AGM 2019 to hold such position in 2020.

The amount of fixed compensation and variable long-term compensation effectively granted to the 15 individuals who held a Group EC position at one point during the financial year 2020 amounts to CHF 29.9 million and includes compensation and associated costs in relation to the period in a Group EC position for one individual who joined the Group EC during the year (this appointment was not known at the time of the AGM 2019).

Reconciliation of AGM 2020 resolution for Board of Directors' compensation¹

At the AGM 2020, the shareholders approved a maximum aggregate amount of compensation of CHF 10.3 million for the members of the Board of Directors for the term of office from the AGM 2020 to the AGM 2021.

As shown on page 144 of this Financial Report, the compensation paid to the 14 members of the Board of Directors for their term of office from the AGM 2020 to the AGM 2021 is CHF 10.1 million and therefore within the approved amount.

AGM 2021 motion for variable short-term compensation for the Group EC for the financial year 2020

At the AGM 2021, the Board of Directors will propose to the shareholders to approve an aggregate amount of CHF 15 094 666 for variable short-term compensation in relation to the completed financial year 2020 for the 15 individuals who were members of the Group EC at one point during the financial year 2020. This amount has been included in the items "Cash Annual Performance Incentive" and "Value Alignment Incentive" in the table for Group EC compensation on page 140 of this Financial Report. It includes pro-rata payments in relation to the active period on the Group EC for individuals who joined or left the Group EC in 2020.

¹ Reconciliations calculated using December 2020 year-to-date FX rates where applicable.

Report of the statutory auditor

to the General Meeting of Swiss Re Ltd

Zurich

Report of the statutory auditor on the Compensation Report

We have audited the accompanying Compensation Report included in this 2020 Financial Report of Swiss Re Ltd (the 'Company') for the year ended 31 December 2020. The audit was limited to the information according to Articles 14-16 of the Ordinance against Excessive Compensation at Public Corporations (the 'Ordinance') contained in the tables on pages 140 to 146 of the Compensation Report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation framework and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Compensation Report included in the 2020 Financial Report of the Company for the year ended 31 December 2020 complies with Swiss law and articles 14-16 of the Ordinance.

PricewaterhouseCoopers Ltd



Roy Clark
Audit expert
Auditor in charge



Michael Staempfli
Audit expert

Zurich, 17 March 2021

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Our climate-related financial disclosures summarise the steps we have taken to manage climate-related risks and opportunities, and achieve our commitments towards net-zero carbon emissions.

Contents

Overview	150
Climate governance	151
Climate strategy	152
Climate risk management	168
Climate metrics and targets	172

Overview

The climate-related financial disclosures provide a foundation to improve investors’ and other stakeholders’ ability to appropriately assess and price climate-related risk and opportunities.

Swiss Re has a long-standing commitment to sustainable, long-term value creation. Through our Group Sustainability Strategy, we have sharpened this commitment and have clearly defined sustainability as a strategic, long-term value driver.

We apply this approach throughout our re/insurance value chain, comprising both the liability and the asset sides of our balance sheet, our own operations and dialogue with our stakeholders.

Mitigating climate risk and advancing the energy transition: one of our top priorities

Climate change is an essential element in our Group Sustainability Strategy. “Mitigating climate risk and advancing the energy transition” is one of our three overarching 2030 Sustainability Ambitions. The 2030 Sustainability Ambitions cover three focus areas where we can have a significant positive impact in terms of supporting sustainability and strengthening resilience.

Swiss Re first detected the potential long-term challenges posed by climate change some 30 years ago, and this topic is now at the centre of our sustainability efforts. As a re/insurer, climate change is a

key issue because it leads to an increase in the severity and a change in the patterns of natural catastrophes such as windstorms, floods, excessive rainfall, heatwaves and drought. In combination with growing asset concentrations in exposed areas and more widespread insurance protection, climate change will cause a steady rise in losses. For this reason, we have developed a Climate Action Plan (see Climate strategy, page 152).

Climate-related financial disclosures (TCFD)

Starting from the premise that climate change creates physical, liability and transition risks, the Task Force on Climate-related Financial Disclosures (TCFD) aims to offer consistent and effective financial disclosures that allow investors and other stakeholders to assess the climate risks faced by companies and to take appropriate action. We have played an active role in the TCFD since its creation by the Financial Stability Board, and began to implement the TCFD recommendations in our 2016 Financial Report. Since then, we have continued to expand our climate-related disclosures.

Tackling climate change and advancing the energy transition is challenging. In line with the Paris Agreement, we have committed to achieving net-zero CO₂ emissions (see box).

Our climate-related financial disclosures summarise the steps we have taken to achieve our commitments to net-zero CO₂ emissions. This chapter follows the structure of the TCFD recommendations (see table below). In each section, we focus on physical risks in our re/insurance business, transition risks in our re/insurance business, and transition risks in our investments.

Achieving net-zero CO₂ emissions¹

Swiss Re has committed to achieving net-zero CO₂ emissions:

- Across the Group by 2050, by signing the UN Global Compact “Business Ambition for 1.5°C”²
- In our investment portfolio by 2050, as a founding member of the UN-convened Net-Zero Asset Owner Alliance
- In our operations by as early as 2030

 You can read more about our Group Sustainability Strategy and our climate-related activities in our Sustainability Report 2020 at: <https://reports.swissre.com/sustainability-report/2020>

Climate-related financial disclosures of the Financial Stability Board

Governance	Strategy	Risk management	Metrics and targets
A) Board oversight	A) Climate-related risks and opportunities	A) Processes for identifying and assessing climate-related risks	A) Metrics to assess climate-related risks and opportunities
B) Management’s role	B) Impact of climate-related risks and opportunities	B) Process for managing climate-related risks	B) Scope 1, 2 and 3 greenhouse gas emissions
	C) Resilience of strategy and climate-related scenarios	C) Integration into overall risk management	C) Targets

Source: TCFD

¹ Net-zero emissions means that for every tonne of CO₂ that cannot be reduced, a tonne needs to be removed from the atmosphere and permanently removed through so-called carbon removal approaches.

² This includes a commitment to setting science-based targets through the Science Based Targets initiative (SBTi).

Climate governance

Swiss Re’s governance around climate-related risks and opportunities

At Swiss Re’s highest governance level, four Board of Directors committees are charged with overseeing the implementation and execution of Swiss Re’s Group Sustainability Strategy and Climate Action Plan.

The Chairman’s and Governance Committee, presided over by the Chairman, has the overall responsibility for monitoring and reviewing the Group’s strategic priorities on enabling sustainable progress, including initiatives and actions specifically addressing climate change.

The Compensation Committee establishes and reviews the compensation framework, guidelines and performance criteria. Performance criteria include sustainability and climate change-related topics.

The Finance and Risk Committee defines the Group Risk Policy, reviews risk capacity limits, monitors adherence to risk tolerance, and reviews all key risk issues and exposures, including those with a specific climate dimension.

The Investment Committee reviews Swiss Re’s asset management-related activities and, as part of this, receives regular updates on Group Asset Management’s Responsible Investing Strategy and implementation, including in the area of climate change.

The Board of Directors oversees the development and adoption of sustainability policies and Swiss Re’s climate strategies, while the Group Executive Committee (Group EC) ensures their implementation.

To optimise coordination and alignment at the Group level and to monitor progress on the implementation of the Group Sustainability Strategy, the Group EC has established the Group Sustainability Council (GSC), chaired by the Group Chief Risk Officer. The GSC is an advisory body to the Group EC. It is composed of Group EC members and other senior management representatives.

Group Functions also have specific responsibilities relating to climate change: a team located within Group Risk

Management is responsible for coordinating sustainability-related activities across the Group. Group Risk Management is responsible for maintaining a suitable risk policy framework, including sustainability and climate-related risks. Swiss Re Institute, which is headed by our Group Chief Underwriting Officer, provides the basis for pricing and, more specifically, all weather-related physical risks, eg through a dedicated natural catastrophes team and proprietary natural catastrophe models. Group Asset Management is responsible for developing and implementing the Group’s Responsible Investing Strategy, which includes a dedicated approach to climate change. Group Operations implements the net-zero strategy to manage the firm’s operational carbon footprint.


At the business level, the Business Units Reinsurance and Corporate Solutions, the iptiQ Division and Public Sector Solutions implement the Group Sustainability Strategy, including the Climate Action Plan.

Swiss Re’s sustainability and climate-related governance



Sustainability and climate change-related KPIs linked to compensation

We have introduced sustainability as an additional assessment dimension for determining our Group Annual Performance Incentive (API) pool. This establishes a clear connection between sustainability and climate change-related targets and compensation for all employees, including Group EC members. The sustainability assessment in 2020 is primarily based on qualitative key performance indicators (KPIs) and targets. In 2021, the assessment will be expanded to include quantitative KPIs and targets. Our KPIs and targets are aligned with our 2030 Sustainability Ambitions and net-zero commitments. Please see pages 120–121 of this Financial Report for details on the API pool funding process, and pages 133–134 for details on performance outcomes of the qualitative assessment.

 You can read more about our sustainability governance in our [Sustainability Report 2020, page 82](#).

Climate strategy

We regularly assess the actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning.

There is clear empirical evidence that the global climate has been changing and a far-reaching scientific consensus that this change has been due to human activity, primarily from the burning of fossil fuels and agriculture. Swiss Re recognises that climate change, if not mitigated, will potentially have disastrous effects on society and the global economy. In view of this, we are committed to playing an active role in the transition to a net-zero emissions economy and to supporting our private and public-sector clients in this transition and adaptation to unavoidable climate change.

Natural catastrophes are a key risk in our re/insurance business. The damage caused by storms, floods, droughts and other natural catastrophe perils (including wildfires) can affect millions of lives and the economies of entire countries. In 2020, our clients paid USD 4.1 billion of premiums³ for natural catastrophe covers exceeding losses of USD 20 million. This represents approximately 10% of total premiums, which shows the importance our clients place on obtaining re/insurance protection against natural catastrophe risks.

On average, insured losses due to natural catastrophes have increased steadily over the past 20 years. The key reasons have been economic development, population growth, urbanisation and a higher concentration of assets in exposed areas. At the same time, the protection gap, ie the difference between insured and total economic losses, has remained substantial in all regions (see graph on page 173).

In view of the significance of climate change for our business, we have developed a Climate Action Plan as part of our Group Sustainability Strategy.

Our Climate Action Plan

Building on our Group Sustainability Strategy and our commitments and initiatives of recent years, our Climate Action Plan combines three objectives:

1. We aim to become the leading re/insurance company on physical climate risk.
2. We aim to become a leading provider of re/insurance solutions for low-carbon transition opportunities.
3. We build partnerships to develop scalable solutions to mitigate and adapt to climate change.

As our Climate Action Plan indicates, understanding the risks posed by climate change as well as identifying the potential to create and adapt suitable products and services for our clients continue to be priorities for Swiss Re. Our Climate Action Plan serves as Swiss Re's climate strategy.

Climate-related risks

Physical risks

Physical risks posed by climate change could potentially affect four areas of our business. They can:

- Influence modelling and pricing of weather-related natural perils
- Impact the economic viability of re/insurance for risks exposed to extreme weather events
- Impact real assets exposed to weather-related natural perils
- Reduce/disrupt our operations

Modelling and pricing of weather-related perils

Climate change will impact the frequency and severity of losses and consequently, our modelling and pricing of insurance risks need to be adjusted on a regular basis. By constantly assessing the climate-related physical and transition risks, the insurance industry plays an important role in keeping such risks insurable and affordable wherever possible. Reducing emissions as much as possible (by managing transition risks and accelerating related solutions) and adapting to unavoidable climate change (through, eg risk transfer solutions and other means) is essential.

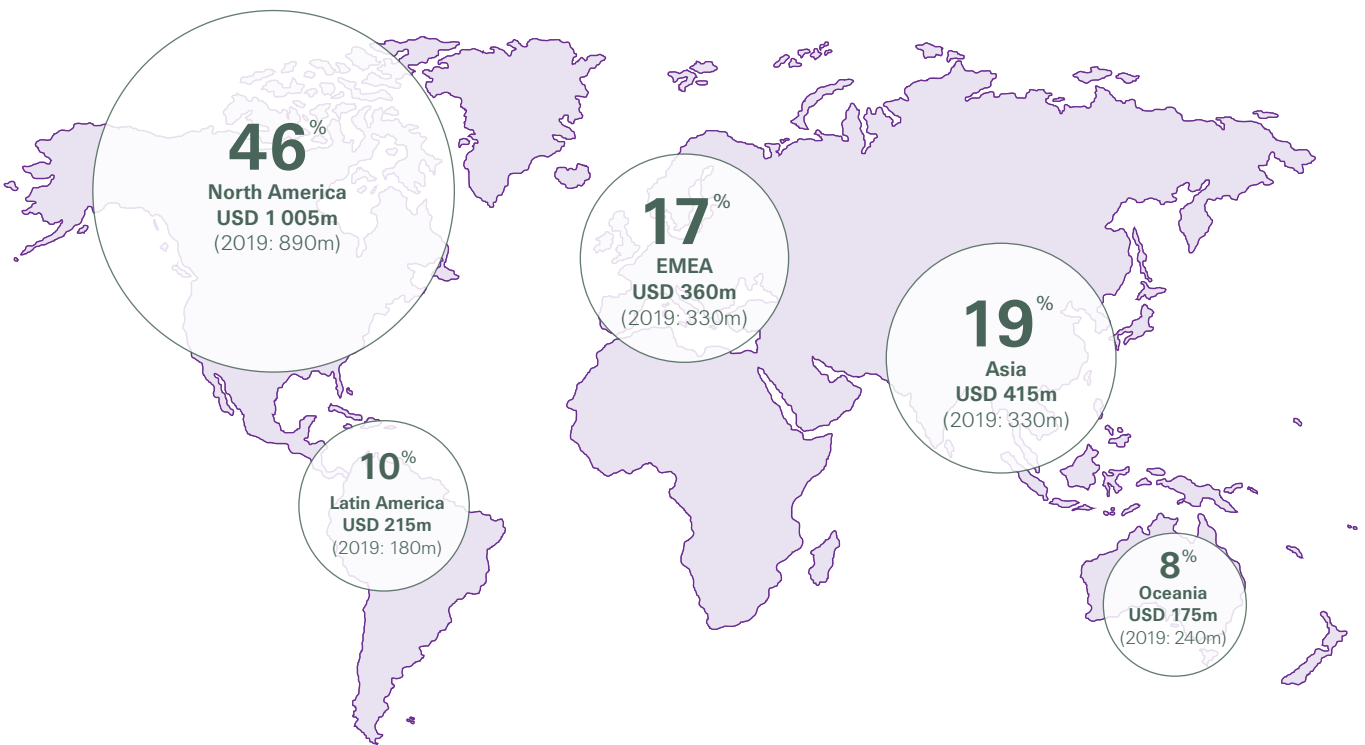
We assess the near-term materiality of potential climatic changes to our underwriting risk based on our proprietary loss modelling framework, with which we calculate the annual expected losses (AEL) and loss-frequency distributions of major natural catastrophes. The weather-related perils with the largest AEL for property insurance at present are disclosed on page 172 (North Atlantic hurricane, US tornado, European windstorm, Japanese cyclone, and European flood). Furthermore, the geographic distribution and peril split of Swiss Re's annual expected natural catastrophe losses for property insurance are shown in the figure on page 153. The largest contribution to Swiss Re's AEL for the most material weather-related perils comes from the North America region (46%), mainly dominated by hurricane risk, while Asia accounts for 19% of the AEL, with a significant contribution from typhoon risk. EMEA, where the major driver is European winter storms, and Latin America contribute with 17%, and 10%, respectively.

Please refer to page 172 (Climate metrics and targets) for additional natural catastrophe risk metrics.

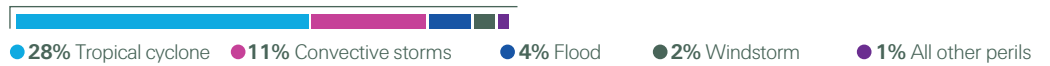
³ In previous years, we reported natural catastrophe premiums for our Property & Casualty (P&C) Reinsurance business only, but have now switched to Group-wide figures to provide a more complete picture.

Annual expected loss (AEL) for weather-related natural catastrophes

As a percentage of most material perils in North America, Latin America, Europe, Asia and Oceania (all numbers have been rounded).



North America



Latin America



EMEA



Asia



Oceania



Source: Swiss Re

Climate-related financial disclosures

Climate strategy

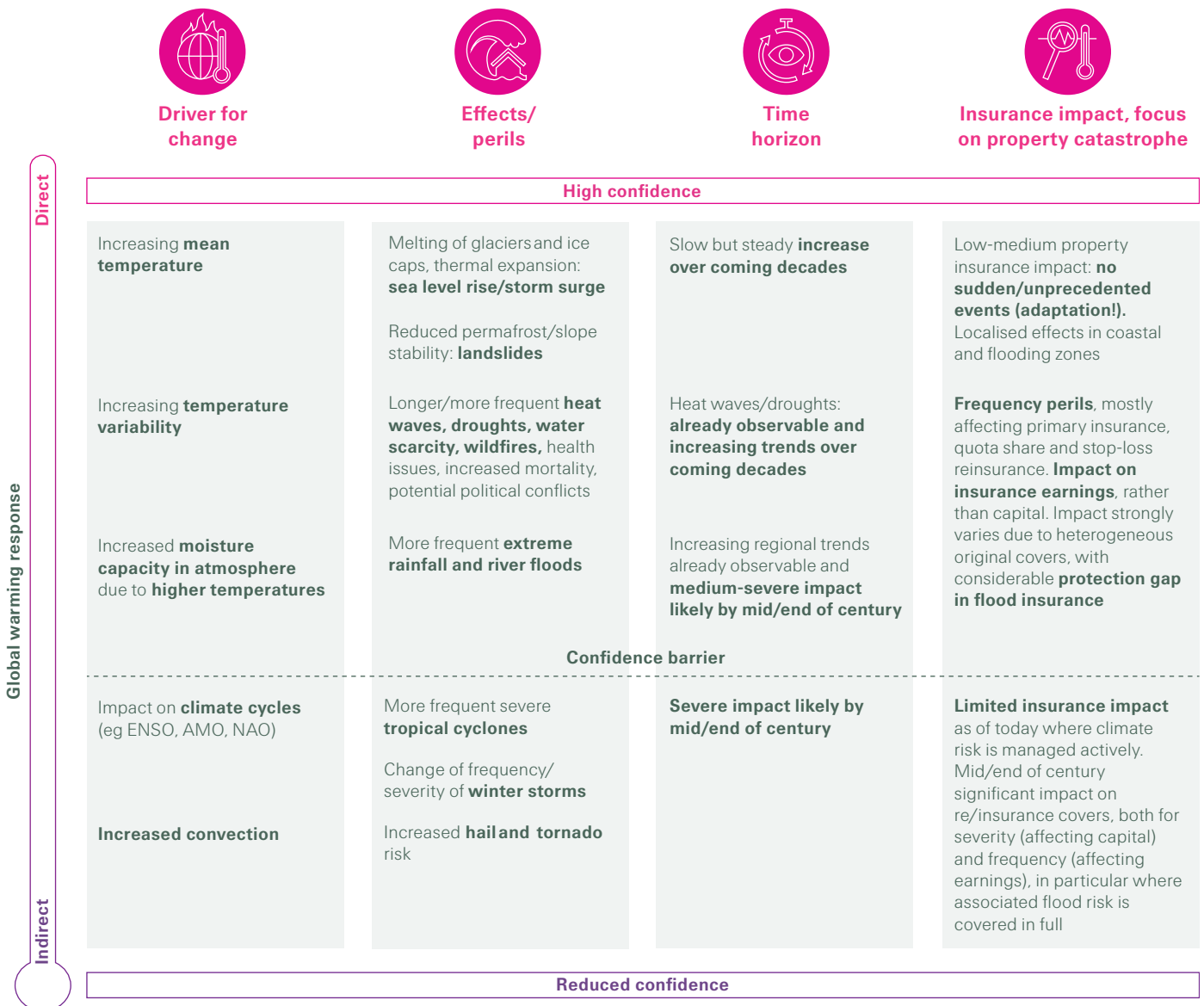
In addition to property insurance, physical climate risks play an important role in a number of other areas. Agriculture insurance is one of those areas where perils like drought, excess rainfall, frost and hail play an important role.

For both property and agriculture lines of business, our models show that with the

current climate, the dominant factor for Swiss Re's weather-related risk exposure remains natural variability, affecting both the frequency and severity of extreme events in all regions. We expect this to remain the case both in the short and medium term (ie 2025 and 2030), in line with the most recent scientific findings from the Intergovernmental Panel on Climate Change (IPCC).⁴

Swiss Re closely monitors climatic trends and other macro risk factors that are potentially material for the insurance industry over various time horizons. Physical climate change risks that affect our assessment and management of weather-related risks are summarised in the table below.

Classification of climate-change effects and their relevance for the re/insurance industry



Source: Swiss Re sigma 2/2020

⁴ See IPCC Fifth Assessment Report, chapter 11, and the IPCC Special Report on the impacts of global warming of 1.5°C.

Confidence about observed and future climate trends is highest for risks related to the increase in global temperatures. For example, the melting of glaciers and ice caps, and thermal expansion of water in warmer temperatures are leading to rising sea levels. These can directly increase the magnitude of storm surges, a long-term risk for coastal regions. To date, the rise in sea levels has been relatively slow and will likely remain so in the near future, allowing time for measures to mitigate the risk of coastal flooding. The insurance impact today is limited to the property line of business, and is mostly localised in coastal and flooding zones (see the case study on sea level rise on page 156).

Another outcome of climate change for which there is high confidence is increased temperature extremes, which have brought longer and/or more frequent heat waves, droughts and periods of water scarcity. Heat waves affect agriculture, workforce productivity, infrastructure, water resources, health and mortality. In addition, hot and dry conditions exacerbate drought and wildfire risk, as seen in different regions in recent years (eg California, Portugal and Australia), with severe consequences for exposures in the wildland-urban interface. As losses from frequency perils often remain below the retention rates of reinsurance programmes, wildfire risk mostly affects primary insurers. The impact of wildfire risk and other frequency perils on a reinsurer is mostly through proportional covers such as quota shares and/or non-proportional aggregate covers.

Furthermore, rising temperatures allow the atmosphere to hold more water vapour, thus (on average) increasing the risk of extreme rainfall (including tropical cyclone-induced rainfall). However, there is less confidence in estimating the impact of rising temperatures on river flood risk, which is also impacted by other factors. Regional trends are already observable, but the insurance impact for flood-related losses is limited due to still-large protection gaps for this peril.

There is lower confidence in the understanding of trends for atmospheric and oceanographic circulation changes. These affect, for example, the frequency and intensity of tropical cyclones or European winter storms. While warmer sea surface temperatures will increase the probability of tropical cyclone formation and intensification, higher wind shear can offset this. These complex interactions introduce a “confidence barrier” that renders any insurance-related quantification of climate-change effects on high-severity perils like hurricanes very uncertain. Given their material impact, Swiss Re performs internal research and collaborates with leading scientists to tackle this challenge.

While several climate-change factors are beginning to affect the natural catastrophe risk landscape, we expect weather risks to remain assessable by scientific methods. This means we can continue to update our loss models now and in the future to assure adequate costing of extreme weather events. The in-house development of risk models for weather-related perils ensures full modelling transparency and the ability to efficiently assess and update models if new scientific evidence becomes available (see also page 168, Climate risk management).

Furthermore, since most of the re/insurance contracts with our clients have a duration of one year, updated risk views are quickly reflected in the costing of natural catastrophe risks.

Regarding the long-term time horizon (2050⁵), we expect a need for substantial adjustments to some of our weather risk models, based on evolving scientific knowledge. We are confident, however, that future research will continue to give us sufficient guidance on the magnitude and direction of these adjustments.

Impact on the economic viability of re/insurance protection

An increase in the frequency and severity of extreme weather events can restrict the affordability of re/insurance in certain regions, especially in coastal areas, by requiring a rise in premiums.

While there is significant uncertainty associated with climate projections, especially when it comes to storms making landfall, increases in the frequency and severity of tropical storms are likely. Natural variability is expected to remain the dominant factor in the short and medium term (2025 and 2030). In the longer term (2050), a rise in sea levels will lead to non-linear increases in storm surge risk for coastal areas. Additionally, warmer temperatures will lead to more extreme rainfall events that may increase flood risk.

If rises in re/insurance premiums necessitated by increasing extreme weather risks remain modest, ie re/insurance protection remains economically viable for our clients, the overall premium volume will potentially grow. Larger increases, however, will eventually reverse this effect by pushing re/insurance prices for certain exposed risks beyond the limits of economic viability. This is particularly relevant for areas with inadequate construction planning and development. In addition, timing is of crucial importance: if measures to exclude a particular risk are taken too early, we may offer our clients less insurance protection; if measures are taken too late, we may end up with higher claims.

Finally, the overall size of the re/insurance market will depend on future economic growth rates.

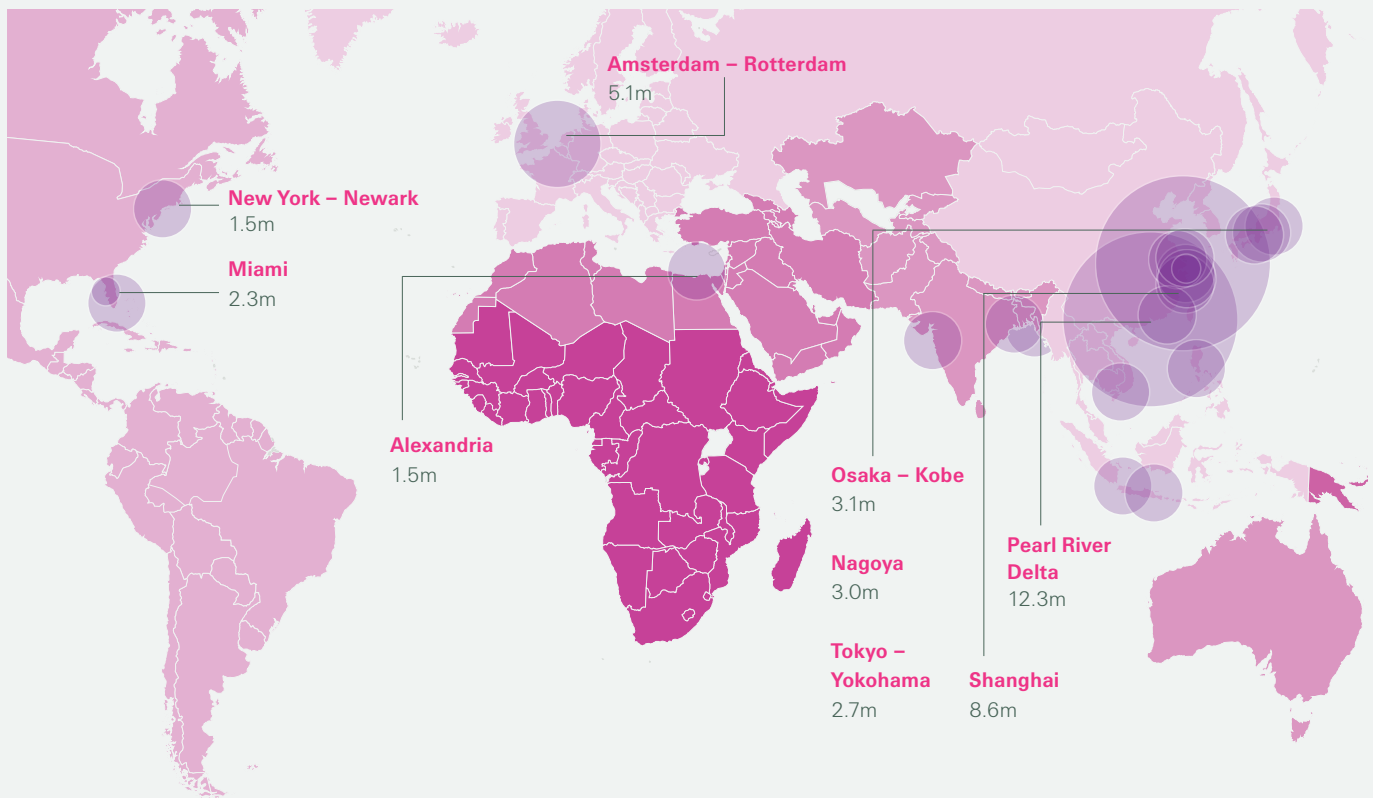
In line with independent external studies, we have shown through a series of scenario assessments (Economics of Climate Adaptation studies, ECA) that in many regions, climate adaptation measures need to be taken to limit expected increases in natural catastrophe damage and thus to ensure the economic viability of re/insurance in the future. This is one of the key reasons why Swiss Re actively engages with the United Nations, the public sector, clients, industry peers and employees to advocate cost-effective adaptation to climate change.

⁵ In climate science, long-term often refers to a time horizon until 2100. However, to align with our net-zero commitments and the Paris Agreement, we chose to use “long-term” to mean until 2050.

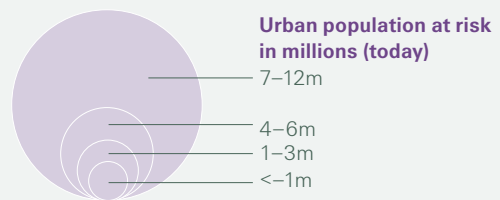
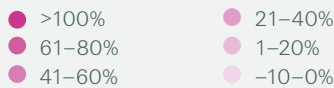
Case Study: Sea level rise

Sea level rise is a direct consequence of a warming climate: caused by thermal expansion of water and the melting of glaciers and ice caps, sea level rise will directly increase the magnitude of storm surges and pose a long-term chronic risk for low-lying coastal regions. The relatively slow rise of sea levels allows time for the adaptation and implementation of flood-protection infrastructure that can reduce the risk of catastrophic coastal flooding. Up to 2050, the uncertainty range for climate change-driven sea level rise is relatively small with an expected rise of approximately 0.25 metres for a warming scenario that is aligned with the goals of the Paris Agreement (RCP2.6) and approximately 0.3 metres in a scenario where greenhouse gas emissions continue to rise throughout this century (RCP8.5).¹ Sea level rise is expected to accelerate significantly during the second half of the 21st century, especially if no adequate mitigation measures are implemented to limit global warming. For the re/insurance industry, the impact of sea level rise on resource-rich coastal cities and large agriculture deltas is of particular relevance. Adequate adaptation measures will be important to protect coastal exposures.² Such adaptation measures, including climate-resilient infrastructure, will help to ensure the availability and affordability of insurance in exposed coastal areas.

Largest population centres at risk of storm surge today and expected population growth by 2060



Expected regional population growth by 2060*



* Aggregated population growth is shown for the following regions: Europe, North America, Sub-Saharan Africa, North Africa and West Asia, Central and Southern Asia, East and Southeast Asia, Latin America and the Caribbean, Australia and New Zealand, Oceania.

Source: Swiss Re; United Nations Population Division, Department of Economic and Social Affairs, World Population Prospects 2019

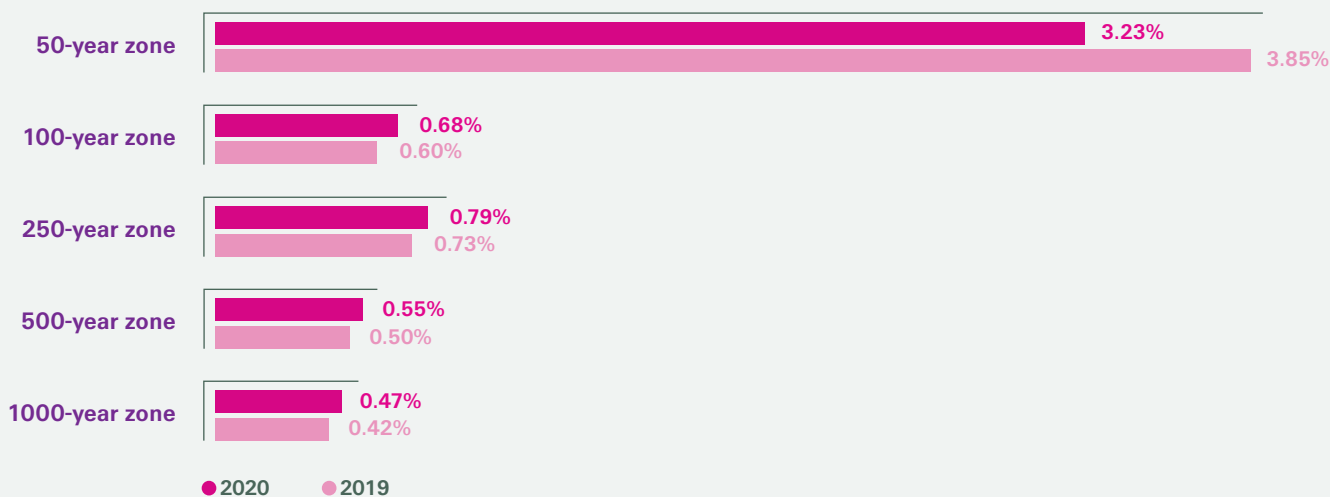
From a re/insurance perspective, the most material risk associated with sea level rise is storm surge in large coastal cities. Today, approximately 230 million people, roughly 3% of the world’s population, are exposed to storm surge risk. Storm surges cause, on average, more than USD 10 billion of losses per year, of which the majority remains uninsured today. The largest urban areas that are currently exposed to significant storm surge risk are shown on the map above.

¹ RCP: Representative Concentration Pathway. RCP scenarios represent possible future concentration trajectories of greenhouse gases. The scenarios are named after the resulting radiative forcing at the end of the 21st century, eg 8.5W/m² for RCP8.5, where no mitigation measures nor technical innovation will limit temperature increases.
² For more details, see also IPCC Special Report on the Ocean and Cryosphere in a Changing Climate, Sea Level Rise and Implications for Low-Lying Islands, Coasts and Communities (2019), Figure 4.3.

According to the IPCC Special Report on the Ocean and Cryosphere in a Changing Climate (2019), population growth, urbanisation and a further rise in global mean sea levels of 21cm by 2060 would increase the global population living below the hundred-year extreme sea level (ESL) from about 190 million in 2000 to between 316 and 411 million in 2060. The largest absolute changes are in South and Southeast Asia, while the largest relative changes are expected in Africa, as shown on the map on page 156.

Swiss Re manages its exposure to sea level rise by developing up-to-date risk models and by managing its risk accumulation in the most exposed areas to ensure a well-diversified underwriting portfolio. Swiss Re's Global Storm Surge Zones help us and our clients to pinpoint storm surge risks globally in a quantitative way thanks to high-resolution data.

Estimate of insured property exposure in coastal storm-surge zones (as percentage of total insured property exposure)



Modelled without flood protection measures.
Source: Swiss Re

Impact on real assets exposed to weather-related perils

Real assets such as real estate or infrastructure are exposed to natural perils, such as hurricanes, tropical cyclones and floods. In addition to considering physical risks when acquiring new properties, we analyse these exposures across the investment portfolio based on our proprietary modelling capabilities used for our re/insurance underwriting. In the reporting year, we have extended this analysis to our private debt investments, including infrastructure loans and commercial mortgage lending, as well as commercial mortgage-backed securities. The results of both analyses suggest a very low exposure of our real asset holdings to natural perils in general and to climate-related perils in particular.

Our own operations

According to our in-house catastrophe loss models, severe weather risks are potentially of importance for some of our operations, mainly in Florida and on the northeastern coast of the US. However, even assuming an extreme climate change scenario, we do not expect any of these office locations to be exposed to risk levels that would undermine their economic viability. Additionally, robust and regularly tested business continuity plans are in place to mitigate the risk of climate-related disruptions. Strategies include transferring work and/or employees to unaffected Swiss Re locations, and providing temporary alternative office space. Working from home can also be a viable and effective alternative, as has been demonstrated during the COVID-19 pandemic, during which the majority of employees worked from home for many months.

Physical risks conclusion:

Although the physical risks arising from climate change can have significant economic consequences over time, especially from a wider societal perspective, they represent a limited and manageable risk for Swiss Re.

Transition risks in our re/insurance business

Transition risks may arise as a result of the extensive policy, legal, technology and market changes that are required to make the transition to a low-carbon and ultimately, a net-zero economy. We have assessed the most relevant transition risks that may potentially affect our business:

- Policy and legal risks
- Technology risks
- Market and reputational risks

For a re/insurer, financial risks arising from the transition to a low-carbon economy are mainly linked to the potential re-pricing of carbon-intensive financial assets, and the speed at which any such re-pricing might occur. To a lesser extent, re/insurers may also need to adapt to potential impacts on the liability side resulting from reductions in insurance premiums in carbon-intensive sectors.

Policy and legal risks

As the move towards achieving a net-zero emissions economy by mid-century or earlier gains momentum in both the public and private sector, material policy-triggered changes are expected for the real economy (eg power and energy, materials and processes, logistics and transportation, and agroforestry and land-use practices). Such policy changes may include regulations to increase energy and material efficiency, mandates to rapidly scale up renewable energy and clean mobility, the removal of fossil fuel subsidies, the introduction of carbon pricing, policies addressing land-use change and agricultural practices, as well as the scaling up of carbon removal technologies. This requires a solid understanding of the related policy and legal risks as well as the proactive management of related risks and opportunities. Certain policy risks might also influence the risk quality of some underlying assets in the mid- to long-term (eg due to increased cost pressure and reduced asset maintenance).

Climate-related litigation risks

We identified potential climate-related litigation risks as an emerging risk over a decade ago and assessed its potential relevance through our own research. Climate change litigation activities against large greenhouse gas emitters have increased in recent years without any significant impact on insurance. As a result, we have not faced any new claims from climate-related litigation in recent years and the results of the litigation, which in the

majority of the cases remain in favour of the defendants, suggest that this trend may continue. However, this warrants ongoing monitoring, especially as the analytical capabilities for allocation of responsibility for greenhouse gas emitters could further develop with potential regulatory changes.

Technology risks

The re/insurance sector is likely to experience the technological transition in two ways.

Firstly, new technologies by definition do not have loss histories and thus may be challenging to cost accurately. Research and development is thus required to develop possible loss scenarios and the related expenses. Once these are developed and tested, new technologies are likely to present the sector with an opportunity for growth (see Climate-related opportunities, pages 161–162).

Secondly, new low-carbon technologies are likely to gradually displace traditional, fossil fuel-based ones. This will alter the market and, as a result, gradually change the nature of re/insured assets.

This transition does not, however, automatically translate into a financial risk for us. For example, motor insurance is one of the most important business lines of the primary insurance sector globally. According to Swiss Re's sigma database, in 2020 it represented approximately 21% of global non-life direct premiums written, but for the reinsurance sector the share is much lower at 14%.

Driven by intensifying efforts to curb climate change, the global motor vehicle inventory will shift from combustion to electric engines. In a Swiss Re study on the casualty risk trends in the automotive industry, we noted that the move from conventional (pure combustion engine) cars to more electrically-based mobility is a transition that is likely to intensify in the coming years. This development will entail the implementation of a variety of new technologies, from new lightweight materials to advanced battery systems.

Consequently, while the automotive industry as a whole is undergoing significant change, the impact on insurance portfolios is expected to be gradual. As motor insurance contracts are renewed annually, re/insurers will be able to develop the appropriate underwriting experience, loss adjustment and claims handling.

To address the residual risk, we have started to develop a carbon risk steering mechanism. Its key component will be a carbon risk model designed to measure our carbon intensity and the associated risks embedded in our re/insurance business. For further information about the mechanism and related policies, see page 168, Climate risk management, and page 172, Climate metrics and targets.

Market and reputational risks

With policy, legal and technological changes as a backdrop, consumer and investment preferences will further shift toward less carbon-intensive products and services over time. Changes in market volumes will be reflected in the demand for insurance. In addition, to support their decision-making, investors and other stakeholders will expect greater

transparency and more information regarding re/insurers' exposure to emission-intensive sectors as well as their contribution to low emissions-related risk transfer solutions. Finally, particularly in fossil fuel-dependent societies, a late and sudden transition without appropriate mitigation measures may result in setbacks such as social unrest leading to an overall market decline.

Non-investment transition risks for the real economy and their relevance for the re/insurance industry

Transition risks	Financial impacts on real economy	Impacts on insurance liabilities
Policy and legal <ul style="list-style-type: none"> • Removal of fossil fuel subsidies and introduction of CO₂ taxes • CO₂ regulation and mandates • Exposure to litigation for historical and current CO₂ emissions • Emission disclosure requirements 	<ul style="list-style-type: none"> • Write-offs, asset impairment, and early retirement of existing assets due to policy changes (ie stranded assets) • Increased operating costs (eg higher compliance costs, increased insurance premium) • Increased costs and/or reduced demand for products and services resulting from fines and judgments against CO₂-intensive sectors • Increased regulatory pressure for disclosure 	<ul style="list-style-type: none"> • Climate policy-induced economic effects may lead to higher claims for certain lines of business (eg credit insurance) • Increased operating risk and lower risk quality for impaired assets may impact property insurance (eg due to increased cost pressure and reduced asset maintenance) • Increased litigation risks may become relevant for casualty insurance (eg general liability, D&O insurance) • Requirements to disclose climate-related impacts of insurance business activities
Technology <ul style="list-style-type: none"> • Substitution of existing products and services with lower emissions options • Costs to transition to lower emissions technology 	<ul style="list-style-type: none"> • Write-offs, early retirement of existing assets • Research and development (R&D) expenditures in new and alternative technologies 	<ul style="list-style-type: none"> • Shift in predominant energy technologies could lead to a change in the liability structure and diversification for insurers • New technologies without established loss histories may increase uncertainties in property and engineering lines of business
Market and reputation <ul style="list-style-type: none"> • Uncertainty in market signals and in client behaviour • Increased stakeholder concern 	<ul style="list-style-type: none"> • Reduced demand for goods and services due to shift in consumer preferences • Change in revenue mix and sources, resulting in decreased revenues • Reduction in capital availability • Increased reputational risk for high-emission sectors 	<ul style="list-style-type: none"> • Premium volume in engineering and property insurance will shift from CO₂-intensive assets and activities to CO₂-efficient ones • Reputational risk for insurers via insured emissions (eg insurance of thermal coal) may further intensify • Potential societal backlash due to transition in fossil fuel-dependent societies causing market decline (eg due to political unrest)

Source: Swiss Re, adapted from TCFD

Transition risks in our re/insurance business conclusion:

Overall, it is our view that the transition to a low-carbon economy is not likely to present a significant financial risk for Swiss Re's re/insurance business. We expect that the associated risks can be managed effectively, primarily due to the annual renewal of contracts.

Transition risks in our investments

Climate-related risks can impact the value of our investments and are therefore considered an important part of our Responsible Investing strategy. One of the key risks faced by asset owners is that a changing regulatory environment may result in a specific company or a particularly exposed industry becoming a stranded asset in investment portfolios, ie the devaluation of investments driven by unfavourable changes, such as increased taxes or new regulations.

The market environment is expected to shift to address climate change mitigation and adaptation requirements to limit the global rise in temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. Governments and regulators have accelerated the development of proposals to steer and transition climate change-related market activities towards more sustainable alternatives. Japan and China's net-zero emissions pledges and the UK's Ten Point Plan for a Green Industrial Revolution, which aims to make the UK the number one centre for green technology and finance, are just three recent examples.

We continue to focus on policy and legal risks, as well as technology risks, as we mainly expect changes within these two dimensions to potentially impact asset values. Hence, we aim to identify those industries and groups of companies that are most exposed to these risks and may thus require adjustments in the near to medium term.

Industries and companies that are particularly exposed to policy and legal changes, as well as technological developments, have elevated risk exposures either in their production process, their raw materials, their transportation/logistics or distribution and store operations due to high carbon footprints in these areas. Furthermore, industries may face increased compliance costs in the production and distribution process, as well as costs arising from product demand substitution. All of these changes may cause increased price volatility of the underlying assets.

At Swiss Re, we have been measuring the weighted average carbon intensity of our corporate bond and listed equity portfolio since the end of 2015, and of our government bond portfolio since 2020.⁶ Detailed measurement results are presented in the Climate metrics and targets section (pages 176–177). Consistent with reaching net-zero greenhouse gas (GHG) emissions by 2050, the Intergovernmental Panel on Climate Change (IPCC)⁷ developed model emission pathways and corresponding development ranges for CO₂ emissions and related indicators. The reduction of the carbon intensities of our corporate bond and listed equity portfolio achieved since 2015 is well aligned with the CO₂ emission reduction required according to IPCC in order to limit global warming to 1.5°C.

To enhance how we assess the alignment of our portfolio with the 1.5°C target, we have further strengthened our approach, taking additional forward-looking indicators into account. Companies may mitigate exposure to climate risk by adapting to market forces or adhering to new and evolving requirements. The forward-looking indicators allow us to analyse climate risk-exposed industries down to the issuer level. They inform us about the preparedness of companies for a transition to a net-zero emissions economy and identify potential leaders and laggards in such a transition. Although aware of the limitations related to data quality and coverage, we assess the sectoral temperature alignment of our corporate bond and listed equity portfolio. The evaluation of the companies' alignment is based on the pre-defined 1.5°C carbon budget considering their reported as well as modelled future emissions. This informs us about the sectoral trajectory related to the transition to a net-zero emissions economy and hence the alignment with the 1.5°C target. While many issuers have set carbon reduction targets, are actively working towards lowering their energy consumption or are already on a pathway consistent with the targeted temperature trajectory, others continue to contribute substantially to excess emissions not consistent with the 1.5°C target. Even though our analyses show that a transition to a net-zero

emissions economy may be challenging and costly, we consider the developments as identified to be encouraging.

Since 2015, Swiss Re has taken decisive action to actively manage our climate-related risks and take advantage of related opportunities, such as the avoidance of coal-related investments or investing into green, social and sustainability bonds. Actions taken are described in detail in the chapters on Climate risk management (pages 170–171) and Climate metrics and targets (pages 174–175).

Transition risks in our investments conclusion:

While regulators and governments have started implementing policy and legal adjustments, we do not consider the transition to a net-zero emissions economy to pose a significant financial risk for Swiss Re's investment portfolio. This view is based on having proactively implemented a strong mitigation strategy, which is regularly reviewed and adjusted, as well as the constant monitoring of our portfolio.

⁶ Corporate bond and listed equities: weighted average carbon intensity = (company CO₂e emissions/company revenue) * (investment/portfolio); government bonds: weighted average carbon intensity = (country CO₂e emissions /country GDP PPP-adjusted) * (investment/portfolio).

⁷ IPCC (2018) "Global Warming of 1.5°C: An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty": <https://www.ipcc.ch/sr15/chapter/spm/>

Climate-related opportunities

Climate change does not just create risks, but also presents new opportunities. Developing corresponding products and services is a core part of our Group Sustainability Strategy, 2030 Sustainability Ambitions and Climate Action Plan. With our offerings, we pursue two different but complementary objectives: adapting to the effects of climate change and supporting the transition to a low-carbon economy.

Opportunities related to physical risks in our re/insurance business

Since most of our re/insurance contracts are renewed on an annual basis, we can offer our clients effective natural catastrophe protection that can help them cope with current climate risks. The same applies to our weather insurance solutions. In addition, we undertake special efforts to help expand re/insurance protection by focusing on non-traditional clients (in particular from the public sector), underdeveloped markets and innovative risk transfer instruments.

Business solutions that tackle physical climate risk

Examples of recent transactions that tackle physical climate risk include:

Protecting the Netherlands from storm surge:

Swiss Re is insuring the refurbishment, required for climate adaptation, of the almost 90-year-old, 32-kilometre Afsluitdijk dam in the Netherlands, which protects large parts of the country against sea level rise and storm surge. In addition, the Afsluitdijk will serve as a test centre for renewable tidal energy where water emptied from Lake IJssel meets the Wadden Sea.

Making India's Nagaland state resilient to excess rainfall:

Swiss Re provided India's Nagaland State Disaster Management Authority (NSDMA) with parametric reinsurance protection during the 2020 monsoon season. Using rainfall intensity data derived from satellite observations, payouts are made to regions in proportion to the amount of recorded rainfall, which mirrors the anticipated levels of loss.

Providing flood protection in Germany:

In 2020, iptiQ, Swiss Re's B2B2C business, entered into a partnership with one of Germany's leading broker pool providers specialising in homeowner's insurance to provide flood protection for properties located in the country's highest flood risk zone (ZÜRS 4).

Protecting farmers' livelihoods from drought:

Swiss Re has partnered with a provider of satellite-based soil moisture data to develop the Soil Moisture Deficit Index, which in turn is used as a parametric trigger to determine payouts to farmers when soil moisture levels fall below a pre-determined level. This innovative, yet easy to use insurance solution is providing a growing number of farmers in Europe with affordable access to financial protection from drought.

Helping Mexico become more resilient to natural catastrophes:

In March 2020, the World Bank issued four tranches of catastrophe bonds providing the Government of Mexico with financial protection of up to a record USD 485 million against losses from natural catastrophes – of which USD 250 million was allocated to named storms and the remainder to earthquakes – with Swiss Re acting as the transformer between Mexico's state-owned insurer and the World Bank. In addition, proceeds of the catastrophe bonds are used to finance sustainable development projects supported by the World Bank.

 You can read more about these solutions in the [Sustainability Report, pages 24–35](#).

Opportunities related to transition risks in our re/insurance business

The transition to a net-zero emissions economy offers business opportunities for a re/insurer across a range of sectors such as power and energy, materials and processes, logistics and transport, and agroforestry and food. While Swiss Re is active in all types of renewable energy re/insurance, over the years we have become a recognised lead market for offshore wind risks. In 2015, Swiss Re Corporate Solutions established a Centre of Competence for Wind Power and, through this focused investment, we have built up and refined the technical expertise required to understand and manage these risks. For example, in 2020, we were the

lead insurer for the construction of the 640-megawatt Yunlin wind project eight kilometres off the coast of Taiwan. Thanks to our involvement in this project and our expertise in offshore wind, we have also been selected as the preferred insurer for the construction of the 350-megawatt Guanyin offshore wind project near the Taipei airport, which is set to enter the construction phase in 2022. In addition, we insured the Changfang and Xidao offshore wind farm off the coast of Taiwan. Over the next decade, we expect many new development opportunities to arise, which are likely to create demand for re/insurance protection in numerous lines of business, such as credit, engineering, property, and liability.

Business solutions that tackle energy transition risks

Examples of recent transactions that tackle energy transition risks include:

Enabling the expansion of offshore wind in Taiwan:

Swiss Re Corporate Solutions and Reinsurance joined forces to provide both primary and reinsurance cover for a 640-megawatt offshore wind project off the coast of Taiwan. Construction of the wind farm began in 2020, and once it is completed in 2021, the Yunlin wind farm will consist of 80 wind turbines, which are expected to power approximately 605 000 households.

Protecting solar panels in Puerto Rico:

Swiss Re Corporate Solutions provided a leading residential solar and energy storage service provider with parametric named storm coverage for its solar panels in Puerto Rico. In addition to providing protection against the risk of physical damage caused by storms, the insurance solution offered protection against the risk of a downed power grid that would prevent the transfer of excess energy from the solar panels into the grid as well as the risk that customers might miss their lease payments following a devastating hurricane.

Financing solar utility-scale projects in the US:

Swiss Re Corporate Solutions and its data partner, kWh Analytics, successfully developed a ten-year Solar Revenue Put for an investor in large, utility-scale solar projects. The Solar Revenue Put is an insurance product that guarantees up to 95% of a solar farm's expected output, helping to mitigate a central risk of generating solar power – lack of sunshine. It was the first time that this product was used in the financing or refinancing of solar projects within the US private-placement debt market.

Promoting greener shipping technologies with marine insurance:

In 2020, Spain's leading shipping company unveiled its first fast ferry powered by liquefied natural gas, which generates up to 30% less CO₂ emissions, 99% less sulphur, and up to 85% less nitrogen oxide than the heavy fuel oil typically used in the shipping industry. Swiss Re's Global Marine division provided reinsurance cover for the construction of this ship as well as hull reinsurance, supporting efforts to meet the International Maritime Organization's target to reduce the industry's overall greenhouse gas emissions by 50% relative to 2008 levels, by 2050.

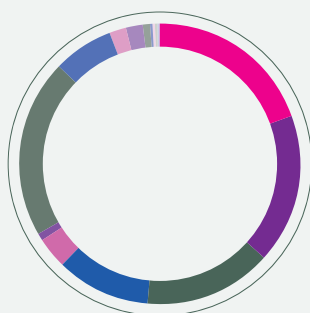
Opportunities for our investments

We expect our consistent and broad-based integration of environmental, social and governance (ESG) criteria along the investment process to contribute to an improved risk/return relationship in our investment portfolio, particularly over the longer term. We address sustainability

risks such as climate change to make the portfolio more resilient against financial market shocks. This is of crucial importance as such risk factors are not yet fully reflected in current market valuations. As part of our adaptation strategy, we consider investment opportunities that enable the transition to a net-zero emissions economy.

Green bonds

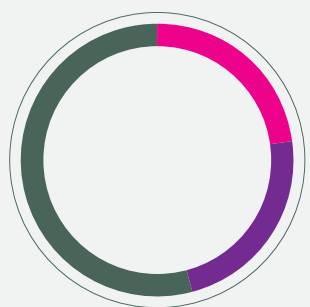
Green bond proceeds are used exclusively to finance environmentally sustainable projects that address key areas of concern, including not only climate change, but also natural resource conservation, biodiversity conservation, and pollution prevention and control. We support the transition to a net-zero emissions economy by investing in green bonds following the ICMA Green Bond Principles. As of 31 December 2020, we held USD 2.3 billion of green bonds and are targeting a portfolio¹ of USD 4.0 billion by the end of 2024. We have embraced the opportunity to participate in the impressive average market growth of 54% p.a. since 2014.^{2,3}



- 19.5% Sovereign
- 17.3% Agency
- 14.7% Supranational
- 10.9% Regional governments
- 3.6% Agency securitised
- 0.9% Municipals
- 20.5% Financials
- 6.9% Utilities
- 2.0% Information technology
- 1.9% Non-cyclical services
- 0.9% Basic industries
- 0.3% General industrials
- 0.3% Non-cyclical consumer goods
- 0.2% Resources
- 0.1% Cyclical services

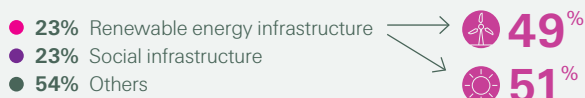
¹ Consisting of green, social and sustainability bonds.
² Moody's, "Sustainable Finance – Global: Sustainable bond volumes to top USD 650 billion in 2021", 4 February 2021.
³ Moody's – Green bonds: Key numbers and trends, 2018.

Renewable and social infrastructure loans



For our infrastructure loan allocation, we work with best-in-class managers to gain access to, and provide financing for, renewable energy projects that reflect our risk appetite, generate attractive long-term returns and help build a more sustainable energy supply for the future. As of 31 December 2020, we held

USD 468 million of renewables, making up approximately 23% of our infrastructure loan portfolio, of which 51% are in solar panels and 49% in wind farms. In 2020, we established a new target to deploy an additional USD 750 million to renewable and social infrastructure loans by the end of 2024.



Climate-related financial disclosures

Climate strategy

Real estate

Our real estate investment portfolio comprises commercial and residential buildings with a total market value of USD 5.4 billion as of 31 December 2020. These are predominantly located in Switzerland, the US, Germany, Australia, the UK, and Central and Eastern Europe (CEE). As sustainability considerations are a key pillar of long-term sustainable value creation, we incorporate them into decision-making throughout the whole operating model, including external investment manager due diligence.

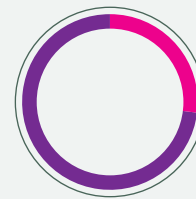
New property investments are evaluated from an environmental and social perspective, which includes both a property's current and potential future status as it relates to energy efficiency,

public transport connectivity, use of sustainable materials, occupier well-being and community engagement. Ongoing business plan execution and asset management of properties already in the portfolio always incorporate different ways to improve sustainability characteristics, as economically and financially sensible.

For real estate investments in Switzerland, we apply the following sustainability criteria: analysis of energy sources as a percentage of market value and MINERGIE® certifications. MINERGIE® is a Swiss sustainability label for new and refurbished buildings. By the end of 2020, the combined market value of our MINERGIE®-certified buildings reached USD 0.6 billion, or 27% of our Swiss portfolio of direct real estate investments

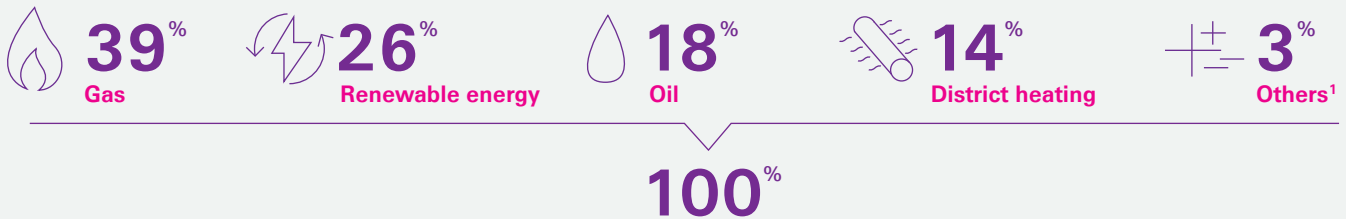
by value, which corresponds to an energy consumption floor area of 87 075m². The Swiss portfolio is gradually shifting away from fossil fuels as a heating source to either renewable energy (26%) or district heating (14%). Whenever this is not possible, gas (39%) is considered as an alternative, given its smaller carbon footprint compared to oil (18%).

Switzerland



- 27% MINERGIE®-certified
- 73% No certification

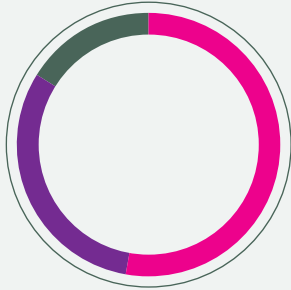
Energy sources



¹ Includes wood pellets, projects under construction, land and non-heated assets.

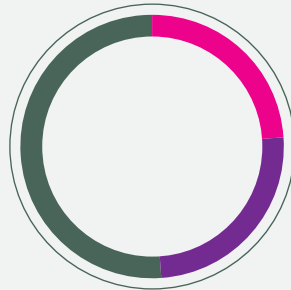
The externally managed real estate portfolio is predominantly invested in Australia, CEE, the UK and the US, and contains 50% green buildings based on regional energy labels. The Australian portfolio is the most advanced, followed by the UK portfolio.

Australia



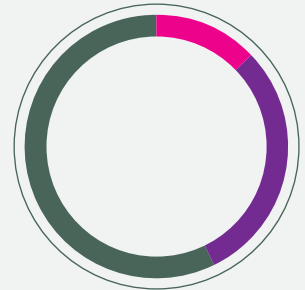
- **53%** NABERS Energy 5
- **31%** NABERS Energy 4/4.5
- **16%** NABERS Energy < 4 or not certified

UK



- **24%** BREEAM "Excellent"
- **25%** BREEAM "Very Good"
- **51%** Not certified

US



- **13%** LEED "Gold"
- **30%** LEED "Silver"
- **57%** Not certified

In the US, our approach to sustainability includes some of the most recognised certificates and guidelines such as the LEED certification of the US Green Building Council (USGBC). We also benchmark our US portfolio against GRESB, an industry-driven organisation transforming the way capital markets assess ESG performance of real assets.¹

¹ Due to a change in our investment setup, the 2020 GRESB Assessment does not reflect the portfolio's performance appropriately for 2020.

Swiss Re’s climate resilience under different scenarios

The TCFD requests that companies describe the resilience of their strategy, taking into account different climate-related scenarios including a 2°C or lower increase.

Swiss Re aligns its scenario analysis for physical climate risks with the Representative Concentration Pathway (RCP) and Shared Socio-Economic Pathway (SSP) scenarios adopted by the Intergovernmental Panel on Climate Change (IPCC).⁸ Differences between projected physical impacts across various scenarios in the near- to mid-term are minor, but a considerable divergence is expected for the second half of the 21st century. Furthermore, there is significant uncertainty within a single scenario, mainly caused by different modelling assumptions used in various climate models.⁹

In principle, it would be possible for Swiss Re to compute the potential long-term effects caused by climate change on AEL based on today’s re/insurance book. However, given the many factors that shape our future re/insurance books, a stand-alone climate-change scenario analysis would be incomplete for the following reasons:

Looking at climate effects in isolation would mean ignoring the other factors that will shape Swiss Re’s future re/insurance book and thus also our future AEL. These factors include our strategy and risk appetite

(which can be redefined during the annual renewal process of property re/insurance business), market conditions, capital costs, insurance penetration, storm hardening and other climate adaptation measures. Since our re/insurance book and current AEL are the result of a complex interaction between all of these factors, any future scenario would have to consider all of them, in the process rendering the effect of climate change on the resulting AEL marginal. Moreover, the future AEL for Swiss Re’s weather-related re/insurance book will depend both on our future market share and scenario projections of overall business volume.¹⁰ Independent studies have shown a wide range for future market business volumes, thus rendering long-term projections very challenging.

The complex dynamics become apparent when considering that over the next decades, significant population growth is expected in Asia and Africa. At the same time, the population in Europe and North America is unlikely to grow considerably or may even start to decline, as projected by the United Nations Department of Economics and Social Affairs. Over the same time period, real GDP per capita is expected to increase by more than 45% in the United States and will likely more than double in China by 2050 based on Swiss Re estimates. Global urbanisation will increase from approximately 56% today to almost 70% by mid-century.¹¹

These socio-economic dynamics will lead to vast changes of insured value distributions and the re/insurance landscape in general. From a re/insurance perspective, socio-economic dynamics will often overshadow slowly evolving climate trends and thus limit the decision-power of quantitative climate scenario analyses and stress tests in which only changes to climatic conditions of natural hazards are considered. For example, based on climate projections, the overall frequency of North Atlantic hurricanes is expected to decrease by more than 10% for a global mean temperature increase of 2°C. At the same time, the frequency of the most intense hurricanes (category 4 and 5 hurricanes) is expected to increase by about 10%.¹² These climatic changes to the most material natural perils for the re/insurance industry need to be analysed in conjunction with vast socio-economic changes that occur over the same timeframes.

It is important to state that in a warming climate there is significant uncertainty around projected changes to severe weather events such as hurricanes, as also outlined in the section on modelling and pricing of weather-related perils (pages 152–155). Therefore, Swiss Re relies on several processes and strategies to minimise the impact of such uncertainty on its underwriting business.

How we ensure resilience of our underwriting business in a changing climate

1. Diversification of insured natural hazards with regard to regions, lines of business, sectors and clients.
2. Flexible management and steering of weather-related exposure through limited duration of re/insurance contracts (typically one-year contracts for property insurance).
3. Regular updates of Swiss Re’s in-house risk models to ensure adequate costing of natural hazards for the current and near-term climate and socio-economic environment.
4. A *qualitative* scenario process to assess the most material impacts of climatic and socio-economic trends that affect insured risks. This is supported by *quantitative* assessments on the likely range of expected changes to assess their materiality over different time horizons and emission pathways.

⁸ RCP scenarios represent possible future concentration trajectories of greenhouse gases. The scenarios are named after the resulting radiative forcing at the end of the 21st century, eg 8.5W/m² for RCP8.5, where no mitigation measures nor technical innovation will limit temperature increases. SSP narratives describe alternative pathways for future society.

⁹ IPCC Fifth Assessment Report (AR5), Chapter 11, 2013.

¹⁰ See, eg Kunreuther, Howard; Michel-Kerjan, Erwann; and Ranger, Nicola, “Insuring Future Climate Catastrophes” (2012). Published Articles & Papers. Paper 171.

¹¹ United Nations, Department of Economic and Social Affairs, Population Division (2018). World Urbanization Prospects: The 2018 Revision.

¹² Knutson, T., and Co-authors, 2020: Tropical Cyclones and Climate Change Assessment: Part II: Projected Response to Anthropogenic Warming. Bull. Amer. Meteor. Soc., 101, E303–E322.

Qualitative scenarios help us focus our attention and modelling improvements on relevant factors that will affect the physical risk landscape. Relevant regional key risks and potential for risk reduction through adaptation were identified by IPCC in the Fifth Assessment Report (AR5).¹³

For the regions where Swiss Re is most exposed to weather-related risks (see AEL figure, page 153), a noticeable increase in flood damage is expected, especially beyond 2040 if no adequate adaptation measures are taken. Wildfire hazards in different regions have already reached medium-to-high risk levels and will continue to contribute to increasing economic and insured losses. Drought conditions will affect crop productivity and agriculture insurance and can lead to more land subsidence affecting property insurance. Swiss Re discussed the increasing relevance of these secondary perils in the face of climate change in recent sigma publications (sigma 2/2019, sigma 2/2020).

On a societal level, our Economics of Climate Adaptation studies have shown that climate change can lead to an increase of economic losses in specific locations due to weather risks of up to 30% within the next 25 years. More importantly though, economic development, urbanisation, higher population densities and asset concentrations in flood plains are expected to be the dominant factors in increasing weather-related economic losses. As these factors become more pronounced, our models will gradually factor in this trend, since they are updated and refined at regular intervals.

In addition, we have also started to assess different transition risk and opportunity scenarios that are relevant to the transition to a low, and ultimately net-zero, carbon economy. We focus on reducing our carbon intensity in both our investments and insurance activities and explore ways to accelerate this transition by allocating our investments and providing risk transfer solutions accordingly.

Scenario analysis conclusion:

We do not consider climate change to be a single factor posing a fundamental threat to the resilience of our business. It is one of many important factors we need to take into consideration when shaping our future business strategy. A key condition for our ability to continue acting as an ultimate risk-taker is diversification with regard to regions, lines of business, sectors and clients. In a world of strong or unmitigated climate change, however, the proportion of weather-related risks we could re/insure would decline and the protection gap would likely increase further. In light of the above, we are developing qualitative scenarios for physical and transition risks to be considered as part of our strategic business planning.

¹³ See eg Figure SPM.8 in IPCC AR5 Synthesis Report: Climate Change, Summary for Policymakers (2014).

Climate risk management

The processes we use to identify, assess and manage climate-related risks are integrated into our risk management, underwriting and asset management.

Sound risk management, underwriting and asset management lie at the core of the re/insurance business. This enables us to use our existing processes and instruments to address climate-related risks.

Physical risks

To assess our P&C businesses accurately and to structure sound risk transfer solutions, we need to clearly understand the economic impact of natural catastrophes and the potential effect of climate change on their frequency and severity.

Natural catastrophes constitute one of the core risks modelled in Swiss Re's risk landscape. Besides man-made risks, natural catastrophe risks are the key risk category in our P&C re/insurance risk landscape.

We have an internal property risk modelling team that builds, maintains and updates sophisticated models for all relevant natural catastrophe risks (flood, tropical cyclones, windstorms, earthquakes). The models are based on current scientific knowledge and are regularly updated to include new scientific findings – including from our research collaborations with academic institutions – and to make use of advances in computing and modelling capabilities.

Swiss Re's proprietary and fully integrated risk models are important tools for managing the business: we use them to determine the economic capital required to support the risks on our books as well as to allocate risk-taking capacity to our different lines of business.

Transition risks in our re/insurance business

To ensure appropriate risk identification of transition risks and assess potential impacts on our business, we continue to monitor and identify such risks in risk management and casualty underwriting, as well as for relevant legal developments.

For all types of transition risks described on pages 158 and 159, we have risk monitoring in place. Technological developments are monitored through Swiss Re's respective underwriting units and pricing of associated covers is reviewed on an annual basis.

General sustainability risks in our re/insurance business

Our Sustainable Business Risk (SBR) Framework is an advanced risk management instrument that allows us to identify, assess and address social and environmental risks associated with our transactions, both on the underwriting and investment side. Two policies of our SBR Framework are particularly relevant in the context of climate change: the thermal coal policy and the oil and gas policy.

In 2018, we introduced a thermal coal policy, pledging not to provide re/insurance to businesses with more than 30% exposure to thermal coal utilities or mining. The policy applies to both old and new thermal coal projects and across all lines of business. While it is easier to implement this policy in some parts of our business, for others the transition will take some time and require a continued and constructive dialogue with our clients. In 2020, we continued to implement the thermal coal policy for treaty business (see also Climate metrics and targets, pages 172–173). In this context, we had over 400 engagements with insureds, brokers, investors and regulators across all regions on the topic of thermal coal.

In addition, we started implementing our updated oil and gas policy to shift away from highly carbon-intensive oil and gas production (see box). From July 2021, we will no longer provide individual insurance covers for those oil and gas companies that are responsible for the world's 5% most carbon-intensive oil and gas production. From July 2023, we will no longer provide individual insurance covers for those oil and gas companies that are responsible for the world's 10% most carbon-intensive oil and gas production.

Our oil and gas policy also prevents us from offering any re/insurance cover for offshore drilling activities in the Arctic.

Our climate-related policies are initial steps towards the development of a comprehensive carbon-risk steering mechanism to manage and reduce the carbon intensity and associated risks embedded in our re/insurance business. In 2020, we made progress in applying a carbon footprinting methodology we had previously helped develop in a project with peers via the CRO Forum in our direct and facultative liability portfolios. This methodology will support our carbon risk steering towards reaching net-zero emissions on the liability side of our business by 2050. For further information on the carbon footprint of our direct insurance portfolio, see Climate metrics and targets, page 172.

Phasing out the most severe oil and gas transition risks

We implemented a project with the Norwegian energy research company Rystad Energy where we have studied the value chain CO₂ intensities associated with the production of the world's oil and gas companies. We found that the carbon emission intensities over the value chain of various hydrocarbons (naturally-occurring compounds that form the basis of crude oil, natural gas, coal and other important energy sources) can vary substantially. This analysis provided the basis for our updated oil and gas policy. Read more about this in our Sustainability Report 2020, page 39.

 To learn more about our SBR Framework, carbon risk steering mechanism and thermal coal and oil and gas policies, please visit our [Sustainability Report 2020, pages 36–43](#).

Climate-related financial disclosures

Climate risk management

Investments

Swiss Re is a long-term investor. As a result, it is important that we also take a long-term view on the risk factors that may have an adverse impact on our portfolio, such as climate change. Together with sustainability, climate change is therefore a core topic for our Asset Management.

We are committed to investing our assets responsibly in a controlled and structured way by integrating ESG considerations along the entire investment process. For more information on our approach to ESG integration, refer to our Responsible Investing homepage (www.swissre.com/responsible-investing) as well as pages 45–51 of our Sustainability Report 2020.

As a founding member of the UN-convened Net-Zero Asset Owner Alliance (AOA) launched in 2019, we have committed to having a net-zero emissions investment portfolio by 2050 in accordance with Article 2.1c of the Paris Agreement (www.swissre.com/ri-climate-action-aoa). Our commitment includes supporting the net-zero transition of economic sectors by advocating for and engaging on corporate and industry action. We consider engagement with investee companies to be a particularly effective instrument for enabling them to strengthen their long-term business performance. Swiss Re was instrumental to the development of the Alliance Inaugural 2025 Target Setting Protocol (TSP)¹⁴, a guide for individual and collective target setting and reporting by AOA members for the period from 2020 to 2025. In accordance with the TSP, we have defined targets for financing the transition, our engagement activities, the sub-portfolio, and investments in the coal sector, taking scientific evidence into account to the extent possible (for details, see Climate metrics and targets, pages 174–175).

Our dedicated approach to climate risk management involves the systematic monitoring of the carbon footprint of our government bond, corporate bond and listed equity portfolio. For our corporate bond and listed equity portfolio, we also track related forward-looking indicators. In 2020, we further strengthened our approach to assessing the alignment of our portfolio with a 1.5°C target by evaluating the temperature alignment of our corporate bond and listed equity portfolio. As part of our active risk management, we no longer invest in coal and oil sands-related companies that are above the set thresholds, and monitor related investments that are below these thresholds (for specific information on the thresholds please refer to page 175). And consistent with our Group-wide Sustainable Business Risk Framework, we have defined further fossil fuel-related guidelines, such as avoiding investments in the 10% most carbon intensive oil and gas companies (for details, see page 169). Additional actions to support the transition to a net-zero emissions economy are described in Opportunities for our investments (pages 163–165) and Climate metrics and targets (pages 174–175).

¹⁴ <https://www.unepfi.org/wordpress/wp-content/uploads/2021/01/Alliance-Target-Setting-Protocol-2021.pdf>

Our investment-related climate strategy



Set targets¹

Take actions

Measure

Report

Define targets to reach net-zero emissions in alignment with 1.5°C by 2050 at the latest

Actively manage transition and physical risks, and support real economy transition to net zero

Measure and monitor trajectory of needed development towards net zero

Inform shareholders and other stakeholders transparently on developments

- Financing targets

- Renewable infrastructure loan investment target² and implementation
- Green bond investment target³ and implementation

- Renewable infrastructure loan investments
- Green bond investments

- Financial Report: TCFD
- Sustainability Report

- Voting & engagement targets

- Exercise voting rights & engage

- Voting & engagement records

- Responsible Investing homepage

- Sub-portfolio targets
 - Corporate bonds
 - Listed equities
 - Real estate
- Sector targets

- Corporate bonds & listed equities coal phase-out & coal expansion restriction
- Infrastructure loan & private placement fossil fuel⁴ guidelines

- Carbon Footprint
 - Corporate bonds
 - Listed equities
 - Real estate
 - Government bonds
- Fossil fuel exposure
- Forward-looking indicators

- Assessments and questionnaires (eg PRI, CDP)

¹ In alignment with the Net-Zero Asset Owner Alliance Inaugural 2025 Target Setting Protocol.

² Investment target also includes social infrastructure loans.

³ Investment target also includes social and sustainability bonds.

⁴ Fossil fuel: coal, oil & gas (including oil sands).

Source: Swiss Re

Climate metrics and targets

We use a number of metrics and targets to assess and manage relevant climate-related risks and opportunities.

We assess and manage climate-related risks and opportunities in our re/insurance business, our investments and in our own operations.

Re/insurance

Annual expected losses (AEL)

AEL for weather-related natural perils can be used as an indicator for our average current climate-related risk exposure. However, AEL figures do not, by definition, provide an adequate measure for the potential risk of individual years with exceptionally intense natural catastrophe losses. Adequate metrics for the risk of individual rare natural catastrophes are Value at Risk (VaR) or Tail Value at Risk (Tail VaR). For example, the 99.5% VaR measures the loss likely to be exceeded in only one year out of two hundred, see also page 71, where the results of insurance risk stress tests are provided for peak insurance risks.

The AEL figures are the result of expected weather activities, the vulnerability of insured assets and operations, their values and the volume and structure of our insurance products. Changes in the AEL figures will show the evolution of our climate risk exposure. This could be due to climate change, but also due to changes in the vulnerability of insured assets and operations, their values or changes in our business strategy. AEL figures are updated on an annual basis.

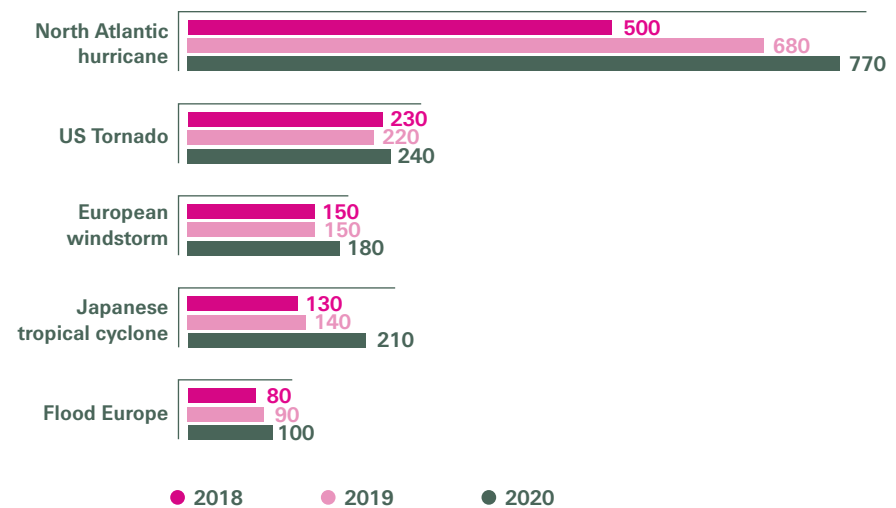
The five weather-related perils with the highest gross AEL for our business as of the end of 2020 are indicated in the diagram on the right.

First steps to align our underwriting portfolio with the Paris Agreement

We have started to develop a carbon risk steering mechanism with the goal to align our underwriting portfolio with the Paris Agreement and decarbonise it by 2050. The first step was the introduction of a thermal coal policy, followed by the revision of our oil and gas policy (see page 169, Climate risk management, for details). In 2020, we applied for the first time the carbon footprinting methodology we had previously co-developed with the CRO Forum to underwriting. We applied

the methodology in our direct insurance portfolios. Based on this methodology, we estimate the weighted average carbon intensity of our direct insurance portfolios at 120 tonnes of CO₂ equivalent per million USD of revenue (120 tonnes CO₂e/USDm revenue). We will gradually expand the scope of this metric. Once fully implemented, this will help us steer the overall carbon footprint embedded in our re/insurance businesses. Ultimately, it will support us in reaching net-zero emissions by 2050 on the liability side of our balance sheet.

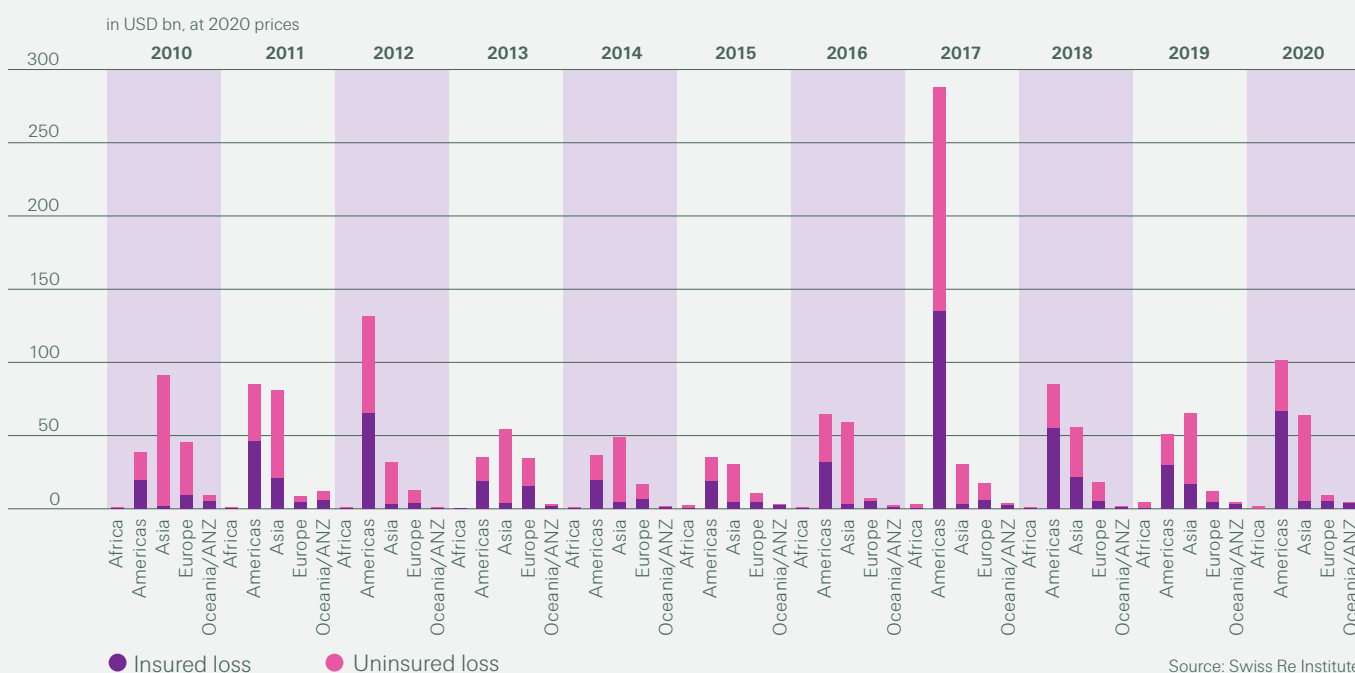
Annual expected losses for weather-related perils, Swiss Re Group (USD m)



Source: Swiss Re

Weather-related catastrophes: insured vs uninsured losses

There is a substantial protection gap between total economic losses from weather-related catastrophes and insured losses in all regions. This data does not represent a company-specific metric but is an important overall risk indicator (see table below).



Another important step we took in 2020 to advance our carbon steering mechanism was the development of an exit strategy for thermal coal in our treaty business. This complements the policies we have already developed with a focus on our direct and facultative business. Together, they put us on course to reach our Group-wide target of completely phasing out our thermal coal business in OECD countries by 2030, and in the rest of the world by 2040.

Our approach defines thresholds for coal exposures in treaties across our property, engineering, casualty, credit and surety and marine cargo lines of business. The initial coal exposure thresholds will become effective in 2023 and vary depending on the line of business and the geographical area. These thresholds will then be gradually lowered until the final phase-out targets are reached.

These coal-related actions in our treaty business are important steps on our path to reaching a net-zero emissions re/insurance portfolio by 2050. They are also in line with the commitment we made in 2019 by becoming a member of the Powering Past Coal Alliance.

Climate-related commitments to the United Nations and the Insurance Development Forum

Reflecting our efforts to help expand re/insurance protection by working with public-sector clients, we made a commitment to the United Nations to advise up to 50 sovereigns and sub-sovereigns on climate risk resilience and to offer them USD 10 billion of insurance cover against this risk by 2020. You can see the progress we have made against this goal in the table below.

In addition, Swiss Re and a number of our industry peers have endorsed the joint Tripartite Agreement between the Insurance Development Forum (IDF), the UN Development Programme, and the government of Germany, in which they commit to increasing insurance protection in climate-exposed countries. Industry members collectively committed to offer up to USD 5 billion of risk capacity for climate risk insurance to contribute to the G7 InsuResilience target of protecting 500 million individuals against climate risk by 2025. In 2020, the Tripartite formed 13 country teams, with three more in the exploration phase. Swiss Re contributed to the projects alongside ten other industry members.

Total climate protection offered to (sub-)sovereigns since 2014

	by 2018	by 2019	by 2020
Number of (sub-)sovereigns advised	96	120	130
Amount of climate protection offered (in USD)	8.2 billion	10.0 billion	10.7 billion

Climate-related financial disclosures

Climate metrics and targets

Investments

Through our dedicated climate strategy, we are working to achieve a net-zero emissions investment portfolio by 2050 by setting intermediate targets every five years and regularly reporting on progress. In

accordance with the AOA's TSP, we set targets for the years 2020 to 2025. For our corporate bond, listed equity and real estate sub-portfolio targets, we set the base year at the end of 2018, reflecting previous portfolio actions.

Our investment-related climate targets and actions for 2020–2025

Targets by 2025

aligned with the Net-Zero Asset Owner Alliance Inaugural 2025 Target Setting Protocol

Actions

Financing Transition	<ul style="list-style-type: none"> Green bonds: USD 4bn¹ Renewable infrastructure loans: +USD 750m² 	<ul style="list-style-type: none"> Green bonds: constant market monitoring to identify potential investments Renewable infrastructure loans: constant market monitoring to identify potential investments
Engagement	Engagement topic: alignment with 1.5°C target	<ul style="list-style-type: none"> Engagement with investee companies delegated to investment managers based on Swiss Re Engagement Framework and portfolio monitoring results Direct engagement with investment managers Engagement collaboration through Climate Action 100+
Sub-Portfolio	<ul style="list-style-type: none"> Corporate bonds & listed equities: –35% carbon intensity³ Real estate: –5% carbon intensity⁴ 	<ul style="list-style-type: none"> Corporate bonds & listed equities: constant portfolio monitoring to identify optimisation opportunities, also aligned with engagement targets and actions Real estate: ongoing portfolio improvements through refurbishments and energy usage optimisations
Sector	<ul style="list-style-type: none"> Corporate bonds & listed equities: coal phase-out by 2030 Infrastructure loans & private placements: maturity limitation for fossil fuel⁵-related investments 	<ul style="list-style-type: none"> Corporate bonds & listed equities: coal maturities to run off by 2030, ongoing monitoring Corporate bonds & listed equities: expansion restrictions for capital expenditures >USD 100 million for coal mining, coal-fired capacity >300 megawatts for coal-based power generation Infrastructure loans & private placements: fossil fuel⁵ guideline application in investment decisions

¹ Investment target also includes social and sustainability bonds.

² Investment target also includes social infrastructure loans.

³ Base year 2018.

⁴ Base year 2018.

⁵ Fossil fuel: coal, oil & gas (including oil sands).

Financing transition targets

Green bond proceeds are used to finance environmentally sustainable projects and thereby facilitate the transition towards a net-zero emissions economy. By the end of 2020, we held USD 2.3 billion in green bonds. As part of our adaptation strategy, our mandate also considers social and sustainability bonds. This enables us not only to support the environment, but also underserved groups or populations, thus generating a positive impact on society.

Our ambition is to achieve our investment target of USD 4 billion for green, social and sustainability bonds by the end of 2024.

Infrastructure loans are an attractive asset class for our investment portfolio given their credit quality and inherent liquidity premium. Renewable infrastructure loans in particular are used to finance environmentally sustainable infrastructure projects. By the end of 2020, we held USD 468 million of renewable energy infrastructure loans and an additional USD 455 million were allocated to social infrastructure, such as hospitals, student dorms or affordable housing projects.

As part of our climate-positive investments, we have for the first time set a target to increase our renewable energy and social infrastructure loan portfolio by USD 750 million by the end of 2024.

Engagement targets

We believe that engagement with the real economy is an integral component to support the limitation of global warming to 1.5°C. In 2020, we therefore established an Engagement Framework aligned with the engagement targets defined in the AOA's TSP. For details on our external managers' engagement activities related to our two topics "Alignment of Business Model with 1.5°C Target" and "Disclosure of ESG Key Metrics", please refer to the Sustainability Report 2020, pages 50–51.

Sub-portfolio targets

As Swiss Re committed to have a net-zero emissions investment portfolio by 2050, we established an intermediate portfolio emission reduction target for the period from 2020 to 2025. Informed by IPCC's pathways consistent with the 1.5°C target, we defined a carbon intensity reduction target of –35% for our corporate bond and listed equity portfolio, to be achieved by 2025 with 2018 as the base year. This is also well in line with the AOA's TSP recommendation of a reduction of at least –16% to –29%. Having chosen 2018 as the base year for our target, we included an additional 5% reduction for the one year of difference to the AOA's base year.

Furthermore, we set a carbon intensity reduction target for our Swiss and German real estate investment portfolio of –5% with 2018 as the base year, to be achieved by 2025. This builds on our analysis showing that the portfolio emission intensity is already well aligned with the 1.5°C trajectory.

Sector targets

Coal assets are particularly carbon intensive and susceptible to stranded asset risk given the long life of these assets, as well as the evolving regulations on carbon emissions. To ensure we actively manage such risks, we have stopped investing in companies that use at least 30% thermal coal for power generation or produce 30% or more of their revenues from thermal coal mining. We also exclude oil sands companies that generate 20% or more of their revenues from such operations from the investment universe. Furthermore, in 2019, we extended our mitigation approach by implementing an absolute coal threshold to identify large carbon emitters with a diversified business mix, where relative thresholds may provide inadequate guidance. We do not invest in mining companies producing at least 20 million tonnes of coal per year and power utility generators with more than 10 gigawatts of installed coal fire capacity. Additionally, as part of the updated oil and gas policy of our Group-wide Sustainable Business Risk Framework, we divested from the world's 10% most carbon-intensive oil and gas companies in 2020.

Our long-term objective for 2030 is to fully exit coal-related assets, such as coal mining and coal-based power generation, for our listed equity and corporate bond portfolio via normal portfolio reallocations. To increase efforts to mitigate transition risks in our portfolio, we have also begun to limit investments in companies active in coal mining or coal-based power generation that are planning to expand their capacity. We therefore apply a threshold for capital expenditures above USD 100 million for coal mining expansion, and one of 300 megawatts for coal-fired capacity, applicable to our listed equity and corporate bond portfolios.

To further strengthen our mitigation strategy in less liquid asset classes, we developed dedicated fossil fuel guidelines for our infrastructure loan and our private placement portfolios in 2020. This is particularly important as both have a long-term investment horizon. For upstream (exploration and production), midstream (transportation and storage) and downstream (refinement and distribution) investments, we are limiting the maturities for fossil fuel-related assets. The guidelines ensure an investment universe that is in line with our commitment to a net-zero emissions investment portfolio by 2050.

Carbon footprint of our investment portfolio

In line with TCFD guidelines, we monitor the carbon footprint of our corporate bond and listed equity portfolio on an ongoing basis. For the carbon footprints of these portfolios, we use the metric “weighted average carbon intensity”, which defines the portfolio carbon intensity based on relative investment share. We also monitor any coal-related activities in our private equity investments.

Carbon footprint of our corporate bond portfolio

The US corporate bond portfolio remains below its corresponding benchmark in terms of weighted average carbon intensity, given its continued underweight in high carbon intensity holdings.



Since 2019, the UK corporate bond portfolio carbon intensity further decreased, whereas the index carbon intensity remained relatively stable.



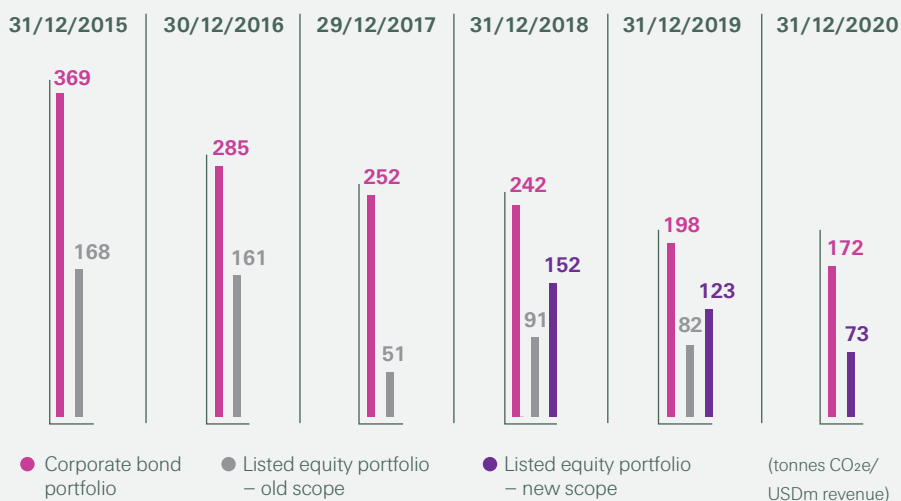
Carbon footprint of our listed equity portfolio

The portfolio of listed equities continues to be significantly less carbon intensive than the corresponding benchmark due to its focus on high quality companies with low carbon intensity.



Carbon footprint of our corporate bond and listed equity portfolio

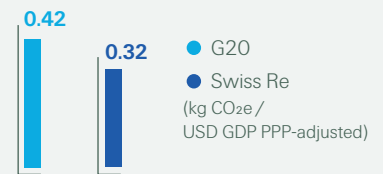
Since the end of 2015, carbon intensities in both the corporate bond and the listed equity portfolio decreased substantially as part of our fossil fuel divestment. In 2020, carbon footprints for both, the corporate bond and listed equity portfolios, further decreased. In alignment with the AOA's TSP, we adjusted the carbon footprint scope of our listed equity portfolio to include ETFs and exclude strategic holdings.



To take our dedicated approach towards climate risk management one step further, we started to measure the carbon intensity of our government bonds in 2020. We implemented a widely adopted approach for these bonds, which constitute the largest holding within our investment portfolio. Here, the metric “weighted average carbon intensity” is also defined as the portfolio carbon intensity based on relative investment share but is combined with an additional element allowing for the comparison of the carbon intensity of economies. The greenhouse gas emissions of a specific bond’s issuing country are divided by its gross domestic product adjusted by purchasing power parity (PPP). This enables the equitable comparison of carbon intensity in terms of physical production and corresponding environmental impact.

Carbon footprint of our government bond portfolio

The composition of our government bond portfolio is impacted by the fact that asset-liability management is at the core of our investment approach. In 2020, Swiss Re’s government bond portfolio was less carbon intensive than the G20¹ countries due to our higher allocation to low carbon intensity countries.



¹ G20 carbon intensity calculated as total of emissions of the G20 divided by the total PPP-adjusted GDP.

Greenhouse gas emissions from our own operations (Scope 1, 2 and 3)

Reducing our operational carbon footprint is an important part of our Group Sustainability Strategy. In 2003, Swiss Re was one of the first major companies to become carbon neutral.

By the end of 2020, we achieved 100% renewable power sourcing for our operations. All remaining emissions are compensated by purchasing high-quality carbon offsets (carbon avoidance certificates) in line with our carbon neutrality claim.

Successful conclusion of our Greenhouse Neutral Programme

Our first implementation plan to become carbon neutral was our Greenhouse Neutral Programme, starting in 2003 and ending in 2020. Throughout the course of the programme, we publicly reported on our Scope 1 and 2 greenhouse gas emissions, plus a major source of Scope 3 emissions (business travel). From 2003 to 2013, we cut CO₂ emissions per employee (full-time equivalent, FTE) by 49.3%. From 2013 onward, we expanded our reporting to include further Scope 3 emissions such as waste and paper. By the end of 2020, we had reduced CO₂ emissions by another 59.6% (2019: 10%) per employee relative to the 2013 level. As the 2020 data is distorted by the impact of the COVID-19 pandemic, we also show the figures per end of 2019 where relevant (see table on next page).

CO2NetZero Programme to reduce our operational footprint to net zero

Swiss Re has committed to reducing its operational CO₂ footprint to net-zero emissions by 2030. To achieve this goal, we will “do our best, remove the rest” under our CO2NetZero Programme. “Doing our best” means we will intensify our efforts to reduce emissions. A special focus lies on our business travel emissions, which are currently responsible for the bulk of our operational carbon footprint. We have set ourselves the company-wide target of reducing our flight emissions by 30% in 2021, relative to the 2018 level, and will define a new, ambitious target for the post-pandemic period. “Removing the rest” means we are moving from buying conventional carbon offsets to supporting carbon removal projects to compensate for any unavoids emissions.

Carbon removal is a new form of emission compensation that extracts CO₂ out of the atmosphere and stores it permanently. This is a prerequisite for balancing remaining gross emissions in any net-zero emissions target, including the Paris Agreement.

Carbon removal is currently much more expensive than conventional carbon offsetting, as the carbon removal industry is still in its infancy. To cover the first-mover price for carbon removal certificates, we are stepping up our internal carbon levy from less than USD 10 per tonne of CO₂ to USD 100 per tonne of CO₂ in 2021. Swiss Re is the first multinational company with a triple-digit real internal carbon price on both its direct emissions and indirect operational emissions (such as business travel). A real carbon price – unlike the more commonly used shadow carbon price – impacts budgets and is therefore particularly effective in fostering low-carbon decision-making within the company. Externally, a triple-digit carbon price signals to our stakeholders that Swiss Re is a credible partner when it comes to addressing climate risks. The new carbon steering levy will gradually increase to USD 200 per tonne of CO₂ by 2030. This price transparency and the 10-year planning horizon will allow us to enter into long-term purchase agreements with carbon removal service providers, which sends a particularly strong market signal to the emerging carbon removal industry.

CO₂ emissions per employee (full-time equivalent, FTE), Swiss Re Group

	2013 ¹ kg/FTE	2019 ¹ kg/FTE	2020 kg/FTE	Change in % since 2019	Change in % 2013–2019 ²	Change in % 2013–2020
Scope 1 Heating	396	202	172	–15.2	–49.0	–56.6
Scope 2 Power	313	137	44	–68.0	–56.2	–86.0
Scope 3 Business travel	3 724	3 849	1 626	–57.8	3.4	–56.3
Copy paper	34	10	6	–45.8	–70.6	–83.6
Waste	50	33	18	–47.0	–34.0	–64.9
Water	13	9	7	–28.0	–30.8	–50.6
Technical gases	97	98	38	–61.8	1.0	–61.4
Commuting	1 225	926	454	–51.0	–24.4	–62.9
Total	5 852	5 266	2 363	–55.1	–10.0	–59.6

¹ The figures for 2013 and 2019 have been restated due to the sale of our ReAssure business in the UK and the adjustment of how we handle renewable electricity credentials. An overview of the restatement is available in the Sustainability Report, page 90.

² Because of the distorting effect of the COVID-19 crisis, we also show the figures per end of 2019.

 You can learn more about our Greenhouse Neutral Programme and net-zero commitment for operations in our [Sustainability Report 2020, pages 60–69](#).

Contents

Group financial statements	182	Notes to the Group financial statements	193	Swiss Re Ltd	294
Income statement	182	Note 1 Organisation and summary of accounting policies	193	Annual Report	294
Statement of comprehensive income	183	Note 2 Information on business segments	202	Income statement	295
Balance sheet	186	Note 3 Insurance information	213	Balance sheet	296
Statement of shareholders' equity	188	Note 4 Premiums written	218	Notes	298
Statement of cash flows	190	Note 5 Unpaid claims and claim adjustment expenses	219	Proposal for allocation of disposable profit	306
		Note 6 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)	234	Report of the statutory auditor	307
		Note 7 Investments	236		
		Note 8 Fair value disclosures	244		
		Note 9 Derivative financial instruments	254		
		Note 10 Acquisitions and disposals	258		
		Note 11 Debt and contingent capital instruments	259		
		Note 12 Leases	262		
		Note 13 Earnings per share	263		
		Note 14 Income taxes	264		
		Note 15 Benefit plans	267		
		Note 16 Share-based payments	273		
		Note 17 Compensation, participations and loans of members of governing bodies	275		
		Note 18 Related parties	276		
		Note 19 Commitments and contingent liabilities	277		
		Note 20 Significant subsidiaries and equity investees	278		
		Note 21 Variable interest entities	281		
		Report of the statutory auditor	286		
		Group financial years 2011–2020	292		

Income statement

For the years ended 31 December

USD millions	Note	2019	2020
Revenues			
Gross premiums written	4	42 228	42 951
Net premiums written	4	39 649	39 827
Change in unearned premiums		-1 675	494
Premiums earned	3	37 974	40 321
Fee income from policyholders	3	620	449
Net investment income – non-participating business ¹	7	4 171	2 988
Net realised investment gains/losses – non-participating business ²	7	1 580	1 730
Net investment result – unit-linked and with-profit business	7	4 939	-2 187
Other revenues		30	37
Total revenues		49 314	43 338
Expenses			
Claims and claim adjustment expenses	3	-18 683	-19 838
Life and health benefits	3	-13 087	-13 929
Return credited to policyholders		-4 633	1 760
Acquisition costs	3	-7 834	-8 236
Operating expenses		-3 579	-3 597
Total expenses before interest expenses		-47 816	-43 840
Income/loss before interest and income tax expense		1 498	-502
Interest expenses		-589	-588
Income/loss before income tax expense		909	-1 090
Income tax expense/benefit	14	-140	266
Net income/loss before attribution of non-controlling interests		769	-824
Income/loss attributable to non-controlling interests		-42	-54
Net income/loss attributable to common shareholders		727	-878
Earnings per share in USD			
Basic	13	2.46	-3.04
Diluted	13	2.39	-3.04
Earnings per share in CHF³			
Basic	13	2.46	-2.97
Diluted	13	2.40	-2.97

¹ Total impairments for the years ended 31 December of USD 80 million in 2019 and of USD 5 million in 2020, respectively, were fully recognised in earnings.

² Total impairments for the years ended 31 December of USD 10 million in 2019 and of USD 29 million in 2020, respectively, were fully recognised in earnings.

³ 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	2019	2020
Net income/loss before attribution of non-controlling interests	769	-824
Other comprehensive income, net of tax:		
Change in net unrealised investment gains/losses	3 375	2 741
Change in other-than-temporary impairment	2	
Change in cash flow hedges	-9	2
Change in foreign currency translation	46	52
Change in adjustment for pension benefits	-29	-24
Change in credit risk of financial liabilities at fair value option	-2	1
Transactions with non-controlling interests	-56	
Disposal of ReAssure		-2 080
Other comprehensive income/loss attributable to non-controlling interests	341	127
Total comprehensive income/loss before attribution of non-controlling interests	4 437	-5
Comprehensive income/loss attributable to non-controlling interests	-383	-181
Total comprehensive income/loss attributable to common shareholders	4 054	-186

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

Reclassification out of accumulated other comprehensive income
For the years ended 31 December

2019 USD millions	Net unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment for pension benefits ³	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	1 905	-3	6	-5 904	-828	5	-4 819
Transactions with non-controlling interests	-128		1	64	7		-56
Change during the period	5 668		-57		-93	-2	5 516
Amounts reclassified out of accumulated other comprehensive income	-1 491		48	135	46		-1 262
Tax	-802	2		-89	18		-871
Balance as of period end	5 152	-1	-2	-5 794	-850	3	-1 492

2020 USD millions	Net unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment for pension benefits ³	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	5 152	-1	-2	-5 794	-850	3	-1 492
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
Balance as of period end	5 760	-1	0	-5 755	-808	4	-800

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

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

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

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

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Balance sheet

Assets

As of 31 December

USD millions	Note	2019	2020
Investments	7, 8, 9		
Fixed income securities:			
Available-for-sale (including 14 175 in 2019 and 7 435 in 2020 subject to securities lending and repurchase agreements) (amortised cost: 2019: 74 780; 2020: 73 862)		79 163	81 080
Trading (including 1 911 in 2019 and 1 551 in 2020 subject to securities lending and repurchase agreements)		2 410	1 938
Equity securities at fair value through earnings (including 186 in 2019 and 59 in 2020 subject to securities lending and repurchase agreements)		2 993	4 899
Policy loans, mortgages and other loans		3 021	3 315
Investment real estate		2 528	2 602
Short-term investments (including 1 157 in 2019 and 3 969 in 2020 subject to securities lending and repurchase agreements)		5 768	16 082
Other invested assets		7 343	10 314
Investments for unit-linked and with-profit business (including equity securities at fair value through earnings: 520 in 2019 and 463 in 2020)		520	463
Total investments		103 746	120 693
Cash and cash equivalents (including 1 257 in 2019 and 773 in 2020 subject to securities lending, and 4 in 2019 and 3 in 2020 backing unit-linked and with-profit contracts)		7 562	5 470
Accrued investment income		673	626
Premiums and other receivables		15 271	15 934
Reinsurance recoverable on unpaid claims and policy benefits		5 898	5 892
Funds held by ceding companies		9 472	10 726
Deferred acquisition costs	6	7 838	8 230
Acquired present value of future profits	6	1 042	928
Goodwill		3 945	4 021
Income taxes recoverable		466	337
Deferred tax assets	14	4 726	6 079
Other assets		3 489	3 686
Assets held for sale ¹	10	74 439	
Total assets		238 567	182 622

¹ Please refer to Note 10 "Acquisitions and disposals" for more details.

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

Liabilities and Equity

USD millions	Note	2019	2020
Liabilities			
Unpaid claims and claim adjustment expenses	5	72 373	81 258
Liabilities for life and health policy benefits	8	19 836	22 456
Policyholder account balances		5 405	5 192
Unearned premiums		13 365	13 309
Funds held under reinsurance treaties		3 521	5 146
Reinsurance balances payable		889	1 097
Income taxes payable		378	336
Deferred and other non-current tax liabilities	14	5 663	6 740
Short-term debt	11	185	153
Accrued expenses and other liabilities	7	7 191	8 093
Long-term debt	11	10 138	11 584
Liabilities held for sale ¹	10	68 586	
Total liabilities		207 530	155 364
Equity			
Common shares, CHF 0.10 par value			
2019: 327 404 704; 2020: 317 497 306 shares authorised and issued		31	30
Additional paid-in capital		256	251
Treasury shares, net of tax		-2 220	-1 396
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		5 152	5 760
Other-than-temporary impairment, net of tax		-1	-1
Cash flow hedges, net of tax		-2	
Foreign currency translation, net of tax		-5 794	-5 755
Adjustment for pension and other post-retirement benefits, net of tax		-850	-808
Credit risk of financial liabilities at fair value option, net of tax		3	4
Total accumulated other comprehensive income		-1 492	-800
Retained earnings		32 676	29 050
Shareholders' equity		29 251	27 135
Non-controlling interests		1 786	123
Total equity		31 037	27 258
Total liabilities and equity		238 567	182 622

¹ Please refer to Note 10 "Acquisitions and disposals" for more details.

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

Statement of shareholders' equity

For the years ended 31 December

USD millions	2019	2020
Common shares		
Balance as of 1 January	32	31
Cancellation of shares bought back	-1	-1
Balance as of period end	31	30
Additional paid-in capital		
Balance as of 1 January	496	256
Transactions with non-controlling interests ¹	-241	9
Cancellation of shares bought back	-23	-27
Share-based compensation	-9	-1
Realised gains/losses on treasury shares	33	14
Balance as of period end	256	251
Treasury shares, net of tax		
Balance as of 1 January	-2 291	-2 220
Purchase of treasury shares	-1 041	-228
Cancellation of shares bought back	1 020	1 011
Issuance of treasury shares, including share-based compensation to employees	92	41
Balance as of period end	-2 220	-1 396
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	1 905	5 152
Transactions with non-controlling interests ¹	-128	
Disposal of ReAssure ²		-2 133
Changes during the period	3 375	2 741
Balance as of period end	5 152	5 760
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-3	-1
Changes during the period	2	
Balance as of period end	-1	-1
Cash flow hedges, net of tax		
Balance as of 1 January	6	-2
Transactions with non-controlling interests ¹	1	
Changes during the period	-9	2
Balance as of period end	-2	0

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

USD millions	2019	2020
Foreign currency translation, net of tax		
Balance as of 1 January	-5 904	-5 794
Transactions with non-controlling interests ¹	64	
Disposal of ReAssure ²		-13
Changes during the period	46	52
Balance as of period end	-5 794	-5 755
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-828	-850
Transactions with non-controlling interests ¹	7	
Disposal of ReAssure ²		66
Changes during the period	-29	-24
Balance as of period end	-850	-808
Credit risk of financial liabilities at fair value option, net of tax		
Balance as of 1 January	5	3
Changes during the period	-2	1
Balance as of period end	3	4
Retained earnings		
Balance as of 1 January	34 512	32 676
Net income/loss after attribution of non-controlling interests	727	-878
Dividends on common shares	-1 659	-1 765
Cancellation of shares bought back	-996	-983
Impact of ASU 2016-02 ³	92	
Balance as of period end	32 676	29 050
Shareholders' equity	29 251	27 135
Non-controlling interests		
Balance as of 1 January	797	1 786
Transactions with non-controlling interests ¹	606	4
Income/loss attributable to non-controlling interests	42	54
Other comprehensive income attributable to non-controlling interests:		
Change in net unrealised investment gains/losses	380	179
Change in foreign currency translation	-25	-53
Other	-14	1
Disposal of ReAssure ²		-1 848
Balance as of period end	1 786	123
Total equity	31 037	27 258

¹ In 2019, MS&AD Insurance Group Holdings, Inc. (MS&AD) acquired a 10% stake in ReAssure Group Plc. (ReAssure), then a subsidiary of the Group, increasing its total non-controlling interest to 25%. 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 agreed sale.

² In the third quarter of 2020, the Group completed the sale of ReAssure to Phoenix.

³ Impact of Accounting Standards Update in 2019. Please refer to the Annual Report 2019 for more details.

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

Statement of cash flows

For the years ended 31 December

USD millions	2019	2020
Cash flows from operating activities		
Net income/loss attributable to common shareholders	727	-878
Add income/loss attributable to non-controlling interests	42	54
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	538	617
Net realised investment gains/losses	-5 515	972
Income from equity-accounted investees, net of dividends received	-283	175
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	10 659	4 736
Funds held by ceding companies and under reinsurance treaties	-5	393
Reinsurance recoverable on unpaid claims and policy benefits	-571	214
Other assets and liabilities, net	-472	-281
Income taxes payable/recoverable	-471	-630
Trading positions, net	-252	22
Net cash provided/used by operating activities	4 397	5 394
Cash flows from investing activities		
Fixed income securities:		
Sales	51 008	50 302
Maturities	7 732	7 333
Purchases	-58 240	-52 212
Net purchases/sales/maturities of short-term investments	-405	-9 681
Equity securities:		
Sales	2 225	1 782
Purchases	-1 495	-1 749
Securities purchased/sold under agreement to resell/repurchase, net	-869	-1 587
Cash paid/received for acquisitions/disposals and reinsurance transactions, net	340	-2 535
Net purchases/sales/maturities of other investments	581	-1 262
Net purchases/sales/maturities of investments held for unit-linked and with-profit business	1 584	1 888
Net cash provided/used by investing activities	2 461	-7 721
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business:		
Deposits	551	215
Withdrawals	-2 629	-1 630
Issuance/repayment of long-term debt	3 614	1 071
Issuance/repayment of short-term debt	-2 205	-190
Purchase/sale of treasury shares	-946	-199
Dividends paid to shareholders	-1 659	-1 765
Transactions with non-controlling interests	634	
Net cash provided/used by financing activities	-2 640	-2 498

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

USD millions	2019	2020
Total net cash provided/used	4 218	-4 825
Effect of foreign currency translation	88	4
Change in cash and cash equivalents	4 306	-4 821
Cash and cash equivalents as of 1 January	5 985	7 562
Cash and cash equivalents as of 1 January classified as assets held for sale		2 729
Reclassified to assets held for sale	-2 729	
Cash and cash equivalents as of 31 December	7 562	5 470

Interest paid was USD 572 million and USD 563 million (thereof USD 24 million and USD 7 million for letter of credit fees) for 2019 and 2020, respectively. Tax paid was USD 611 million and USD 364 million for 2019 and 2020, 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 "Acquisitions and 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.

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Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

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

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation.

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 “Acquisitions and disposals”.

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.

Principles of consolidation

The Group’s financial statements include the consolidated financial statements of Swiss Re Ltd and its subsidiaries. Voting entities which Swiss Re Ltd directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group’s accounts. Variable interest entities (VIEs) are consolidated when the Swiss Re Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE’s economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Swiss Re Group’s share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group’s accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

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.

Foreign currency remeasurement and translation

Transactions denominated in foreign currencies are remeasured to the respective subsidiary’s functional currency at average exchange rates. Monetary assets and liabilities are remeasured to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are remeasured to the functional currency at historical rates. Remeasurement gains and losses on monetary assets and liabilities and trading securities are reported in earnings. Remeasurement gains and losses on available-for-sale securities, investments in consolidated subsidiaries and investments accounted for using the equity method are reported in shareholders’ equity.

For consolidation purposes, assets and liabilities of subsidiaries with functional currencies other than US dollars are translated from the functional currency to US dollars at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported in shareholders’ equity.

Valuation of financial assets

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market inputs used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement related to these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2020, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value being recognised in shareholders' equity. Trading fixed income securities are carried at fair value with unrealised gains and losses recognised in earnings. A trading classification is used for securities that are bought and held principally for the purpose of selling them in the near term.

For fixed income securities AFS that are other-than-temporary impaired and for which there is not an intention to sell, the impairment is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. The estimated credit loss amount is recognised in earnings, with the remainder of the loss amount recognised in other comprehensive income. In cases where there is an intention or requirement to sell and the fair value is lower than cost expressed in functional currency terms, the cost of fixed income securities AFS is reduced to fair value, with a corresponding charge to realised investment losses. Subsequent recoveries are not recognised in earnings.

Equity investments are carried at fair value with unrealised gains and losses recognised in earnings, with the exception of equity method investments and investments that result in consolidation.

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recognised as investment income on the ex-dividend date. Realised gains and losses on sales are included in earnings and are calculated using the specific identification method.

Policy loans, mortgages and other loans are carried at amortised cost. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life of the asset. Land is recognised at cost and not depreciated. Impairment in value is recognised if the sum of the estimated future undiscounted cash flows from the use of the real estate is lower than its carrying value. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value and is recognised in realised investment losses. Depreciation and other related charges or credits are included in net investment income. Investment in real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in realised investment losses.

Short-term investments are measured at fair value with changes in fair value recognised in net income. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

Other invested assets include affiliated companies, equity accounted companies, derivative financial instruments, collateral receivables, securities purchased under agreement to resell, deposits and time deposits, and investments without readily determinable fair value

(including limited partnership investments). Investments in limited partnerships where the Group's interest equals or exceeds 3% are accounted for using the equity method. Investments in limited partnerships where the Group's interest is below 3% and equity investments in corporate entities which are not publicly traded are accounted for at estimated fair value with changes in fair value recognised in earnings.

The Group enters into securities lending arrangements under which it loans certain securities in exchange for collateral and receives securities lending fees. The Group's policy is to require collateral, consisting of cash or securities, equal to at least 102% of the carrying value of the securities loaned. In certain arrangements, the Group may accept collateral of less than 102% if the structure of the overall transaction offers an equivalent level of security. Cash received as collateral is recognised along with an obligation to return the cash. Securities received as collateral that can be sold or repledged are also recognised along with an obligation to return those securities. Securities lending fees are recognised over the term of the related loans.

Derivative financial instruments and hedge accounting

The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. Changes in fair value on derivatives that are not designated as hedging instruments are recorded in income.

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

The Group recognises separately derivatives that are embedded within other host instruments if the economic characteristics and risks are not clearly and closely related to the economic characteristics and risks of the host contract and if it meets the definition of a derivative if it were a free-standing contract.

Derivative financial instrument assets are generally included in other invested assets and derivative financial instrument liabilities are generally included in accrued expenses and other liabilities.

The Group also designates non-derivative and derivative monetary financial instruments as hedges of the foreign currency exposure of its net investment in certain foreign operations. From the inception of the hedging relationship, remeasurement gains and losses on the designated non-derivative and derivative monetary financial instruments and translation gains and losses on the hedged net investment are reported as translation gains and losses in shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits, certain short-term investments in money market funds and highly liquid debt instruments with a remaining maturity at the date of acquisition of three months or less.

Deferred acquisition costs

The Group incurs costs in connection with acquiring new and renewal reinsurance and insurance business. Some of these costs, which consist primarily of commissions, are deferred as they are directly related to the successful acquisition of such business.

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts. Deferred acquisition costs for long-duration contracts are amortised over the life of underlying contracts. Deferred acquisition costs for universal-life and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

Modifications of insurance and reinsurance contracts

The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. The associated deferred acquisition costs and present value of future profits (PVFP) will continue to be amortised. The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially changed contract as an extinguishment of the replaced contract. The associated deferred acquisition costs or PVFP are written off immediately through income and any new deferrable costs associated with the replacement contract are deferred.

Business combinations

The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition.

Financial statements

Life Capital closed blocks of business can be acquired in different legal forms, either through an acquisition of an entity's share capital or through a reinsurance transaction. The Group's policy is to treat these transactions consistently regardless of the legal form of the acquisition. Accordingly, the Group records the acquired assets and liabilities directly to the balance sheet. Premiums, life and health benefits and other income statement items are not recorded in the income statement on the date of the acquisition.

The underlying assets and liabilities acquired are subsequently accounted for according to the relevant US GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of the acquisition method of accounting, including present value of future profits, goodwill and other intangible assets.

Acquired present value of future profits

The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and health business. The initial value is calculated as the difference between established reserves, which are set up in line with US GAAP accounting policies and assumptions of the Group, and their fair value at the acquisition date. The resulting PVFP, which could be positive or negative, is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. Amortisation and accrual of interest are recognised in acquisition costs. The earned rate corresponds to either the current earned rate or the original earned rate depending on the business written. The rate is consistently applied for the entire life of the applicable business. For universal-life and similar products, PVFP is amortised in line with estimated gross profits, which are updated quarterly. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to PVFP reflecting impairment in value are recognised in acquisition costs during the period in which the determination of impairment is made, or in other comprehensive income for shadow loss recognition.

Goodwill

The excess of the purchase price of acquired businesses over the estimated fair value of net assets acquired is recorded as goodwill, which is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Other assets

Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, receivables related to investing activities, real estate for own use, other classes of property, plant and equipment, lease right-of-use asset, accrued income, certain intangible assets and prepaid assets.

The excess of estimated liabilities for claims and claim adjustment expenses payable over consideration received in respect of retroactive property and casualty reinsurance contracts is recorded as a deferred expense. The deferred expense on retroactive reinsurance contracts is amortised through earnings over the expected claims-paying period.

Real estate for own use as well as other classes of property, plant and equipment are carried at depreciated cost. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life. Land is recognised at cost and not depreciated.

Leases

The Group recognises for finance and operating leases a liability to make lease payments (the lease liability) and a right-of-use asset representing the right to use the underlying asset for the lease term. The lease right-of-use asset is included in "other assets" and the lease liability is included in "accrued expenses and other liabilities" on the balance sheet. Lease expense for lease payments is recognised on a straight-line basis over the lease term.

Additional disclosures are provided in Note 12 "Leases".

Capitalised software costs

External direct costs of materials and services incurred to develop or obtain software for internal use, payroll and payroll-related costs for employees directly associated with software development and interest cost incurred while developing software for internal use are capitalised and amortised on a straight-line basis through earnings over the estimated useful life.

Income taxes

Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax assets may not be realised.

The Group recognises the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgement occurs.

The Group releases stranded tax effects for unrealised gains/losses on AFS securities to earnings on a straight-line basis over the average duration of the relevant AFS portfolio as an approximation of when the individual securities within the portfolio are sold or mature. For adjustment for pension and other post-retirement benefits, stranded tax effects are released to earnings when the relevant pension plan is terminated. For foreign currency translation, stranded tax effects are released to earnings in line with the recycling of the underlying foreign currency translation amounts.

Unpaid claims and claim adjustment expenses

Liabilities for unpaid claims and claim adjustment expenses for property and casualty and for life and health insurance and reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. Reserves also are established for claims incurred but not reported, which are developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgements made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established by the Group. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

The COVID-19 pandemic has created additional uncertainty, both in respect of estimation of claims across the insurance and reinsurance industry and assessments of the wider potential global health and economic impacts. This uncertainty has been compounded by the evolving nature of the pandemic, including the spread of new strains of the virus, and is driven, among other factors, by lack of definitive answers about the impacts of the pandemic and related mitigation efforts on economies and societies across the globe, the efficacy of vaccines and other treatments, and the long-term health and social impacts of the pandemic on populations, as well as by evolving responses of governments and regulators, responses of businesses and outcomes of legal actions that have already been brought or may in the future be brought. The Group has recorded its best estimate of claims and claim adjustment expenses incurred as a result of the pandemic as at 31 December 2020, which best estimate reflects the Group's expectations based on current facts and circumstances. However, the Group may, as a result of the myriad uncertainties, need to change its estimates for claims incurred and additional future claims over time as underlying facts develop.

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the acquisition method of accounting.

The Group does not discount life and health claim reserves except for disability income claims in payment and mortality claims paid out in the form of an annuity. These claims are recognised at the estimated present value of the remaining ultimate net costs of the incurred claims.

Experience features which are directly linked to a reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Liabilities for life and health policy benefits

Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest rate assumptions for life and health (re)insurance benefit liabilities are based on estimates of expected investment yields. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

Liabilities for life and health policy benefits are increased with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held as AFS, these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

Policyholder account balances

Policyholder account balances relate to universal-life-type contracts and investment contracts.

Universal-life-type contracts are long-duration insurance contracts, providing either death or annuity benefits, with terms that are not fixed and guaranteed.

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, ie there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses except for unit-linked and with-profit business, which is presented in a separate line item on the face of the income statement.

Financial statements

Unit-linked and with-profit business are presented together as they are similar in nature. 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 Swiss Re Group (typically 10%). Additional disclosures are provided in Note 7 "Investments".

Funds held assets and liabilities

On the asset side, funds held by ceding companies consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. In addition, the account also includes amounts arising from the application of the deposit method of accounting to ceded retrocession or reinsurance contracts.

On the liability side, funds held under reinsurance treaties consist mainly of amounts arising from the application of the deposit method of accounting to inward insurance and reinsurance contracts. In addition, the account also includes amounts retained from ceded business written on a funds withheld basis.

Funds withheld assets are assets that would normally be paid to the Group but are withheld by the cedent to reduce a potential credit risk or to retain control over investments. In case of funds withheld liabilities, it is the Group that withholds assets related to ceded business in order to reduce its credit risk or retain control over the investments.

The deposit method of accounting is applied to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Funds withheld balances are presented together with assets and liabilities arising from the application of the deposit method because of their common deposit-type character.

Shadow adjustments

Shadow adjustments are recognised in other comprehensive income reflecting the offset of adjustments to deferred acquisition costs and PVFP, typically related to universal-life-type contracts, and policyholder liabilities. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholders' equity will ultimately accrue to policyholders and not shareholders.

Shadow loss recognition testing becomes relevant in low interest rate environments. The test considers whether the hypothetical sale of AFS securities and the reinvestment of proceeds at lower yields would lead to negative operational earnings in future periods, thereby causing a loss recognition event. For shadow loss recognition testing, the Group uses current market yields to determine best estimate US GAAP reserves rather than using locked-in or current book yields. If the unlocked best estimate US GAAP reserves based on current market rates are in excess of reserves based on locked-in or current book yields, a shadow loss recognition reserve is set up. These reserves are recognised in other comprehensive income and do not impact net income. In addition, shadow loss recognition reserves can reverse up to the amount of losses recognised due to past loss events.

Premiums

Property and casualty reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided. Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts.

Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

Reinstatement premiums are due where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The recognition of reinstatement premiums as written depends on individual contract features. Reinstatement premiums are either recognised as written at the time a loss event occurs or in line with the recognition pattern of premiums written of the underlying contract. The accrual of reinstatement premiums is based on actuarial estimates of ultimate losses. Reinstatement premiums are generally earned in proportion to the amount of reinsurance provided.

Insurance and reinsurance ceded

The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency. Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for ceded short- and long-duration contracts, including universal-life-type and investment contracts, are reported as assets in the accompanying consolidated balance sheet.

The Group provides reserves for uncollectible amounts on reinsurance balances ceded, based on management's assessment of the collectability of the outstanding balances.

Receivables

Premium and claims receivables which have been invoiced are accounted for at face value. Together with assets arising from the application of the deposit method of accounting that meet the definition of financing receivables they are regularly assessed for impairment. Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and any financial difficulties of the debtor and can be as high as the outstanding net balance.

Pensions and other post-retirement benefits

The Group accounts for its pension and other post-retirement benefit costs using the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Share-based payment transactions

As of 31 December 2020, the Group has a Leadership Performance Plan, restricted shares and a Global Share Participation Plan. These plans are described in more detail in Note 16 "Share-based payments". The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

For share-based compensation plans which are settled in cash, compensation costs are recognised as liabilities, whereas for equity-settled plans, compensation costs are recognised as an accrual to additional paid-in capital within shareholders' equity.

Treasury shares

Treasury shares are reported at cost in shareholders' equity.

Earnings per common share

Basic earnings per common share are determined by dividing net income available to shareholders by the weighted average number of common shares entitled to dividends during the year. Diluted earnings per common share reflect the effect on earnings and average common shares outstanding associated with dilutive securities.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 17 March 2021. This is the date on which the financial statements are available to be issued.

Adoption of new accounting standards

In August 2018, the FASB issued ASU 2018-13, "Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement", an update to Topic 820, "Fair Value Measurement". The amendments in this ASU add, remove and modify some disclosure requirements on fair value measurement. The Group adopted the standard retrospectively on 1 January 2020 with the exception of the amendments which require prospective adoption. The applicable amendments of ASU 2018-13 are reflected in Note 8 "Fair value disclosures".

In August 2018, the FASB issued ASU 2018-14, "Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans", an update to Subtopic 715-20, "Compensation – Retirement Benefits – Defined Benefit Plans – General". The amendments in this Update remove, clarify and add disclosure requirements related to defined benefit pension and other postretirement plans. The Group adopted the annual disclosure requirements retrospectively as of year-end 2020, which are provided in Note 15 "Benefit plans".

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Cost Incurred in a Cloud Computing Arrangement That Is a Service Contract", a consensus of the FASB Emerging Issues Task Force (EITF) to Subtopic 350-40, "Internal-Use Software". The amendments in this ASU align the requirements for capitalising implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract with the requirements for capitalising implementation costs incurred to develop or obtain internal use software. The update requires that implementation costs related to a CCA that is a service contract need to be capitalised based on the phase and nature of the costs. The Group adopted ASU 2018-15 prospectively on 1 January 2020. The adoption did not have a material impact on the Group's financial statements.

Financial statements

In October 2018, the FASB issued ASU 2018-17, "Targeted Improvements to Related Party Guidance for Variable Interest Entities", an update to Topic 810, "Consolidation". The standard requires that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. The Group adopted the ASU retrospectively on 1 January 2020. The adoption did not have an impact on the Group's financial statements.

In November 2018, the FASB issued ASU 2018-18, "Clarifying the Interaction between Topic 808 and Topic 606", an update to Topic 808, "Collaborative Arrangements". The amendments in this ASU provide guidance on whether certain transactions between collaborative arrangement participants should be accounted for with revenue under Topic 606 "Revenue from Contracts with Customers". In particular, the update requires that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, the presentation of the transaction together with revenue recognised under Topic 606 is precluded. The Group adopted ASU 2018-18 on 1 January 2020 retrospectively to the date of initial application of Topic 606. The adoption did not have an impact on the Group's financial statements.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments". The ASU provides selective clarifications and corrections of guidance on credit losses, hedging, and recognising and measuring financial instruments. The Group adopted the standard on 1 January 2020 with the exception of the guidance relating to ASU 2016-13 "Measurement of Credit Losses". The adoption did not have an impact on the Group's financial statements. The amendments related to credit losses will be adopted together with ASU 2016-13 as required by the standard.

In March 2020, the FASB issued ASU 2020-03, "Codification Improvements to Financial Instruments". The amendments in this ASU address seven specific issues identified related to financial instruments with the aim to improve and clarify the Codification, correct unintended application of current guidance and eliminate inconsistencies. The Group adopted issues 1, 2, 3, 4 and 5 on 9 March 2020, which is the issuance date of the ASU. The adoption did not have an impact on the Group's financial statements. Issues 6 and 7 will be adopted together with ASU 2016-13 "Measurement of Credit Losses" as required by the standard.

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 2020, the Group applied the guidance to Topic 815 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". While these elections did not have a material impact on the Consolidated Financial Statements, they ease the administrative burden of accounting for contracts impacted by the reference rate reform.

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.

2 Information on business segments

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

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

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

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance

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

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

Corporate Solutions

Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational 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

In the fourth quarter of 2019, the Group entered into an agreement to sell its subsidiary ReAssure, previously within the Life Capital business segment, to Phoenix. On 22 July 2020, the Group successfully completed the sale of ReAssure to Phoenix, following the receipt of all required regulatory and anti-trust approvals. The sale effectively led to the deconsolidation of ReAssure from the Group financial statements in the third quarter of 2020. For more details on the transaction, please refer to Note 10 "Acquisitions and disposals".

Life Capital manages Swiss Re's primary life and health business as well as its primary retail property and casualty business. It encompasses the closed and open life and health insurance books, including the ReAssure business sold in 2020 and the business comprising elipsLife and iptiQ.

Through ReAssure, Swiss Re acquired closed blocks of inforce life and health insurance business, either through reinsurance or corporate acquisition, and typically assumed responsibility for administering the underlying policies. The administration of the business was managed directly or, where appropriate, in partnership with a third party. In the open books business, elipsLife, the Group life and health insurance business, offers solutions to pension funds, corporates and affinity groups through an intermediated business to business to consumer ("B2B2C") model. The iptiQ business partners with distributors and enables individuals to address their protection needs on a white labelled basis.

As announced on 19 June 2020, the segmental disclosures will be revised to reflect the way the Group will manage its business activities going forward. As of 1 January 2021, the Life Capital reporting segment ceases to be managed as a separate Business Unit. iptiQ becomes a stand-alone division, and is reported as part of the Group items reporting segment. elipsLife moves to the Corporate Solutions reporting segment.

Group items

Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Group's ultimate parent company, Principal Investments and certain Treasury units and reinsurance and insurance business in run-off. 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

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	21 562	14 452	4 974	2 831		-1 591	42 228
Net premiums written	20 882	12 734	4 253	1 780			39 649
Change in unearned premiums	-1 607	101	-87	-82			-1 675
Premiums earned	19 275	12 835	4 166	1 698			37 974
Fee income from policyholders		169		451			620
Net investment income – non-participating business	1 419	1 207	234	1 193	552	-434	4 171
Net realised investment gains/losses – non-participating business	883	628	162	18	-111		1 580
Net investment result – unit-linked and with-profit business		118		4 821			4 939
Other revenues	18	4	5	1	414	-412	30
Total revenues	21 595	14 961	4 567	8 182	855	-846	49 314
Expenses							
Claims and claim adjustment expenses	-14 783		-3 900				-18 683
Life and health benefits		-10 587		-2 500			-13 087
Return credited to policyholders		-162		-4 471			-4 633
Acquisition costs	-4 810	-1 975	-640	-409			-7 834
Operating expenses	-1 189	-746	-788	-721	-547	412	-3 579
Total expenses before interest expenses	-20 782	-13 470	-5 328	-8 101	-547	412	-47 816
Income/loss before interest and income tax expense/benefit							
Income/loss before interest and income tax expense/benefit	813	1 491	-761	81	308	-434	1 498
Interest expenses	-352	-445	-40	-72	-114	434	-589
Income/loss before income tax expense/benefit	461	1 046	-801	9	194	0	909
Income tax expense/benefit	-65	-147	143	-133	62		-140
Net income/loss before attribution of non-controlling interests	396	899	-658	-124	256	0	769
Income/loss attributable to non-controlling interests			11	-53			-42
Net income/loss attributable to common shareholders	396	899	-647	-177	256	0	727
Claims ratio in %	76.7		93.6				79.7
Expense ratio in %	31.1		34.3				31.7
Combined ratio in %	107.8		127.9				111.4
Management expense ratio ¹ in %		5.2					
Net operating margin ² in %	3.8	10.0	-16.7	2.4			3.4

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

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

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
Revenues							
Gross premiums written	21 512	15 067	4 839	2 533	24	-1 024	42 951
Net premiums written	20 636	13 657	3 824	1 686	24		39 827
Change in unearned premiums	196	68	223	7			494
Premiums earned	20 832	13 725	4 047	1 693	24		40 321
Fee income from policyholders		158		291			449
Net investment income – non-participating business	1 178	1 140	140	827	20	-317	2 988
Net realised investment gains – non-participating business	683	445	74	243	285		1 730
Net investment result – unit-linked and with-profit business		-32		-2 155			-2 187
Other revenues	26	4	5	1	407	-406	37
Total revenues	22 719	15 440	4 266	900	736	-723	43 338
Expenses							
Claims and claim adjustment expenses	-16 403		-3 433	-2			-19 838
Life and health benefits		-12 204		-1 716	-9		-13 929
Return credited to policyholders		5		1 755			1 760
Acquisition costs	-5 104	-1 999	-592	-527	-14		-8 236
Operating expenses	-1 200	-786	-690	-613	-714	406	-3 597
Total expenses before interest expenses	-22 707	-14 984	-4 715	-1 103	-737	406	-43 840
Income/loss before interest and income tax expense/benefit							
	12	456	-449	-203	-1	-317	-502
Interest expenses	-321	-367	-31	-55	-131	317	-588
Income/loss before income tax expense/benefit	-309	89	-480	-258	-132	0	-1 090
Income tax expense/benefit	62	-18	136	41	45		266
Net income/loss before attribution of non-controlling interests	-247	71	-344	-217	-87	0	-824
Income attributable to non-controlling interests			-6	-48			-54
Net income/loss attributable to common shareholders	-247	71	-350	-265	-87	0	-878
Claims ratio in %	78.7		84.8				79.7
Expense ratio in %	30.3		31.7				30.5
Combined ratio in %	109.0		116.5				110.2
Management expense ratio ¹ in %		5.2					
Net operating margin ² in %	0.1	2.9	-10.5	-6.6			-1.1

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

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

Business segments – balance sheet

As of 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	38 877	32 008	7 473	3 088	127		81 573
Equity securities	1 749	620	172	57	395		2 993
Other investments	14 606	4 871	147	865	5 009	-12 606	12 892
Short-term investments	3 283	1 678	380	377	50		5 768
Investments for unit-linked and with-profit business		520					520
Cash and cash equivalents	3 674	1 694	1 698	494	2		7 562
Deferred acquisition costs	2 613	4 529	483	213			7 838
Acquired present value of future profits		577		465			1 042
Reinsurance recoverable	2 325	4 887	7 058	3 111		-11 483	5 898
Other reinsurance assets	12 524	8 471	2 667	5 951	3	-4 873	24 743
Goodwill	1 895	1 846	204				3 945
Other	7 723	5 325	2 342	658	2 256	-8 950	9 354
Assets held for sale ¹				74 983		-544	74 439
Total assets	89 269	67 026	22 624	90 262	7 842	-38 456	238 567
Liabilities							
Unpaid claims and claim adjustment expenses	49 963	13 094	12 881	2 489		-6 054	72 373
Liabilities for life and health policy benefits		20 679	728	4 250		-5 821	19 836
Policyholder account balances		1 401		4 004			5 405
Other reinsurance liabilities	12 899	2 904	4 987	2 034	2	-5 051	17 775
Short-term debt	915	1 500		66	60	-2 356	185
Long-term debt	5 511	11 225	798	838	494	-8 728	10 138
Other	11 662	7 970	1 093	1 015	1 900	-10 408	13 232
Liabilities held for sale ¹				68 624		-38	68 586
Total liabilities	80 950	58 773	20 487	83 320	2 456	-38 456	207 530
Shareholders' equity							
	8 318	8 253	2 005	5 289	5 386	0	29 251
Non-controlling interests		1	132	1 653			1 786
Total equity	8 319	8 253	2 137	6 942	5 386	0	31 037
Total liabilities and equity	89 269	67 026	22 624	90 262	7 842	-38 456	238 567

¹ Please refer to Note 10 "Acquisitions and disposals" for more details.

Business segments – balance sheet

As of 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	39 691	32 958	7 024	3 244	101		83 018
Equity securities	1 518	641	204	110	2 426		4 899
Other investments	19 345	3 502	144	817	5 018	-12 595	16 231
Short-term investments	9 216	4 275	1 865	535	191		16 082
Investments for unit-linked and with-profit business		463					463
Cash and cash equivalents	2 941	1 625	558	294	52		5 470
Deferred acquisition costs	2 576	4 900	413	285	56		8 230
Acquired present value of future profits		510		418			928
Reinsurance recoverable	2 030	2 042	6 733	258		-5 171	5 892
Other reinsurance assets	13 003	7 883	2 491	4 469	9	-1 195	26 660
Goodwill	1 958	1 869	194				4 021
Other	8 769	7 705	2 366	1 193	4 580	-13 885	10 728
Total assets	101 047	68 373	21 992	11 623	12 433	-32 846	182 622
Liabilities							
Unpaid claims and claim adjustment expenses	55 267	14 863	13 560	2 727	9	-5 168	81 258
Liabilities for life and health policy benefits		20 207	746	1 495	9	-1	22 456
Policyholder account balances		1 303		3 889			5 192
Other reinsurance liabilities	14 570	1 399	4 137	887	74	-1 515	19 552
Short-term debt	435	1 500		66	60	-1 908	153
Long-term debt	4 771	12 304	498		2 400	-8 389	11 584
Other	16 834	9 416	909	808	3 067	-15 865	15 169
Total liabilities	91 877	60 992	19 850	9 872	5 619	-32 846	155 364
Shareholders' equity							
	9 168	7 381	2 021	1 751	6 814	0	27 135
Non-controlling interests	2		121				123
Total equity	9 170	7 381	2 142	1 751	6 814	0	27 258
Total liabilities and equity	101 047	68 373	21 992	11 623	12 433	-32 846	182 622

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

For the year ended 31 December

2019 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	7 927	10 497	3 138		21 562
Net premiums written	7 329	10 452	3 101		20 882
Change in unearned premiums	-122	-1 166	-319		-1 607
Premiums earned					
Net investment income				1 419	1 419
Net realised investment gains/losses				883	883
Other revenues				18	18
Total revenues	7 207	9 286	2 782	2 320	21 595
Expenses					
Claims and claim adjustment expenses	-5 328	-7 675	-1 780		-14 783
Acquisition costs	-1 365	-2 758	-687		-4 810
Operating expenses	-610	-395	-184		-1 189
Total expenses before interest expenses	-7 303	-10 828	-2 651	0	-20 782
Income/loss before interest and income tax expense					
	-96	-1 542	131	2 320	813
Interest expenses				-352	-352
Income/loss before income tax expense	-96	-1 542	131	1 968	461
Claims ratio in %					
	73.9	82.6	64.0		76.7
Expense ratio in %					
	27.4	34.0	31.3		31.1
Combined ratio in %					
	101.3	116.6	95.3		107.8

Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2020 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
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
Premiums earned	8 250	9 609	2 973		20 832
Net investment income				1 178	1 178
Net realised investment gains/losses				683	683
Other revenues				26	26
Total revenues	8 250	9 609	2 973	1 887	22 719
Expenses					
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
Total expenses before interest expenses	-9 029	-10 745	-2 933	0	-22 707
Income/loss before interest and income tax expense	-779	-1 136	40	1 887	12
Interest expenses				-321	-321
Income/loss before income tax expense	-779	-1 136	40	1 566	-309
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

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

For the year ended 31 December

2019 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premiums written	10 123	4 329		14 452
Net premiums written	8 522	4 212		12 734
Change in unearned premiums	126	-25		101
Premiums earned	8 648	4 187		12 835
Fee income from policyholders	169			169
Net investment income – non-participating business	912	295		1 207
Net realised investment gains/losses – non-participating business	-24		652	628
Net investment result – unit-linked and with-profit business	118			118
Other revenues	3	1		4
Total revenues	9 826	4 483	652	14 961
Expenses				
Life and health benefits	-7 316	-3 271		-10 587
Return credited to policyholders	-162			-162
Acquisition costs	-1 295	-680		-1 975
Operating expenses	-472	-274		-746
Total expenses before interest expenses	-9 245	-4 225	0	-13 470
Income before interest and income tax expense	581	258	652	1 491
Interest expenses			-445	-445
Income before income tax expense	581	258	207	1 046
Management expense ratio ¹ in %	4.8	6.1		5.2
Net operating margin ² in %	6.0	5.8		10.0

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

² Net operating margin is calculated as "Income 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

2020		Life	Health	Unallocated	Total
USD millions					
Revenues					
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
Premiums earned		9 192	4 533		13 725
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
Total revenues		10 245	4 792	403	15 440
Expenses					
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
Total expenses before interest expenses		-10 413	-4 571	0	-14 984
Income/loss before interest and income tax expense		-168	221	403	456
Interest expenses				-367	-367
Income/loss before income tax expense		-168	221	36	89
Management expense ratio ¹ in %		5.1	5.5		5.2
Net operating margin ² in %		-1.6	4.6		2.9

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

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

d) 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	2019	2020
Americas	18 158	19 462
Europe (including Middle East and Africa)	12 017	12 889
Asia-Pacific	8 419	8 419
Total	38 594	40 770

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

USD millions	2019	2020
United States	15 804	17 130
United Kingdom	3 593	3 793
China	2 136	2 133
Australia	2 026	1 865
Japan	1 620	1 677
Canada	1 205	1 341
Germany	1 330	1 336
Netherlands	913	1 325
Switzerland	1 071	1 205
France	941	968
Ireland	709	757
Other	7 246	7 240
Total	38 594	40 770

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

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Premiums earned, thereof:						
Direct		14	3 837	2 211		6 062
Reinsurance	19 577	13 836	910	95		34 418
Intra-group transactions (assumed and ceded)	265	205	-265	-205		0
Premiums earned before retrocession to external parties						
	19 842	14 055	4 482	2 101		40 480
Retrocession to external parties	-567	-1 220	-316	-403		-2 506
Net premiums earned	19 275	12 835	4 166	1 698	0	37 974
Fee income from policyholders, thereof:						
Direct				360		360
Reinsurance		170		91		261
Gross fee income before retrocession to external parties						
		170		451		621
Retrocession to external parties		-1				-1
Net fee income	0	169	0	451	0	620

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Premiums earned, thereof:						
Direct			3 896	2 427	10	6 333
Reinsurance	21 152	14 794	940	67	14	36 967
Intra-group transactions (assumed and ceded)	418	343	-411	-350		0
Premiums earned before retrocession to external parties						
	21 570	15 137	4 425	2 144	24	43 300
Retrocession to external parties	-738	-1 412	-378	-451		-2 979
Net premiums earned	20 832	13 725	4 047	1 693	24	40 321
Fee income from policyholders, thereof:						
Direct				205		205
Reinsurance		159		86		245
Gross fee income before retrocession to external parties						
		159		291		450
Retrocession to external parties		-1				-1
Net fee income	0	158	0	291	0	449

Claims and claim adjustment expenses

For the year ended 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-12 453	-10 077	-3 836	-3 481		-29 847
Intra-group transactions (assumed and ceded)	-585	-165	585	165		0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	-13 038	-10 242	-3 251	-3 316		-29 847
	352	1 049	264	472		2 137
Net claims paid	-12 686	-9 193	-2 987	-2 844	0	-27 710
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	-2 151	-1 394	-1 143	409		-4 279
Intra-group transactions (assumed and ceded)	-25	-8	25	8		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	-2 176	-1 402	-1 118	417		-4 279
	79	8	205	-73		219
Net unpaid claims and claim adjustment expenses; life and health benefits	-2 097	-1 394	-913	344	0	-4 060
Claims and claim adjustment expenses; life and health benefits	-14 783	-10 587	-3 900	-2 500	0	-31 770

Acquisition costs

For the year ended 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-4 875	-2 148	-729	-458		-8 210
Intra-group transactions (assumed and ceded)	-28	-4	28	4		0
Acquisition costs before impact of retrocession to external parties						
Retrocession to external parties	-4 903	-2 152	-701	-454		-8 210
	93	177	61	45		376
Net acquisition costs	-4 810	-1 975	-640	-409	0	-7 834

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
Claims paid, thereof:						
Gross claims paid to external parties	-12 225	-11 813	-3 221	-2 791	-7	-30 057
Intra-group transactions (assumed and ceded)	-553	-222	553	222		0
Claims before receivables from retrocession to external parties	-12 778	-12 035	-2 668	-2 569	-7	-30 057
Retrocession to external parties	416	1 228	225	414		2 283
Net claims paid	-12 362	-10 807	-2 443	-2 155	-7	-27 774
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	-4 087	-1 474	-646	428	-2	-5 781
Intra-group transactions (assumed and ceded)	278	-88	-284	94		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	-3 809	-1 562	-930	522	-2	-5 781
Retrocession to external parties	-232	165	-60	-85		-212
Net unpaid claims and claim adjustment expenses; life and health benefits	-4 041	-1 397	-990	437	-2	-5 993
Claims and claim adjustment expenses; life and health benefits	-16 403	-12 204	-3 433	-1 718	-9	-33 767

Acquisition costs

For the year ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-5 142	-2 243	-712	-599	-14	-8 710
Intra-group transactions (assumed and ceded)	-68	-24	66	26		0
Acquisition costs before impact of retrocession to external parties	-5 210	-2 267	-646	-573	-14	-8 710
Retrocession to external parties	106	268	54	46		474
Net acquisition costs	-5 104	-1 999	-592	-527	-14	-8 236

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2019 and 2020, the Group had a reinsurance recoverable of USD 5 898 million and USD 5 892 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 33% and 30% of the Group's reinsurance recoverable as of year-end 2019 and 2020, respectively.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2019	2020
Premium receivables invoiced	3 589	3 960
Receivables invoiced from ceded re/insurance business	444	468
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	249	649
Recognised allowance	-56	-73

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 2019 and 2020 was 10% and 0%, respectively. The amount of policyholder dividend expense in 2019 and 2020 was USD 165 million and USD 42 million, respectively.

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4 Premiums written

For the years ended 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Consolidation	Total
Gross premiums written, thereof:							
Direct		14	3 869	2 230			6 113
Reinsurance	21 189	13 794	1 037	95			36 115
Intra-group transactions (assumed)	373	644	68	506		-1 591	0
Gross premiums written	21 562	14 452	4 974	2 831		-1 591	42 228
Intra-group transactions (ceded)	-68	-506	-373	-644		1 591	0
Gross premiums written before retrocession to external parties	21 494	13 946	4 601	2 187			42 228
Retrocession to external parties	-612	-1 212	-348	-407			-2 579
Net premiums written	20 882	12 734	4 253	1 780	0	0	39 649

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Consolidation	Total
Gross premiums written, thereof:							
Direct			3 883	2 466	10		6 359
Reinsurance	20 871	14 732	908	67	14		36 592
Intra-group transactions (assumed)	641	335	48			-1 024	0
Gross premiums written	21 512	15 067	4 839	2 533	24	-1 024	42 951
Intra-group transactions (ceded)	-48		-589	-387		1 024	0
Gross premiums written before retrocession to external parties	21 464	15 067	4 250	2 146	24		42 951
Retrocession to external parties	-828	-1 410	-426	-460			-3 124
Net premiums written	20 636	13 657	3 824	1 686	24	0	39 827

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	2019	2020
Balance as of 1 January	67 446	72 373
Balance as of 1 January classified as held for sale		497
Reinsurance recoverable	-3 606	-3 732
Deferred expense on retroactive reinsurance	-169	-168
Net balance as of 1 January	63 671	68 970
Incurred related to:		
Current year	29 338	34 064
Prior year	2 231	166
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	-23	-36
Total incurred	31 546	34 194
Paid related to:		
Current year	-9 702	-10 329
Prior year	-18 008	-17 445
Total paid	-27 710	-27 774
Foreign exchange	161	2 149
Effect of acquisitions, disposals, new retroactive reinsurance and other items	1 302	-108
Net balance as of period end	68 970	77 431
Reinsurance recoverable	3 732	3 636
Deferred expense on retroactive reinsurance	168	191
Reclassified to liabilities held for sale	-497	
Balance as of period end	72 373	81 258

Prior-year development

Non-life claims development in the year ended 31 December 2020 on prior years is mainly driven by favourable property experience largely offset by adverse casualty experience. Development in property is principally due to reserve releases related to natural catastrophe events in Asia. The deterioration for casualty mostly comes from adverse claims experience for liability in North America, partially offset by favourable development for accident & health and motor. Specialty was impacted by adverse claims experience in engineering and large losses for credit and surety, partly offset by positive claims experience and reduction of large losses for marine.

For life and health lines of business, development on prior years' unpaid claims is unfavourable. For health business, adverse experience in disability portfolios in Australia and the US led to unfavourable claims development. Claims development related to prior years for disability portfolios also includes an element of interest accretion for unpaid claims reported at an estimated present value. For life business, favourable development in the US, driven by positive experience, is partly offset by unfavourable development in Latin America and the UK due to adverse experience.

A summary of prior year net claims and claim adjustment expenses development by lines of business for the years ended 31 December is shown below¹:

USD millions	2019	2020
Line of business:		
Property	367	-582
Casualty	1 425	456
Specialty	105	26
Life and health	334	266
Total	2 231	166

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

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 2020, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 1 428 million. During 2020, the Group incurred net losses of USD 18 million and net paid losses of USD 80 million in relation to these liabilities.

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.

Short duration contract unpaid claims and claim adjustment expenses

Basis of presentation for claims development information

This section of the note provides claims development information and information on reserves for claims relating to insured events that have occurred but have not yet been reported (“IBNR”).

Claims development information and IBNR are presented on an accident year basis and by line of business for individually significant categories. Additional aggregation or disaggregation is provided where appropriate, necessary and practicable (“disaggregation categories”). For instance, Reinsurance liability and motor lines of business are further disaggregated into proportional and non-proportional treaty types to provide more specific information on claims development. Amounts shown in the claims development tables are on a nominal basis, including cases where the Group discounts claims liabilities for measurement under US GAAP, and are net of external retrocession and retrocession between business segments to the extent that a retrocession programme can be allocated to a disaggregation category. Ceded retroactive reinsurance is not included in the claims development table if it cannot be allocated on a reasonable basis to the disaggregation categories used to present claims development information.

In the Property & Casualty Reinsurance and Corporate Solutions segments, all contracts that transfer significant insurance risk are included in scope to the extent they can be allocated to a disaggregation category. For many reinsurance contracts, proportional contracts in particular, ceding companies do not report losses by accident year. In these cases, the Group has allocated reported losses by underwriting year to accident year to produce the accident year tables. Similarly, IBNR is calculated on an underwriting year basis and then the liabilities are allocated to accident year.

In the Life & Health Reinsurance segment, contracts classified as short duration include group life business, certain types of disability and long-term care contracts, group accident, health coverage including critical illness and medical expenses. The Group provides claims development information for Life & Health Reinsurance where reported accident year information is available and there is potential for claims development. This primarily applies to the group disability business in Australia and the UK. This business is generally considered to have relatively higher claims estimation uncertainty than other life and health lines such as group life, due to longer claims development periods.

In the Life Capital segment, short duration contracts include mainly disability medical expenses business. The Group provides no claims development information for Life Capital as its short duration reserves are not material.

The number of years shown in the claims development tables differs by business segment.

For Property & Casualty Reinsurance and Life & Health Reinsurance, the Group discloses data for ten accident years and reporting periods.

The Corporate Solutions business segment was created in 2012. Therefore, nine accident years and reporting periods are shown for this business unit. Corporate Solutions related business written in Property & Casualty Reinsurance prior to 2012 is included in the net claims development information reported by this segment. All but an immaterial portion of claims arising from accident years prior to 2012 relate to accident years which are over ten years ago and therefore out of the required range of disclosure.

The current reporting period estimate of net claims liabilities for accident years older than the number of years shown in the claims development tables is presented as a total after disclosure of cumulative paid claims.

The information presented in claims development tables is presented at current balance sheet foreign exchange rates as of the date of these financial statements to permit an analysis of claims development excluding the impact of foreign exchange movements.

Some of the information provided in the following tables is Required Supplementary Information (RSI) under US GAAP and does not form part of these consolidated audited financial statements. Claims development information for all periods except the current reporting period and any information derived from it – including average annual percentage payout of claims incurred – is considered RSI and is identified as RSI in the tables presented.

Methodology for determining the presented amounts of liabilities for IBNR claims

The liability for unpaid claims and claim adjustment expenses is based on an estimate of the ultimate cost of settling the claims based on both information reported to us by ceding companies and internal estimates.

Non-life re/insurance contracts

The Group develops and recognises its own estimate of IBNR claims, which includes circumstances in which cedents have not reported any claims to the Group or where the Group's estimate of reserves needed to cover reported claims differs from the amounts reported by cedents. For reinsurance business, case reserves and estimated IBNR are reported by cedents and this IBNR is presented together with the Group's own estimate as IBNR in the claims development tables. For insurance business, reserving is performed similarly, except that estimates for case reserves and IBNR are performed by the Group.

Reserving is done on portfolio or contract level depending on the features of the contract. For business reviewed on a portfolio level, the expected ultimate losses are set for most lines and types of business based on analysis performed using standard actuarial techniques. In general, contracts are aggregated into portfolios by combining contracts with similar features.

In most cases, these standard actuarial techniques encompass a number of loss development factor techniques applied to claim tables of paid and reported losses. Other actuarial techniques may be applicable to specific categories. For instance, the analysis of frequency and severity could be applied in all disaggregation categories. Life contingency techniques for projecting regular payments related to bodily injury claims are applied to motor proportional, motor non-proportional, liability proportional, liability non-proportional, accident and health and similar Corporate Solutions lines, where the information is available. In some cases, techniques specific to the projection of future payments for specific risks such as asbestos or pollution claims are applied to both proportional and non-proportional liability claims, also in Corporate Solutions (see also separate section "US asbestos and environmental claims exposure" on page 220).

Contract-level reserving is based on standard actuarial techniques but requires more detailed contract, pricing, claim and exposure information than required for the business reviewed on a portfolio level.

In addition, the following applies to all non-life re/insurance business:

- For the most recent underwriting years, reliance may be made on the Group's costing and underwriting functions for the initial estimates of claims, although the initial reserving estimates may differ from these pricing estimates if there is good reason to believe losses are likely to emerge higher or lower, and in light of the limited claims experience to date. Reviews of those initial estimates are performed regularly, forming a basis for adjustments on both the current and prior underwriting years.
- The reserving process considers any information available in respect of either a specific case or a large loss event and the impact of any unusual features in the technical accounting of information provided by cedents.

Life and health re/insurance contracts

For the Life & Health Reinsurance business, liability for IBNR claims includes provision for "not yet reported claims" expected to have been incurred in respect of both already processed and not yet processed reinsurance accounts and generally includes provisions for the cost of claims on disability contracts that currently are within their deferred period. The IBNR reserving calculations have been made using appropriate techniques, such as chain ladder and/or Bornhuetter-Ferguson approaches, depending upon the level of detail available and the assumed level of development of the claim. For certain lines of business, IBNR claims reserves include reported but not admitted claims, allowing for expected rates of decline for these claims.

Claims frequency information

Claims frequency information is not available for the disaggregation categories of Property & Casualty Reinsurance, as cedents do not report claims frequency information to the Group for most of the assumed reinsurance contract types. These contracts are to be found in all disaggregation categories presented.

Life & Health Reinsurance reports claims frequency information based on individual incidence. The number of reported claims is the actual number of claims booked. For disability business, claims with multiple payments in a year are counted as one claim. Claims that are reported but not admitted are included in the claim count.

For Corporate Solutions, claims frequency is displayed for direct business only, as individual claims information is generally not available for assumed and ceded business. Claims are counted individually per contract to produce the claims frequency table. For some direct business, summary reports are received and multiple claims are booked under a single claim code; this is usually done at a programme, policy year, state, country and/or line of business level of detail. This approach may be applied to business which has a high volume of claim counts, but with only minor claims dollars associated with each claim.

Property & Casualty Reinsurance – Property

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	thereof IBNR	
2011	4 513	4 586	4 399	4 463	4 414	4 409	4 428	4 468	4 470	4 482	23	
2012		2 772	2 597	2 393	2 349	2 318	2 303	2 303	2 297	2 294	5	
2013			3 255	3 267	3 087	2 999	2 974	2 958	2 954	2 947	-2	
2014				2 808	2 642	2 458	2 426	2 423	2 411	2 423	9	
2015					2 914	2 840	2 667	2 634	2 592	2 573	9	
2016						4 030	3 752	3 446	3 440	3 411	10	
2017							6 132	6 041	5 802	5 771	53	
2018								4 799	5 294	5 019	74	
2019									5 351	5 268	555	
2020										7 363	4 385	
Total										41 551	5 121	

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2011	704	2 524	3 371	3 835	4 140	4 248	4 376	4 401	4 416	4 425		
2012		236	1 639	2 040	2 163	2 208	2 228	2 239	2 248	2 250		
2013			550	2 076	2 601	2 802	2 865	2 887	2 904	2 918		
2014				469	1 755	2 146	2 279	2 325	2 342	2 362		
2015					472	1 696	2 229	2 402	2 482	2 506		
2016						653	2 283	2 932	3 151	3 239		
2017							1 002	3 736	4 845	5 187		
2018								642	3 557	4 175		
2019									944	3 332		
2020										1 330		
Total										31 724		
All liabilities before 2011											205	
Liabilities for claims and claim adjustment expenses, net of reinsurance											10 032	

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Property (RSI)	16.8%	50.3%	17.7%	6.7%	3.1%	1.1%	1.2%	0.5%	0.2%	0.2%

The liability for unpaid claims and claim adjustment expenses for property in Property & Casualty Reinsurance shows positive development on most recent accident years. Claims in accident year 2011 were at a high level due to several large natural catastrophes including the earthquake and tsunami in Japan, the earthquakes in Christchurch, New Zealand, and floods in Thailand. The 2017 accident year claims incurred are higher due to natural catastrophes which also affected 2018-2020 accident years. In addition, the current accident year was impacted by COVID-19.

Property & Casualty Reinsurance – Liability, proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	thereof IBNR	
2011	650	708	731	678	636	632	606	599	598	588	54	
2012		531	615	571	542	514	523	514	528	526	58	
2013			741	764	772	766	770	760	757	760	87	
2014				1 009	1 000	1 013	1 002	990	1 028	1 036	157	
2015					1 280	1 329	1 418	1 493	1 564	1 548	267	
2016						1 732	1 738	1 737	1 842	1 892	573	
2017							1 985	2 096	2 239	2 420	869	
2018								1 916	2 095	2 241	1 245	
2019									2 744	3 115	2 204	
2020										2 999	2 692	
Total										17 125	8 206	

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2011	2	110	185	255	341	387	422	446	468	472		
2012		12	120	188	247	301	360	396	432	436		
2013			13	131	238	354	437	513	567	599		
2014				24	162	298	438	575	672	755		
2015					35	214	431	662	915	1 094		
2016						47	94	395	665	906		
2017							50	257	551	1 015		
2018								52	314	597		
2019									84	426		
2020										114		
Total										6 414		
All liabilities before 2011											1 165	
Liabilities for claims and claim adjustment expenses, net of reinsurance											11 876	

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Liability, proportional (RSI)	2.2%	12.6%	13.4%	14.3%	13.0%	10.0%	7.0%	5.0%	2.3%	0.7%

The increase in the incurred losses for accident years 2013 to 2020 is driven by volume increases of business being written. The increases in the incurred losses in reporting year 2020 for accident years 2016 to 2019 are driven by US business. The current accident year was impacted by COVID-19.

In line with the Group's policy, cash flows under loss portfolio transfers are reported through claims paid. For longer-tailed lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Liability, non-proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year									thereof	
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	IBNR	
2011	415	444	482	441	397	363	355	341	342	347	31	
2012		340	358	317	288	267	256	232	227	219	36	
2013			421	402	365	309	283	260	261	255	56	
2014				446	451	418	375	345	365	364	107	
2015					1 860	1 901	1 869	1 886	1 910	1 886	129	
2016						608	591	620	667	720	162	
2017							500	517	600	649	213	
2018								459	464	483	265	
2019									2 424	2 395	543	
2020										849	815	
Total										8 167	2 357	

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2011	1	10	66	114	141	149	162	176	194	212		
2012		-4	11	35	53	85	100	115	130	139		
2013			-2	11	37	60	84	109	133	145		
2014				-2	8	40	71	101	142	169		
2015					0	94	204	337	490	596		
2016						14	224	250	303	365		
2017							-2	18	48	124		
2018								-1	21	72		
2019									211	499		
2020										10		
Total										2 331		
All liabilities before 2011											3 856	
Liabilities for claims and claim adjustment expenses, net of reinsurance											9 692	

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Liability, non-proportional (RSI)	0.9%	7.9%	8.8%	9.4%	9.5%	7.2%	6.9%	5.2%	4.6%	5.2%

The increase in incurred losses for accident year 2015 compared to other years is due to an increase in volume of business written in that year. Accident year 2019 includes an Adverse Development Cover and a Loss Portfolio Transfer written with Corporate Solutions. Liabilities before 2011 include reserves for historic US Asbestos and Environmental losses. The current accident year was impacted by COVID-19.

In line with the Group's policy, cash flows under Loss Portfolio Transfers are reported through claims paid. For longer-tailed lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Accident & Health

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year									
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	thereof IBNR
2011	233	253	248	240	243	237	237	233	232	228	21
2012		338	346	331	321	318	311	309	304	297	22
2013			354	360	346	336	328	326	321	309	32
2014				306	340	331	320	308	307	292	42
2015					439	436	414	404	395	375	45
2016						597	631	625	589	583	129
2017							737	771	732	723	206
2018								730	818	814	187
2019									807	799	242
2020										901	533
Total										5 321	1 459

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year									
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
2011	48	122	143	154	163	168	177	180	183	185	
2012		81	186	213	229	240	249	252	256	258	
2013			56	144	185	209	222	230	236	242	
2014				30	104	147	175	193	208	215	
2015					62	139	192	225	244	257	
2016						74	179	273	328	358	
2017							96	235	336	395	
2018								98	316	458	
2019									113	332	
2020										122	
Total										2 822	
All liabilities before 2011											2 924
Liabilities for claims and claim adjustment expenses, net of reinsurance											5 423

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Accident & Health (RSI)	15.9%	26.0%	13.5%	7.7%	4.7%	3.3%	2.3%	1.5%	1.0%	0.9%

The increase in incurred losses from accident year 2015 onwards is due to an increase in the volume of workers' compensation written on a proportional basis with the current year impacted by COVID-19. The 2010 and prior accident years include the run-off of business written by entities acquired as part of the acquisition of General Electric Insurance Solutions during 2006. This business, which generally had a longer payment pattern, was not renewed.

Property & Casualty Reinsurance – Motor, proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	thereof IBNR	
2011	1 048	1 042	1 012	967	968	967	966	956	960	963	-13	
2012		1 573	1 562	1 545	1 532	1 521	1 520	1 517	1 516	1 520	24	
2013			1 628	1 601	1 607	1 579	1 572	1 567	1 567	1 568	12	
2014				2 085	2 045	2 044	2 026	2 015	2 013	2 011	-7	
2015					1 983	1 979	1 982	1 986	1 986	1 994	15	
2016						2 557	2 675	2 725	2 727	2 732	39	
2017							2 438	2 455	2 441	2 453	136	
2018								2 089	2 124	2 102	225	
2019									2 090	2 066	416	
2020										1 916	1 015	
Total										19 325	1 862	

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2011	277	702	893	927	947	957	965	968	971	971		
2012		501	1 167	1 337	1 388	1 421	1 443	1 456	1 467	1 473		
2013			599	1 225	1 415	1 462	1 494	1 510	1 520	1 529		
2014				767	1 530	1 787	1 867	1 904	1 925	1 938		
2015					823	1 486	1 736	1 840	1 886	1 912		
2016						844	1 872	2 229	2 414	2 520		
2017							776	1 560	1 901	2 078		
2018								636	1 364	1 613		
2019									674	1 320		
2020										630		
Total										15 984		
All liabilities before 2011											340	
Liabilities for claims and claim adjustment expenses, net of reinsurance											3 681	

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Motor, proportional (RSI)	33.8%	37.2%	13.4%	4.7%	2.4%	1.2%	0.7%	0.5%	0.4%	0.0%

The increase in the incurred losses from accident years 2012 to 2016 is driven by new business volume across all regions, with the current accident year impacted by COVID-19. Proportional motor business includes both longer-tailed liability business and shorter-tailed hull business.

The negative IBNRs are due to overstated case reserves, mainly on the German business, and accident year 2011 includes the effects of an outwards proportional contract in inwards non-proportional business.

Property & Casualty Reinsurance – Motor, non-proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	thereof IBNR	
2011	430	471	450	447	432	425	413	441	434	430	99	
2012		350	367	345	329	330	311	320	315	318	60	
2013			456	479	481	462	448	454	453	459	68	
2014				428	461	457	456	449	426	423	66	
2015					404	426	463	458	470	468	83	
2016						488	609	571	564	550	123	
2017							605	636	623	629	177	
2018								510	553	560	212	
2019									1 231	1 243	330	
2020										536	444	
Total										5 616	1 662	

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2011	-11	21	58	82	107	122	138	150	157	179		
2012		2	25	50	86	113	139	161	173	181		
2013			7	90	156	202	229	256	273	288		
2014				4	63	108	148	193	223	243		
2015					-1	34	94	160	206	236		
2016						9	67	129	184	244		
2017							9	60	128	205		
2018								4	36	97		
2019									93	310		
2020										3		
Total										1 986		
All liabilities before 2011											2 876	
Liabilities for claims and claim adjustment expenses, net of reinsurance											6 506	

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Motor, non-proportional (RSI)	1.2%	10.7%	10.9%	10.4%	8.6%	6.2%	4.8%	3.3%	2.1%	5.1%

Claims development in non-proportional motor business is considered long-tailed as it is dominated by liability exposures leading to bodily injury claims which pay out for the lifetime of the claimant.

For accident year 2011, negative claims paid in the first year are due to the commutation of an external retrocession on acquired retroactive business. The increase in incurred losses for accident year 2019 compared to other years is due to an increase in volume of business written, with the current accident year impacted by COVID-19.

In line with the Group's policy, cash flows under Loss Portfolio Transfers are reported through claims paid. For longer-tailed lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Specialty

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	thereof IBNR	
2011	1 327	1 316	1 226	1 139	1 184	1 178	1 193	1 177	1 175	1 175	2	
2012		977	1 036	1 056	1 036	1 034	1 021	1 018	1 014	1 006	7	
2013			1 131	1 054	1 011	974	963	941	929	932	22	
2014				1 138	1 124	1 022	995	980	984	966	32	
2015					1 278	1 252	1 235	1 225	1 224	1 246	47	
2016						1 317	1 305	1 255	1 255	1 238	91	
2017							1 643	1 565	1 434	1 400	125	
2018								1 685	1 777	1 744	467	
2019		<i>RSI</i>							1 785	1 950	662	
2020										1 867	1 161	
Total										13 524	2 616	

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions		Reporting year										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2011	170	577	799	904	956	991	1 056	1 078	1 095	1 104		
2012		132	458	698	791	848	891	926	945	952		
2013			154	432	621	734	789	826	850	863		
2014				181	422	607	706	764	802	826		
2015					139	400	711	876	980	1 036		
2016						146	491	740	909	1 000		
2017							186	592	879	1 046		
2018								189	663	984		
2019		<i>RSI</i>							284	716		
2020										307		
Total										8 834		
All liabilities before 2011											625	
Liabilities for claims and claim adjustment expenses, net of reinsurance											5 315	

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Specialty (RSI)	14.1%	27.7%	20.8%	11.3%	6.3%	3.9%	3.5%	1.7%	1.1%	0.8%

This category contains several individual large losses on marine, aviation and space lines, including the Costa Concordia event in accident year 2012. From 2017 to 2020 accident years, claims incurred is higher due to natural catastrophes, with the current accident year impacted by COVID-19. Accident year 2019 has increased this year due to aviation and engineering but is partially offset by marine decreases.

Corporate Solutions

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									2020	Cumulative number of reported claims (in nominals) thereof IBNR
	2012	2013	2014	2015	2016	2017	2018	2019			
Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020		
2012	1 311	1 237	1 162	1 129	1 127	1 184	1 165	1 210	1 207	39	13 004
2013		1 613	1 593	1 523	1 439	1 436	1 427	1 399	1 412	87	26 338
2014			1 855	1 799	1 728	1 732	1 702	1 631	1 610	165	21 671
2015				1 907	2 080	2 144	2 115	1 932	1 894	198	18 252
2016					2 037	2 124	2 162	2 153	2 146	308	17 439
2017						3 036	3 268	3 016	3 037	367	20 609
2018							2 734	2 673	2 704	320	25 472
2019	RSI							2 835	2 678	788	20 509
2020									3 401	1 949	10 662
Total									20 089	4 221	173 956

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									2020
	2012	2013	2014	2015	2016	2017	2018	2019		
Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	
2012	184	562	724	819	908	980	1 014	1 044	1 067	
2013		275	673	946	1 106	1 175	1 252	1 300	1 327	
2014			276	841	1 137	1 284	1 375	1 473	1 491	
2015				354	914	1 316	1 514	1 650	1 740	
2016					373	1 150	1 405	1 676	1 750	
2017						385	1 520	2 131	2 388	
2018							421	1 447	1 932	
2019	RSI							534	1 247	
2020									580	
Total									13 522	
All liabilities before 2012										416
Liabilities for claims and claim adjustment expenses, net of reinsurance										6 983

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9
Corporate Solutions (RSI)	17.0%	32.8%	17.5%	10.0%	5.7%	5.6%	2.4%	2.2%	1.9%

The increase in current accident year claims is driven by COVID-19-related losses and reserves and a number of large natural catastrophe losses, impacting mainly the property line of business. Decrease across prior accident years is driven by favourable reserve development on accident year 2019, mainly due to lower large man-made claims activity.

Reserves on the US liability line of business on accident years 2012-2019 were reduced by a Loss Portfolio Transfer to P&C Reinsurance of USD 1.2bn in the financial year 2019. In addition, the impact of unfavourable development across all lines of business for accident years 2012-2018 was reduced by recoveries under an Adverse Development Cover with P&C Reinsurance in place since the second half of the financial year 2019. For the financial year 2020, there were immaterial movements under both the Loss Portfolio Transfer and the Adverse Development Cover.

P&C Reinsurance reports both the Adverse Development Cover and the Loss Portfolio Transfer under accident year 2019 (see "Property & Casualty Reinsurance – Liability, non-proportional" on page 225).

Life & Health Reinsurance, long tail

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										Cumulative	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	thereof IBNR	number of reported claims (in nominals)
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
	229	240	303	316	331	308	301	302	309	308	28	6 945
		284	380	383	409	371	374	370	386	387	26	9 525
			512	503	501	463	462	464	489	489	29	12 168
				502	457	435	437	461	486	495	38	14 227
					428	463	448	449	481	491	40	17 140
						449	465	451	483	498	87	14 667
							458	465	488	512	124	17 303
								426	461	477	164	16 491
									396	484	217	12 806
										184	158	2 295
Total										4 325	911	123 567

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	20	65	105	132	153	175	191	206	217	228
		29	92	147	188	222	246	266	283	298
			39	128	195	259	302	330	353	374
				34	114	208	274	312	342	369
					38	112	198	251	291	327
						14	91	167	223	268
							13	79	171	246
								12	78	171
									13	83
										5
Total										2 369
All liabilities before 2011										294
Liabilities for claims and claim adjustment expenses, net of reinsurance										2 250

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Life & Health Reinsurance, long tail (RSI)	5.0%	15.2%	16.3%	11.8%	8.2%	6.5%	5.1%	4.5%	3.7%	3.6%

The increase in incurred losses from accident year 2013 onwards is due to an increase in volume of group disability business in Australia. Disability business volume written in Australia has reduced since 2019.

Reconciliation of gross liability for unpaid claims and claim adjustment expenses

The following table reconciles the Group's net outstanding liabilities to the gross liabilities for unpaid claims and claim adjustment expenses.

The net outstanding liabilities correspond to the total liabilities for unpaid claims and claim adjustment expenses, net of reinsurance for each disaggregation category.

Other short duration contract lines include reserves for business that is not material to the Group and where accident year information is not available. For Life & Health Reinsurance, in certain markets, cedents do not provide sufficient information to reinsurers to split claims incurred and claims paid by accident year. This is based on existing market practice. For these markets, an assessment of available information from other sources was made along with investigating approximations that could be used to provide claims development information by accident year. However, these alternate sources and estimates, based on currently available data and methods, could not be used to generate meaningful and representative accident year information and therefore have been excluded from disclosure. Other short duration contract lines also contain other treaties from Property & Casualty Reinsurance and Corporate Solutions which could not be allocated on a consistent basis to disaggregation categories or specific accident years.

For details on consolidation please refer to Note 2 "Information on business segments".

As of 31 December

USD millions	2020
Net outstanding liabilities	
Property & Casualty Reinsurance	
Property	10 032
Liability, proportional	11 876
Liability, non-proportional	9 692
Accident & Health	5 423
Motor, proportional	3 681
Motor, non-proportional	6 506
Specialty	5 315
Corporate Solutions	6 983
Life & Health Reinsurance, long tail	2 250
Total net undiscounted outstanding liabilities excluding other short duration contract lines and before unallocated reinsurance recoverable	61 758
Discounting impact on (Life & Health Reinsurance) short duration contracts	-311
Impact of acquisition accounting	-435
Total net discounted outstanding liabilities excluding other short duration contract lines and before unallocated reinsurance recoverable	61 012
Other short duration contract lines	4 131
Total net discounted outstanding short duration liabilities	65 143
Allocated reinsurance recoverables on unpaid claims:	
Property & Casualty Reinsurance	
Property	572
Liability, proportional	245
Liability, non-proportional	239
Accident & Health	238
Motor, proportional	52
Motor, non-proportional	220
Specialty	506
Corporate Solutions	5 217
Consolidation	-4 986
Impact of acquisition accounting	-79
Other short duration contract lines	523
Total short duration reinsurance recoverable on outstanding liabilities	2 747
Exclusions:	
Unallocated claim adjustment expenses	1 242
Long duration contracts	12 126
Total other reconciling items	13 368
Total unpaid claims and claim adjustment expenses	81 258

Discounting information

The following disclosure covers the discounting impact for the disaggregation categories included in the claims development information. Discounting information for Life & Health Reinsurance long tail as of 31 December was as follows:

USD millions	2019	2020
Carrying amount of discounted claims	1 318	1 374
Aggregate amount of the discount	-305	-311
Interest accretion ¹	28	29
Range of interest rates	3.0–3.4%	3.0–3.2%

¹ Interest accretion is shown as part of "Life and health benefits" in the income statement.

Please refer to Note 1 "Organisation and summary of significant accounting policies" for more details about the Group's discounting approach for unpaid claims and claim adjustment expenses.

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

As of 31 December, the DAC were as follows:

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Opening balance as of 1 January	2 156	4 784	488	789		8 217
Deferred	5 269	434	621	229		6 553
Effect of acquisitions/disposals and retrocessions		-256		68		-188
Amortisation	-4 809	-445	-626	-240		-6 120
Effect of foreign currency translation and other changes	-3	12		24		33
Reclassified to held for sale				-657		-657
Closing balance	2 613	4 529	483	213	0	7 838
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	483	213		7 838
Opening balance as of 1 January classified as held for sale				657		657
Deferred	5 016	619	504	211		6 350
Effect of acquisitions/disposals and retrocessions		-2		-593 ²		-595
Amortisation	-5 103	-417	-579	-166	-14	-6 279
Effect of foreign currency translation and other changes	50	171	5	-37	70	259
Closing balance	2 576	4 900	413	285	56	8 230

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

As of 31 December, the PVFP was as follows:

2019 USD millions	Life & Health Reinsurance	Positive PVFP	Negative PVFP	Life Capital Total	Total
	Opening balance as of 1 January	804	1 505	-491	1 014
Effect of acquisitions/disposals and retrocessions	-161 ¹	203 ²		203	42
Amortisation	-108	-220	46	-174	-282
Interest accrued on unamortised PVFP	32	103	-15	88	120
Effect of change in unrealised gains/losses		-13		-13	-13
Effect of foreign currency translation	10	43	-16	27	37
Reclassified to held for sale		-1 156	476	-680	-680
Closing balance	577	465	0	465	1 042

2020 USD millions	Life & Health Reinsurance	Positive PVFP	Negative PVFP	Life Capital Total	Total
	Opening balance as of 1 January	577	465		465
Opening balance as of 1 January classified as held for sale		1 156	-476	680	680
Effect of acquisitions/disposals and retrocessions ²		-914	444	-470	-470
Amortisation	-99	-328	33	-295	-394
Interest accrued on unamortised PVFP	28	73	-10	63	91
Effect of change in unrealised gains/losses		-8		-8	-8
Effect of foreign currency translation	4	-26	9	-17	-13
Closing balance	510	418	0	418	928

¹ Impact from termination of a reinsurance arrangement included.

² Please refer to Note 10 "Acquisitions and disposals".

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

The percentage of PVFP which is expected to be amortised in each of the next five years is 16%, 15%, 14%, 13% and 12%.

7 Investments

Investment income

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

USD millions	2019 ¹	2020
Fixed income securities	2 889	2 251
Equity securities	66	92
Policy loans, mortgages and other loans	162	127
Investment real estate	226	241
Short-term investments	93	36
Other current investments	97	103
Share in earnings of equity-accounted investees	387	-51
Cash and cash equivalents	75	25
Net result from deposit-accounted contracts	149	128
Deposits with ceding companies	452	421
Gross investment income	4 596	3 373
Investment expenses	-412	-378
Interest charged for funds held	-13	-7
Net investment income – non-participating business	4 171	2 988

¹ The Group revised its allocation of net investment income. The revision has no impact on the income statement or balance sheet of the Group. Comparative information for 2019 has been adjusted accordingly.

Dividends received from investments accounted for using the equity method were USD 104 million and USD 124 million for 2019 and 2020, respectively.

Share in earnings of equity-accounted investees included impairments of the carrying amount of equity-accounted investees of USD 80 million and USD 5 million for 2019 and 2020, 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	2019	2020
Fixed income securities available-for-sale:		
Gross realised gains	1 590	1 676
Gross realised losses	-143	-256
Other-than-temporary impairments	-5	-29
Net realised investment gains/losses on equity securities	200	-87
Change in net unrealised investment gains/losses on equity securities	478	782
Net realised investment gains/losses on trading securities	153	86
Change in net unrealised investment gains/losses on trading securities	-26	-33
Net realised/unrealised gains/losses on other investments	-197	-41
Net realised/unrealised gains/losses on insurance-related activities	108	40
Foreign exchange gains/losses	-348	-163
Loss related to sale of ReAssure	-230	-245
Net realised investment gains/losses – non-participating business	1 580	1 730

Net realised/unrealised gains/losses on insurance-related activities included impairments of USD 5 million and nil for 2019 and 2020, 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	2019		2020	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	58	101	29	50
Investment income – equity securities	733	76	401	27
Investment income – other	25	11	5	3
Total investment income – unit-linked and with-profit business	816	188	435	80
Realised gains/losses – fixed income securities	89	135	92	72
Realised gains/losses – equity securities	3 333	279	–2 566	–283
Realised gains/losses – other	90	9	–8	–9
Total realised gains/losses – unit-linked and with-profit business	3 512	423	–2 482	–220
Total net investment result – unit-linked and with-profit business	4 328	611	–2 047	–140

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	2019	2020
Balance as of 1 January	80	61
Credit losses for which an other-than-temporary impairment was not previously recognised	5	18
Reductions for securities sold during the period	–24	–32
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	2	
Impact of increase in cash flows expected to be collected	–3	–2
Impact of foreign exchange movements	1	1
Balance as of 31 December	61	46

Financial statements

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:

2019 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	14 192	377	-31		14 538
US Agency securitised products	7 034	104	-14		7 124
States of the United States and political subdivisions of the states	1 783	168	-3		1 948
United Kingdom	7 936	1 309	-26		9 219
Germany	2 870	298	-35		3 133
France	2 095	343	-13		2 425
Canada	2 256	139	-4		2 391
Japan	2 028	98	-2		2 124
Other	10 589	583	-33		11 139
Total	50 783	3 419	-161		54 041
Corporate debt securities	37 293	3 749	-46		40 996
Mortgage- and asset-backed securities	4 397	195	-14	-2	4 576
Reclassified to assets held for sale	-17 693	-2 785	28		-20 450
Fixed income securities available-for-sale	74 780	4 578	-193	-2	79 163

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

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 2019 and 2020.

2019 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 357	31	97	0	2 454	31
US Agency securitised products	1 842	7	654	7	2 496	14
States of the United States and political subdivisions of the states	39	1	30	2	69	3
United Kingdom	1 297	22	83	4	1 380	26
Germany	669	34	17	1	686	35
France	340	12	16	1	356	13
Canada	863	3	62	1	925	4
Japan	443	1	2	1	445	2
Other	1 492	17	315	16	1 807	33
Total	9 342	128	1 276	33	10 618	161
Corporate debt securities	2 562	18	531	28	3 093	46
Mortgage- and asset-backed securities	730	5	404	11	1 134	16
Reclassified to assets held for sale	-1 071	-8	-301	-20	-1 372	-28
Total	11 563	143	1 910	52	13 473	195

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

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 2019 and 2020, USD 20 188 million and USD 20 219 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	Amortised cost or cost	2019	Amortised cost or cost	2020
		Estimated fair value		Estimated fair value
Due in one year or less	7 294	7 324	8 806	8 863
Due after one year through five years	27 559	28 083	18 298	19 040
Due after five years through ten years	15 994	17 115	14 512	15 696
Due after ten years	37 865	43 144	29 942	35 035
Mortgage- and asset-backed securities with no fixed maturity	3 761	3 947	2 304	2 446
Reclassified to assets held for sale	-17 693	-20 450		
Total fixed income securities available-for-sale	74 780	79 163	73 862	81 080

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	2019	2020
Debt securities issued by governments and government agencies	2 358	1 907
Mortgage- and asset-backed securities	52	31
Fixed income securities trading – non-participating business	2 410	1 938
Equity securities at fair value through earnings – non-participating business	2 993	4 899

Investments held for unit-linked and with-profit business

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

USD millions	2019		2020	
	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	1 963	2 717		
Equity securities at fair value through earnings	35 528	2 078	463	
Investment real estate	512	200		
Other	692	3		
Reclassified to assets held for sale	-38 175	-4 998		
Total investments for unit-linked and with-profit business	520	0	463	0

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	2019		2020	
	Carrying value ¹	Fair value	Carrying value	Fair value
Policy loans	50	50	43	43
Mortgage loans	2 104	2 144	1 410	1 458
Other loans	2 314	2 376	1 862	1 906
Investment real estate	2 674	4 706	2 602	5 118

¹ Policy loans, mortgages and other loans include a total of USD 1 447 million which were reclassified to assets held for sale. Investment real estate of USD 146 million was reclassified to assets held for sale.

Depreciation expense related to investment real estate was USD 61 million and USD 67 million for 2019 and 2020, respectively. Accumulated depreciation on investment real estate totalled USD 660 million and USD 779 million as of 31 December 2019 and 2020, 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.

Maturity of lessor cash flows

As of 31 December 2020, 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	203
Between one year and two years	182
Between two years and three years	158
Between three years and four years	125
Between four years and five years	97
After five years	412
Total cash flows	1 177

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 2019 and 2020 was USD 28 million and USD 27 million, respectively.

Other financial assets and liabilities by measurement category

As of 31 December 2019 and 2020, "Other invested assets" and "Accrued expenses and other liabilities" by measurement category were as follows:

2019 USD millions	Fair value	Investments measured at net asset value as practical expedient	Amortised cost or cost	Equity-accounted	Not in scope ¹	Total
Other invested assets						
Derivative financial instruments	472					472
Reverse repurchase agreements			2 089			2 089
Securities lending/borrowing	457		21			478
Equity-accounted investments	335			2 580		2 915
Other	76	913	905			1 894
Reclassified to liabilities held for sale	-60		-445			-505
Other invested assets	1 280	913	2 570	2 580	0	7 343
Accrued expenses and other liabilities						
Derivative financial instruments	692					692
Repurchase agreements			678			678
Securities lending	458		115			573
Securities sold short	1 764					1 764
Other			1 653		2 512	4 165
Reclassified to liabilities held for sale	-161		-329		-191	-681
Accrued expenses and other liabilities	2 753	0	2 117	0	2 321	7 191

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

¹ Amounts do not relate to financial assets or liabilities.

Offsetting of derivatives, financial assets and financial liabilities

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

2019 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	1 662	-1 184	478	-2	476
Reverse repurchase agreements	5 185	-3 096	2 089	-2 061	28
Securities borrowing	171	-150	21	-20	1
Total	7 018	-4 430	2 588	-2 083	505

2019 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	-1 750	1 058	-692	75	-617
Repurchase agreements	-3 352	2 674	-678	653	-25
Securities lending	-1 145	572	-573	524	-49
Total	-6 247	4 304	-1 943	1 252	-691

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

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

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 2019 and 2020, investments with a carrying value of USD 5 239 million and USD 5 858 million, respectively, were on deposit with regulatory agencies in accordance with local requirements, of which USD 223 million and USD 249 million, respectively, were cash and cash equivalents. As of 31 December 2019 and 2020, investments with a carrying value of USD 14 659 million and USD 15 424 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries, of which USD 485 million and USD 259 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 2019 and 2020, securities of USD 18 686 million and USD 13 787 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 251 million and USD 1 970 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 2019 and 2020, a real estate portfolio with a carrying value of USD 188 million and USD 200 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 2019 and 2020, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 5 477 million and USD 4 837 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2019 and 2020 was USD 2 025 million and USD 1 341 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 2019 and 2020, 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.

2019 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
Repurchase agreements					
Debt securities issued by governments and government agencies	30	3 312			3 342
Corporate debt securities	3	7			10
Total repurchase agreements	33	3 319	0	0	3 352
Securities lending					
Debt securities issued by governments and government agencies	295		493	299	1 087
Corporate debt securities	58				58
Total securities lending	353	0	493	299	1 145
Gross amount of recognised liabilities for repurchase agreements and securities lending					4 497

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

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 2020, 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.

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:

2019 USD millions	Quoted prices in active markets for identical assets and liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Impact of netting ¹	Reclassified to assets held for sale	Total
Assets						
Fixed income securities held for proprietary investment purposes	14 057	86 270	1 696		-20 450	81 573
Debt securities issued by US government and government agencies	14 057	2 510			-121	16 446
US Agency securitised products		7 175				7 175
Debt securities issued by non-US governments and government agencies		32 654	3		-5 283	27 374
Corporate debt securities		39 303	1 693		-14 671	26 325
Mortgage- and asset-backed securities		4 628			-375	4 253
Fixed income securities backing unit-linked and with-profit business		4 680			-4 680	0
Equity securities held for proprietary investment purposes	2 992	1				2 993
Equity securities backing unit-linked and with-profit business	37 550	56			-37 086	520
Short-term investments held for proprietary investment purposes	1 098	4 812			-142	5 768
Derivative financial instruments	11	1 426	225	-1 184	-65	413
Interest rate contracts		492			-8	484
Foreign exchange contracts		381			-51	330
Equity contracts	2	530	186			718
Credit contracts		17				17
Other contracts	6	3	39			48
Contracts backing unit-linked and with-profit business	3	3			-6	0
Investment real estate			143		-143	0
Other invested assets	317	140	411			868
Funds held by ceding companies		174				174
Total assets at fair value	56 025	97 559	2 475	-1 184	-62 566	92 309
Liabilities						
Derivative financial instruments	-5	-1 280	-465	1 058	161	-531
Interest rate contracts		-415	-2		50	-367
Foreign exchange contracts		-296			1	-295
Equity contracts	-5	-506	-20			-531
Credit contracts		-63				-63
Other contracts			-443		111	-332
Contracts backing unit-linked and with-profit business					-1	-1
Liabilities for life and health policy benefits			-91			-91
Accrued expenses and other liabilities	-340	-1 882				-2 222
Total liabilities at fair value	-345	-3 162	-556	1 058	161	-2 844

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

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

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

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:

2019 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities									
Balance as of 1 January	1 378	0	404	166	364	2 312	-517	-119	-636
Realised/unrealised gains/losses:									
Included in net income ¹	4		-151	16	20	-111	120	32	152
Included in other comprehensive income ²	73					73		-4	-4
Purchases	417		16		20	453			0
Issuances						0	-147		-147
Sales	-56		-9	-46	-2	-113	24		24
Settlements	-82		-37			-119	60		60
Transfers into level 3					2	2			0
Transfers out of level 3	-76					-76			0
Disposals									
Impact of foreign exchange movements	38		2	7	7	54	-5		-5
Closing balance as of 31 December	1 696	0	225	143	411	2 475	-465	-91	-556

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

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

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

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

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

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	2019	2020
Gains/losses included in net income for the period	41	69
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	-45	-16

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	2019 Fair value	2020 Fair value	Valuation technique	Unobservable input	Range (weighted average ¹)
Assets					
Corporate debt securities	1 693	1 183			
Infrastructure loans	1 147	701	Discounted cash flow model	Valuation spread	84–526 bps (199 bps)
Private placement corporate debt	504	440	Corporate spread matrix	Credit spread	214–236 bps (112 bps)
Private placement credit tenant leases	42	42	Discounted cash flow model	Illiquidity premium	125–150 bps (146 bps)
Derivative equity contracts	186	201			
OTC equity option referencing correlated equity indices	186	201	Proprietary option model	Correlation	-30–55% (30%)
Investment real estate	143				
Liabilities					
Derivative equity contracts	-20	-23			
OTC equity option referencing correlated equity indices	-20	-23	Proprietary option model	Correlation	-30–95% (42%)
Other derivative contracts and liabilities for life and health policy benefits	-534	-414			
Variable annuity and fair valued GMD contracts	-311	-355	Discounted cash flow model	Risk margin	4% (n/a)
				Volatility	12.8–63.8%
				Lapse	1.5–15%
				Mortality improvement	0–1.5%
				Withdrawal rate	0–90%
Swap liability referencing real estate investments	-110				
Weather contracts	-76	-30	Proprietary option model	Risk margin	6–11% (7.9%)
				Correlation	-49–45% (12.1%)
				Volatility (power/gas)	27–65% (56.4%)
				Volatility (temperature)	34–385 (164) HDD/CAT ²
				Index value (temperature)	441–7586 (2315) HDD/CAT ²

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

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

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

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

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

The significant unobservable input used in the fair value measurement of the Group's investment real estate and swap liability referencing real estate investment is the rate used to discount future cash flows from property sales. 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	2019 Fair value	2020 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	565	763	589	non-redeemable	n/a
Hedge funds	208	2		redeemable ¹	45–95 days ²
Private equity direct	128	259	72	non-redeemable	n/a
Real estate funds	12	2	15	non-redeemable	n/a
Total	913	1 026	676		

¹ The redemption frequency varies by position.

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

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

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

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

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

Fair value option

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

Other invested assets

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

Funds held by ceding companies

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

Liabilities for life and health policy benefits

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

Other derivative liabilities

For operational efficiencies, the Group elected the fair value option on a hybrid financial instrument, where the host contract is a debt instrument and the embedded derivative is pegged to the performance of the fund's real estate portfolio. The liability was carried at fair value and changes in fair value were reported as a component of earnings. In the balance sheet and the following fair value disclosures, this item was included under "Liabilities held for sale" for the year ended 31 December 2019.

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	2019	2020
Assets		
Other invested assets	7 343	10 314
of which at fair value pursuant to the fair value option	335	287
Funds held by ceding companies	9 472	10 726
of which at fair value pursuant to the fair value option	174	172
Liabilities		
Liabilities for life and health policy benefits	-19 836	-22 456
of which at fair value pursuant to the fair value option	-91	-98
Liabilities held for sale	-68 586	
of which at fair value pursuant to the fair value option	-110	

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	2019	2020
Other invested assets	16	-24
Funds held by ceding companies	11	6
Liabilities for life and health policy benefits	32	-8
Liabilities held for sale	-10	
Total	49	-26

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:

2019 USD millions	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Assets			
Policy loans		50	50
Mortgage loans		2 144	2 144
Other loans		2 376	2 376
Investment real estate		4 563	4 563
Total assets	0	9 133	9 133
Liabilities			
Debt	-10 639	-3 565	-14 204
Total liabilities	-10 639	-3 565	-14 204

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

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:

2019 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	27 544	494	-395	99
Foreign exchange contracts	26 256	291	-108	183
Equity contracts	16 089	721	-531	190
Credit contracts	3 283	17	-63	-46
Other contracts	10 290	48	-443	-395
Total	83 462	1 571	-1 540	31
Derivatives designated as hedging instruments				
Interest rate contracts	1 403	1	-22	-21
Foreign exchange contracts	15 038	90	-188	-98
Total	16 441	91	-210	-119
Total derivative financial instruments	99 903	1 662	-1 750	-88
Amount offset				
Where a right of set-off exists		-675	675	
Due to cash collateral		-509	383	
Total net amount of derivative financial instruments		478	-692	-214

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

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 2019 and 2020.

Financial statements

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	2019 ¹	2020
Derivatives not designated as hedging instruments		
Interest rate contracts	-116	145
Foreign exchange contracts	-123	970
Equity contracts	-183	-114
Credit contracts	-51	-93
Other contracts	112	
Total gains/losses recognised in income	-361	908

¹ The Group has revised the scope of its non-hedging derivative activities. The revision had no impact on net income or shareholders' equity. Comparative information for 2019 has been adjusted accordingly.

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2019 and 2020, 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	2019		2020			
	Net realised investment gains/losses – non-participating business	Interest expenses	Other comprehensive income - Net unrealised investment gains/losses ¹	Net realised investment gains/losses – non-participating business	Interest expenses	Other comprehensive income - Net unrealised investment gains/losses ¹
Total amounts of income and expense line items	1 580	-589	3 375	1 730	-588	2 741
Foreign exchange contracts						
Gains/losses on derivatives	40			-852		
Gains/losses on hedged items	-40			852		
Amounts excluded from the effectiveness assessment			-2			
Interest rate contracts						
Gains/losses on derivatives		-18			30	
Gains/losses on hedged items		20			-30	

¹ Represents the net change in accumulated other comprehensive income, reflecting the revised presentation of gains/losses recorded in AOCI. Comparative information for 2019 has been adjusted accordingly.

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	2019		2020	
	Carrying value	Cumulative basis adjustment	Carrying value	Cumulative basis adjustment
Assets				
Fixed income securities available-for-sale	9 555		13 083	
Liabilities				
Long-term debt	-1 355	20	-3 968	-10

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.

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	Other comprehensive income - Cash flow hedges ¹	2019	Net realised investment gains/losses – non-participating business	Other comprehensive income - Cash flow hedges ¹	2020
Total amounts of income and expense line items	1 580	–9		1 730		2
Foreign exchange contracts						
Gains/losses on derivatives	–48	–9		15 ²		2

¹ Represents the net change in accumulated other comprehensive income, reflecting the revised presentation of gains/losses recorded in AOCI. Comparative information for 2019 has been adjusted accordingly.

² 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 2019 and 2020, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 1 895 million and USD 248 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 2019 and 2020 was approximately USD 987 million and USD 956 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 75 million and USD 71 million as of 31 December 2019 and 2020, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil and USD 48 million as of 31 December 2019 and 2020, respectively. In the event of a reduction of the Group’s credit rating to below investment grade, a fair value of USD 25 million additional collateral would have had to be posted as of 31 December 2020. The total equals the amount needed to settle the instruments immediately as of 31 December 2020.

10 Acquisitions and disposals

Disposal of ReAssure Group Plc.

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

The principal products administered by ReAssure, formerly part of the Life Capital business segment, are long-term life and pension products, permanent health insurance, critical illness products and retirement annuities.

Swiss Re received a cash payment of USD 1.6 billion, shares in Phoenix representing a 13.3% stake and is entitled to a seat on the Board of Directors of Phoenix. ReAssure's minority shareholder, MS&AD Insurance Group Holdings, Inc. received shares in Phoenix representing a 14.5% stake. Phoenix is not considered a related party of Swiss Re preceding or following the transaction.

The transaction resulted in a net loss of USD 245 million in the Life Capital business segment for the year 2020, which has been reflected in the "Net realised investment gains/losses" line in the income statement. In 2019, USD 139 million of the estimated loss was allocated against the goodwill held by ReAssure in 2019, reducing its carrying amount to zero, and for the remainder of USD 91 million, an additional liability was established within "Liabilities held for sale". The Group reassessed goodwill based on the agreement to sell ReAssure to Phoenix.

For the year ended 31 December 2019 and for the period ended 22 July 2020, ReAssure reported a pre-tax income, including the loss on sale, of USD 120 million and a pre-tax loss of USD 69 million, of which a net income of USD 32 million and a net loss of USD 113 million were attributable to the Swiss Re Group, respectively.

The major classes of assets and liabilities held for sale as of 31 December 2019 and disposed on 22 July 2020 are listed below.

USD millions	2019	2020
Assets		
Fixed income securities	20 450	19 797
Short-term and other investments	2 240	2 287
Investments for unit-linked and with-profit business	43 173	37 885
Cash and cash equivalents	2 729	4 171
Reinsurance recoverable	3 134	2 031
Deferred acquisition costs	657	595
Acquired present value of future profits	680	468
Other assets	1 376	1 752
Total Assets disposed	74 439	68 986
Liabilities		
Unpaid claims and claim adjustment expenses	497	512
Liabilities for life and health policy benefits	22 624	21 300
Policyholder account balances	41 459	36 177
Accrued expenses and other liabilities	4 006	4 430
Total Liabilities disposed	68 586	62 419

Acquisition of Old Mutual Wealth Life Assurance Limited

On 31 December 2019, the Group through its ReAssure subsidiary acquired 100% of the UK closed book business of Quilter plc, consisting of Old Mutual Wealth Life Assurance Limited and its subsidiary Old Mutual Wealth Pensions Trustees Limited, including around 300 employees. The business acquired provides pension schemes, protection products, investment solutions and savings offerings, predominantly to the UK retail market.

The transaction was consistent with ReAssure's strategy to grow its closed-book business and added approximately 0.2 million customer policies, increasing ReAssure's total policy count to 3.2 million. The acquisition was funded from ReAssure's internal resources. The total consideration paid was USD 591 million in cash. As the business was acquired by ReAssure, it was recognised as held for sale upon acquisition and deconsolidated as part of the ReAssure assets and liabilities set out above on disposal.

11 Debt and contingent capital instruments

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

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

USD millions	2019	2020
Senior operational debt		153
Contingent capital instruments classified as financial debt	185	
Short-term debt	185	153
Senior financial debt	2 809	2 919
Senior operational debt	244	95
Subordinated financial debt	5 993	6 147
Subordinated operational debt	1 918	1 927
Contingent capital instruments classified as financial debt	494	496
Reclassified to liabilities held for sale	-1 320	
Long-term debt	10 138	11 584
Total carrying value	10 323	11 737
Total fair value	14 204	14 749

As of 31 December 2019 and 2020, 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 2.2 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	2019	2020
Due in 2021	152	
Due in 2022	804	856
Due in 2023	840	916
Due in 2024	2 573	2 271
Due in 2025	802	1 157
Due after 2025	6 287	6 384
Reclassified to liabilities held for sale	-1 320	
Total carrying value	10 138	11 584

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2022	Senior notes	2012	USD	250	2.88%	250
2023	Senior notes	2016	EUR	750	1.38%	913
2024	EMTN	2014	CHF	250	1.00%	282
2026	Senior notes ¹	1996	USD	397	7.00%	453
2027	EMTN	2015	CHF	250	0.75%	284
2030	Senior notes ¹	2000	USD	193	7.75%	246
2042	Senior notes	2012	USD	500	4.25%	491
Various	Payment undertaking agreements	various	USD	85	various	95
Total senior long-term debt as of 31 December 2020						3 014
Total senior long-term debt as of 31 December 2019						3 053

¹ 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	263
2042	Subordinated fixed-to-floating rate callable loan note	2012	EUR	500	6.63%	2022	606
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	498
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	913
2052	Subordinated fixed rate reset step-up callable loan note	2020	EUR	800	2.71%	2032	990
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 409	6.16%		1 927
Perpetual	Perpetual subordinated fixed-to-floating rate callable loan note	2015	EUR	750	2.60%	2025	892
Perpetual	Perpetual subordinated fixed spread callable note	2019	USD	1 000	4.25%	2024	993
Total subordinated long-term debt as of 31 December 2020						8 074	
Total subordinated long-term debt as of 31 December 2019						7 911	

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%	496
Total contingent capital instruments classified as long-term debt as of 31 December 2020						496
Total contingent capital instruments classified as long-term debt as of 31 December 2019						494

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	2019	2020
Senior financial debt	87	88
Senior operational debt	10	7
Subordinated financial debt ¹	194	263
Subordinated operational debt	111	112
Contingent capital instruments classified as financial debt	22	17
Total	424	487

¹ The Group has revised the presentation of interest expense on subordinated financial debt to exclude the change in fair value of the hedged long-term debt positions in addition to the change in fair value of the swap. The change has no impact on total interest expenses as shown in the income statement. Comparative information for 2019 has been amended accordingly.

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

Long-term debt issued in 2020

In June 2020, Swiss Re Finance (UK) Plc., a subsidiary of Swiss Re Ltd, issued 32-year guaranteed subordinated fixed rate reset step-up callable notes, which are callable after 12 years. The notes have an aggregate face value of EUR 800 million, with a fixed coupon of 2.714% until the first optional redemption date (4 June 2032). The notes are guaranteed on a subordinated basis by Swiss Re Ltd.

In July 2020, Swiss Re Finance (UK) Plc., a subsidiary of Swiss Re Ltd, issued 15-year guaranteed subordinated fixed rate reset callable notes, which are callable after 5 years. The notes have an aggregate face value of SGD 350 million, with a fixed coupon of 3.125% until the first optional redemption date (3 July 2025). The notes are guaranteed on a subordinated basis by Swiss Re Ltd.

12 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	2019	2020
Operating lease right-of-use assets	485	471
Operating lease liabilities	531	524

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	2019	2020
Less than one year	89	90
Between one year and two years	77	80
Between two years and three years	69	73
Between three years and four years	61	63
Between four years and five years	55	51
After five years	239	232
Total undiscounted cash flows	590	589
Less imputed interest	-59	-65
Total lease liability	531	524

As of 31 December 2020, undiscounted sublease cash flows over the next eleven years were USD 39 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 2019 and 2020 was 2.5% and 2.4%, respectively. The weighted average remaining lease term for operating leases as of 31 December 2019 and 2020 was 8.9 years and 9.3 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	2019	2020
Fixed operating lease cost	87	89
Other lease cost ¹	3	5
Total operating lease cost	90	94
Less sublease income from operating leases	-9	-10
Total lease cost	81	84

¹ "Other lease cost" includes variable lease cost.

Other information

For the year ended 31 December 2019 and 2020, cash paid for amounts included in the measurement of operating lease liabilities was USD 91 million and USD 93 million, respectively. Right-of-use assets obtained in exchange for new operating lease liabilities in 2019 and 2020 were USD 68 million and USD 51 million, respectively.

13 Earnings per share

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

USD millions (except share data)	2019	2020
Basic earnings per share		
Net income/loss	769	-824
Non-controlling interests	-42	-54
Net income/loss attributable to common shareholders	727	-878
Weighted average common shares outstanding	295 660 059	289 126 570
Net income/loss per share in USD	2.46	-3.04
Net income/loss per share in CHF¹	2.46	-2.97
Effect of dilutive securities		
Change in income available to common shares due to convertible debt	14	
Change in average number of shares due to convertible debt	13 143 130	
Change in average number of shares due to employee options	704 411	
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	741	
Weighted average common shares outstanding	309 507 600	
Net income/loss per share in USD	2.39	-3.04
Net income/loss per share in CHF¹	2.40	-2.97

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

Dividends are declared in Swiss francs. During the years ended 31 December 2019 and 2020, the parent company of the Group (Swiss Re Ltd) paid dividends per share of CHF 5.60 and CHF 5.90, respectively.

At the 2019 Annual General Meeting held on 17 April 2019, Swiss Re Ltd's shareholders authorised a public share buyback programme consisting of two tranches of each up to CHF 1 billion purchase value of Swiss Re Ltd's own shares for cancellation purposes prior to the 2020 Annual General Meeting, the first tranche being conditional on obtaining all necessary legal and regulatory approvals and Board of Directors approval and the second tranche being conditional on (in addition to obtaining all necessary legal and regulatory approvals and Board of Directors approval) the 2019 development of the Group's excess capital position and subject to the Group's capital management priorities.

The first tranche of the public share buyback programme approved by the 2019 Annual General Meeting was completed on 18 February 2020. The total number of shares repurchased amounted to 9.9 million, of which 8.2 million and 1.7 million shares were repurchased as of 31 December 2019 and between 1 January and 18 February 2020, respectively. As announced on 31 October 2019, the Board of Directors of Swiss Re Ltd decided not to launch the second tranche of the public share buyback programme approved by the 2019 Annual General Meeting.

On 17 April 2020, the 2020 Annual General Meeting resolved the cancellation of the 9.9 million repurchased shares by way of share capital reduction. The share capital reduction was registered in the Commercial Register of the Canton of Zurich on 23 July 2020 and publication in the Swiss Commercial Gazette occurred on 28 July 2020. Swiss Re Ltd's shareholders authorised the SRL Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of Swiss Re Ltd's own shares by way of a public share buyback programme for cancellation purposes prior to the 2021 Annual General Meeting. At the post-AGM meeting, the Board of Directors decided that the share buyback programme would not be launched.

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.

14 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which it operates. The components of the income tax expense were:

USD millions	2019	2020
Current taxes	496	398
Deferred taxes	-356	-664
Income tax expense/benefit	140	-266

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2019	2020
Income tax at the Swiss statutory tax rate of 21.0%	191	-229
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	27	-12
Impact of foreign exchange movements	16	172
Tax exempt income/dividends received deduction	-142	-181
Change in valuation allowance	-16	-88
Non-deductible expenses	38	61
Other income based taxes	76	-36
Change in liability for unrecognised tax benefits including interest and penalties	-42	-17
Basis differences in subsidiaries	1	38
Intra-entity transfers	20	92
Other, net ¹	-29	-66
Total	140	-266

¹ Other, net includes tax return to tax provision adjustments from various jurisdictions.

For the year ended 31 December 2020, the Group reported a tax benefit of USD 266 million on a pre-tax loss of USD 1 090 million, compared to a charge of USD 140 million on a pre-tax income of USD 909 million for 2019. This translates into an effective tax rate in the current and prior-year reporting periods of 24.4 % and 15.4%, respectively.

For the year ended 31 December 2020, the tax rate was largely driven by tax benefits from tax-exempt income and the release of valuation allowance on deferred tax assets, partially offset by tax charges from intra-entity transfers and foreign currency translation differences between statutory and US GAAP accounts. The tax rate in the year ended 31 December 2019 was largely driven by tax benefits from effective settlement of tax audits and tax-exempt income, partially offset by tax charges from other income based taxes and non-deductible expenses.

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2019	2020
Deferred tax assets		
Income accrued/deferred	238	312
Technical provisions	519	756
Unearned Premium Reserves	318	322
Pension provisions	303	295
Benefit on loss carryforwards	2 446	2 982
Currency translation adjustments	316	522
Unrealised gains in income	651	232
Investment valuation in income	269	182
Other	774	869
Reclassified to assets held for sale	-604	
Gross deferred tax asset	5 230	6 472
Valuation allowance	-505	-395
Unrecognised tax benefits offsetting benefits on loss carryforwards	1	2
Total deferred tax assets	4 726	6 079
Deferred tax liabilities		
Investment valuation in income	-448	-240
Deferred acquisition costs	-1 036	-1 062
Technical provisions	-2 230	-1 818
Unrealised gains on investments	-1 443	-1 492
Foreign exchange provisions	-489	-790
Currency translation adjustments	-156	-266
Other	-961	-883
Reclassified to liabilities held for sale	1 321	
Total deferred tax liabilities	-5 442	-6 551
Liability for unrecognised tax benefits including interest and penalties	-250	-189
Reclassified to liabilities held for sale	29	
Total deferred and other non-current tax liabilities	-5 663	-6 740

As of 31 December 2020, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 3.4 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2020, the Group had USD 14 061 million net operating tax loss carryforwards, expiring as follows: USD 6 million in 2021, USD 3 million in 2022, USD 7 million in 2023, USD 841 million in 2024, USD 7 495 million in 2025 and beyond, and USD 5 709 million never expire.

As of 31 December 2020, the Group had capital loss carryforwards of USD 592 million that never expire.

For the year ended 31 December 2020, net operating tax losses of USD 1 596 million and net capital tax losses of USD 1 036 million were utilised.

Income taxes paid in 2019 and 2020 were USD 611 million and USD 364 million, respectively.

Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2019	2020
Balance as of 1 January	257	170
Additions based on tax positions related to current year	38	13
Additions based on tax positions related to prior years	8	-6
Reductions for tax positions of current year	-7	16
Reductions for tax positions of prior years	-83	-30
Statute expiration	-2	-5
Settlements	-16	-17
Other (including foreign currency translation)	-1	9
Reclassified to assets/liabilities held for sale	-24	
Balance as of 31 December	170	150

As of 31 December 2019 and 2020, the amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 170 million and USD 150 million, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. For the year ended 31 December 2019 such expenses were USD 5 million and for the year ended 31 December 2020 such benefits were USD 10 million. For the years ended 31 December 2019 and 2020, USD 55 million and USD 37 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2020 is included within the deferred and other non-current taxes section reflected above and in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2020 presented in the table above excludes accrued interest and penalties (USD 37 million).

During the year, certain tax positions and audits in the United Kingdom, Japan, Malaysia, United States and Switzerland were effectively settled.

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes. However, quantification of an estimated range cannot be made at this time.

The following table summarises jurisdictions and tax years that remain subject to examination:

Australia	2014–2020	Korea	2013–2020
Brazil	2014; 2016–2020	Luxembourg	2016–2020
Canada	2012–2020	Malaysia	2016–2020
China	2010–2020	Mexico	2016–2020
Colombia	2016–2020	Netherlands	2015–2020
Denmark	2015–2020	New Zealand	2014–2020
France	2018–2020	Nigeria	2016–2020
Germany	2017–2020	Singapore	2014–2020
Hong Kong	2014–2020	Slovakia	2016–2020
India	2004; 2010–2020	South Africa	2015–2020
Ireland	2016–2020	Spain	2016–2020
Israel	2016–2020	Switzerland	2016–2020
Italy	2016–2020	United Kingdom	2008, 2013–2020
Japan	2013–2020	United States	2017–2020

15 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

The measurement date of these plans is 31 December for each year presented.

2019 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 832	2 270	319	6 421
Service cost	99	8	3	110
Interest cost	29	67	7	103
Amendments			-1	-1
Actuarial gains/losses	307	297	24	628
Benefits paid	-59	-95	-16	-170
Employee contribution	32			32
Effect of settlement, curtailment and termination	-150			-150
Effect of foreign currency translation	75	42	4	121
Benefit obligation as of 31 December	4 165	2 589	340	7 094
Fair value of plan assets as of 1 January	3 760	2 336	0	6 096
Actual return on plan assets	391	323		714
Company contribution	97	16	16	129
Benefits paid	-59	-95	-16	-170
Employee contribution	32			32
Effect of settlement, curtailment and termination	-150			-150
Effect of foreign currency translation	74	53		127
Fair value of plan assets as of 31 December	4 145	2 633	0	6 778
Funded status	-20	44	-340	-316

2020 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	4 165	2 589	340	7 094
Service cost	120	8	4	132
Interest cost	4	47	5	56
Amendments				0
Actuarial gains/losses	226	169	10	405
Benefits paid	-49	-84	-17	-150
Employee contribution	35			35
Acquisitions/disposals/additions		-541		-541
Effect of settlement, curtailment and termination	-161			-161
Effect of foreign currency translation	410	46	18	474
Benefit obligation as of 31 December	4 750	2 234	360	7 344
Fair value of plan assets as of 1 January	4 145	2 633	0	6 778
Actual return on plan assets	220	272		492
Company contribution	104	15	17	136
Benefits paid	-49	-84	-17	-150
Employee contribution	35			35
Acquisitions/disposals/additions		-559		-559
Effect of settlement, curtailment and termination	-161			-161
Effect of foreign currency translation	408	39		447
Fair value of plan assets as of 31 December	4 702	2 316	0	7 018
Funded status	-48	82	-360	-326

Financial statements

Amounts recognised in “Other assets” and “Accrued expenses and other liabilities” in the Group’s balance sheet as of 31 December were as follows:

2019 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		242		242
Current liabilities		-3	-17	-20
Non-current liabilities	-20	-195	-323	-538
Net amount recognised	-20	44	-340	-316

2020 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		294		294
Current liabilities		-3	-18	-21
Non-current liabilities	-48	-209	-342	-599
Net amount recognised	-48	82	-360	-326

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2019 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	818	441	13	1 272
Prior service cost/credit	-85	2	-50	-133
Total	733	443	-37	1 139

2020 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	832	297	23	1 152
Prior service cost/credit	-70	2	-35	-103
Total	762	299	-12	1 049

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December were as follows:

2019 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	99	8	3	110
Interest cost	29	67	7	103
Expected return on assets	-93	-88		-181
Amortisation of:				
Net gain/loss	35	15	-2	48
Prior service cost	-15		-15	-30
Effect of settlement, curtailment and termination	28			28
Net periodic benefit cost	83	2	-7	78

2020 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	120	8	4	132
Interest cost	4	47	5	56
Expected return on assets	-102	-61		-163
Amortisation of:				
Net gain/loss	66	21		87
Prior service cost	-15		-15	-30
Effect of settlement, curtailment and termination	34			34
Net periodic benefit cost	107	15	-6	116

Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2019 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	10	55	24	89
Prior service cost/credit			-1	-1
Amortisation of:				
Net gain/loss	-35	-15	2	-48
Prior service cost	15		15	30
Effect of settlement, curtailment and termination	-26			-26
Exchange rate gain/loss recognised during the year		3		3
Total recognised in other comprehensive income, gross of tax	-36	43	40	47
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	47	45	33	125

2020 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	108	-42	10	76
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	-66	-21		-87
Prior service cost	15		15	30
Effect of settlement, curtailment and termination	-28			-28
Impact of sale of ReAssure		-93		-93
Exchange rate gain/loss recognised during the year		12		12
Total recognised in other comprehensive income, gross of tax	29	-144	25	-90
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	136	-129	19	26

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 6 687 million and USD 6 921 million as of 31 December 2019 and 2020, respectively.

Pension plans with a projected benefit obligation and an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2019	2020
Projected benefit obligation	4 793	5 455
Fair value of plan assets	4 575	5 195

USD millions	2019	2020
Accumulated benefit obligation	619	5 413
Fair value of plan assets	430	5 195

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2019	2020	2019	2020	2019	2020
Assumptions used to determine obligations at the end of the year						
Discount rate	0.1%	0.0%	2.1%	1.6%	1.5%	1.1%
Rate of compensation increase	1.8%	1.8%	2.9%	2.6%	2.1%	2.1%
Interest crediting rate	1.5%	1.8%				
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	0.8%	0.1%	3.0%	2.1%	2.2%	1.5%
Expected long-term return on plan assets	2.5%	2.5%	3.7%	2.9%		
Rate of compensation increase	1.8%	1.8%	3.0%	2.9%	2.1%	2.1%
Interest crediting rate	1.5%	1.8%				
Assumed medical trend rates at year end						
Medical trend – initial rate					4.4%	4.3%
Medical trend – ultimate rate					3.6%	3.6%
Year that the rate reaches the ultimate trend rate					2023	2024

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2019 and 2020 was as follows:

Asset category	Swiss plan allocation			Foreign plans allocation		
	2019	2020	Target allocation	2019	2020	Target allocation
Equity securities	26%	26%	23%	8%	5%	6%
Debt securities	41%	37%	46%	76%	75%	86%
Real estate	18%	18%	23%	0%	0%	0%
Other	15%	19%	8%	16%	20%	8%
Total	100%	100%	100%	100%	100%	100%

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re shares of USD 3 million (0.04% of total plan assets) and USD 2 million (0.03% of total plan assets) as of 31 December 2019 and 2020, respectively.

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value

For a description of the different fair value levels and valuation techniques see Note 8 "Fair value disclosures".

Certain items reported as pension plan assets at fair value in the following table are not within the scope of Note 8, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange-traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

As of 31 December, the fair values of pension plan assets were as follows:

2019 USD millions	Fair value			Investments measured at net asset value as practical expedient	Total
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)		
Assets					
Fixed income securities:					
Government debt securities	50	1 576			1 626
Corporate debt securities		2 011	11		2 022
RMBS/CMBS/ABS		13			13
Equity securities	1 082	205			1 287
Real estate	4		756		760
Other assets		174		698	872
Cash and cash equivalents	198				198
Total plan assets	1 334	3 979	767	698	6 778

2020 USD millions	Fair value			Investments measured at net asset value as practical expedient	Total
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)		
Assets					
Fixed income securities:					
Government debt securities	60	1 521			1 581
Corporate debt securities		1 891	11		1 902
RMBS/CMBS/ABS		9			9
Equity securities	1 209	122			1 331
Real estate	4		861		865
Other assets		56		1 155	1 211
Cash and cash equivalents	119				119
Total plan assets	1 392	3 599	872	1 155	7 018

Assets measured at fair value using significant unobservable inputs (level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2019 USD millions	Real estate	Other assets	Total
Balance as of 1 January	721	10	731
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	20	1	21
Relating to assets sold during the period			0
Purchases, issuances and settlements	2		2
Transfers in and/or out of level 3			0
Impact of foreign exchange movements	13		13
Closing balance as of 31 December	756	11	767

2020 USD millions	Real estate	Other assets	Total
Balance as of 1 January	756	11	767
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	19	-1	18
Relating to assets sold during the period			0
Purchases, issuances and settlements	12		12
Transfers in and/or out of level 3			0
Impact of foreign exchange movements	74	1	75
Closing balance as of 31 December	861	11	872

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2021 to the defined benefit pension plans are USD 127 million and to the post-retirement benefit plan are USD 18 million.

As of 31 December 2020, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2021	240	83	18	341
2022	233	87	18	338
2023	226	89	18	333
2024	228	91	19	338
2025	222	93	19	334
Years 2026–2030	1 095	486	93	1 674

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2019 and 2020 was USD 86 million and USD 84 million, respectively.

16 Share-based payments

As of 31 December 2019 and 2020, the Group had the share-based compensation plans as described below.

The total compensation cost for share-based compensation plans recognised in net income was USD 30 million and USD 44 million in 2019 and 2020, respectively. The related tax benefit was USD 6 million and USD 9 million, respectively.

Restricted shares

The Group granted 51 036 and 21 709 restricted shares to selected employees in 2019 and 2020, respectively. In addition, 37 593 and 47 984 shares were delivered to members of the Board of Directors during 2019 and 2020, respectively, which are generally not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2020 is as follows:

	Weighted average grant date fair value in CHF ¹	Number of shares
Non-vested at 1 January	91	238 125
Granted	79	69 693
Forfeited	92	-3 212
Vested	90	-71 103
Outstanding as of 31 December	87	233 503

¹ Equal to the market price of the shares at grant.

Leadership Performance Plan

The Leadership Performance Plan (LPP) awards are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. For LPP 2017, LPP 2018, LPP 2019 and LPP 2020 awards, an additional two-year holding period applies for all members of the Group EC and other key executives. At grant date, LPP 2017, LPP 2018 and LPP 2019 awards were split equally into two underlying components of Performance Share Units (PSUs). The ROE PSUs are measured against a return on equity performance condition and will vest within a range of 0–100%. The TSR PSUs are based on relative total shareholder return, measured against a pre-defined group of peers and will vest within a range of 0–200%. At grant date, LPP 2020 was split equally into three underlying components of PSUs. The ENW PSUs, being the third component, are measured against ENW growth performance and will vest within a range of 0–100%. The fair values of all components are determined separately, based on stochastic models.

The fair value assumptions in the grant valuations include market estimates for dividends and the risk-free rate based on the average of the 10-year US Treasury bond taken monthly over each year in the performance period, resulting in risk-free rates ranging between 1.5% and 3.1% for all outstanding LPP awards.

For the year ended 31 December 2020, the outstanding units were as follows:

ROE PSU	LPP 2017	LPP 2018	LPP 2019	LPP 2020
Non-vested at 1 January	446 794	317 069	314 151	
Granted				215 458
Forfeited	–10 337	–13 864	–17 121	–7 532
Vested	–436 457			
Outstanding as of 31 December		303 205	297 030	207 926
Grant date fair value in CHF	47.41	70.18	78.22	78.81

TSR PSU

Non-vested at 1 January	609 090	256 939	302 567	
Granted				352 827
Forfeited	–14 091	–11 243	–16 498	–12 334
Vested	–594 999			
Outstanding as of 31 December		245 696	286 069	340 493
Grant date fair value in CHF	34.78	86.62	81.25	48.12

ENW PSU

Non-vested at 1 January				
Granted				199 497
Forfeited				–6 974
Vested				
Outstanding as of 31 December				192 523
Grant date fair value in CHF				85.17

Unrecognised compensation cost

As of 31 December 2020, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 52 million and the weighted average period over which that cost is expected to be recognised is 1.9 years.

The number of shares authorised for the Group's share-based payments to employees was 3 660 142 and 3 004 148 as of 31 December 2019 and 2020, respectively. The Group's policy is to ensure that sufficient treasury shares are available at all times to settle future share-based compensation plans.

Global Share Participation Plan

Swiss Re has a Global Share Participation Plan, which is a share purchase plan available to employees of companies within the Group. Swiss Re makes a financial contribution to participants in the plan, by matching the commitment that they make during the plan cycle with additional Swiss Re shares.

If the employee is still employed by Swiss Re at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2019 and 2020, Swiss Re contributed USD 12 million and USD 11 million to the plans and authorised 169 772 and 178 571 shares as of 31 December 2019 and 2020, respectively.

17 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Law in respect of compensation and loans to the members of the Board of Directors and of the Group Executive Committee, as well as closely related persons, are detailed in the Compensation Report on pages 140–146 of the Financial Report of the Swiss Re Group.

The disclosure requirements under Swiss Law in respect of participations of members of the Board of Directors and the Group Executive Committee, as well as closely related persons, are detailed on pages 304–305 of the Annual Report of Swiss Re Ltd.

18 Related parties

The Group defines the following as related parties to the Group: subsidiaries of Swiss Re Ltd, entities in which the Group has significant influence, pension plans, members of the Board of Directors (BoD) and the Group Executive Committee (EC) and their close family members, and entities which are directly and indirectly controlled by members of governing bodies of the Group and their close family members.

As part of the consolidation process, transactions between Swiss Re Ltd and subsidiaries are eliminated in consolidation and are not disclosed in the notes.

Contributions made to defined benefit pension plans and post-retirement benefit plans are disclosed in Note 15 "Benefit plans". Plan assets of the defined benefit pension plans include Swiss Re common stock of USD 3 million (0.04% of total plan assets) and USD 2 million (0.03% of total plan assets) as of 31 December 2019 and 2020, respectively.

The total number of shares, options and related instruments held by members of the BoD and the Group EC and persons closely related to, amounts to less than 1% of the shares issued by Swiss Re Ltd. None of the members of the BoD and the Group EC has any significant business connection with Swiss Re Ltd or any of its Group companies. The Board member Susan L. Wagner is also a board member of BlackRock, Inc. BlackRock, Inc. acts as external asset manager for the Group. The Board member Joachim Oechslin is a senior advisor to Credit Suisse Group AG. Swiss Re has a banking relationship with Credit Suisse. It is also a credit provider, and a named dealer under Swiss Re's Debt Issuance Programme.

Share in earnings and dividends received from equity-accounted investees for the years ended 31 December, were as follows:

USD millions	2019	2020
Share in earnings of equity-accounted investees	387	-51
Dividends received from equity-accounted investees	104	124

19 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 2020 were USD 1 781 million.

The Group has entered into various real estate construction contracts. The commitments under the contracts amount to USD 127 million over the next six years.

The Group enters into a number of contracts in the ordinary course of reinsurance 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.

20 Significant subsidiaries and equity investees

	Share capital (millions)	Affiliation in % as of 31.12.2020	Method of consolidation	
Europe				
Germany				
Swiss Re Germany GmbH, Munich	EUR	45	100	f
Jersey				
Swiss Re Finance Holdings (Jersey) Limited, St Helier	GBP	0	100	f
Swiss Re Finance (Jersey) Limited, St Helier	GBP	3	100	f
Swiss Re Finance Midco (Jersey) Limited, St Helier	GBP	0	100	f
Liechtenstein				
Elips Life AG, Vaduz	CHF	12	100	f
Elips Versicherungen AG, Vaduz	CHF	5	100	f
Luxembourg				
iptiQ Life S.A., Luxembourg	EUR	6	100	f
Swiss Pillar Investments Europe SARL, Luxembourg	EUR	0	100	f
Swiss Re Europe Holdings S.A., Luxembourg	EUR	105	100	f
Swiss Re Europe S.A., Luxembourg	EUR	350	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	EUR	0	100	f
Swiss Re Funds (Lux) I, Senningerberg ¹	EUR	13 772	100	f
Swiss Re International SE, Luxembourg	EUR	182	100	f
Netherlands				
elipsLife EMEA Holding B.V., Hoofddorp	EUR	0	100	f
Swiss Re Life Capital EMEA Holding B.V., Hoofddorp	EUR	0	100	f
Switzerland				
Swiss Pillar Investments Ltd, Zurich	CHF	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	CHF	100	100	f
Swiss Re Direct Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Ltd, Zurich	CHF	1	100	f
Swiss Re Life Capital Ltd, Zurich	CHF	0	100	f
Swiss Re Life Capital Management Ltd, Zurich	CHF	0	100	f
Swiss Re Nexus Reinsurance Company Ltd, Zurich	CHF	10	100	f
Swiss Re Management Ltd, Adliswil	CHF	0	100	f
Swiss Re Principal Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Reinsurance Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Reinsurance Company Ltd, Zurich	CHF	34	100	f
United Kingdom				
IptiQ Holdings Limited, London	GBP	0	100	f
Swiss Re Finance (UK) Plc., London	GBP	1	100	f
Swiss Re Capital Markets Limited, London	USD	60	100	f
Swiss Re Life Capital Regions Holding Ltd, London	GBP	0	100	f
Swiss Re Services Limited, London	GBP	2	100	f

¹ Net asset value instead of share capital.

		Share capital (millions)	Affiliation in % as of 31.12.2020	Method of consolidation
Americas and Caribbean				
Brazil				
Swiss Re Brasil Resseguros S.A., Sao Paulo	BRL	295	100	f
Swiss Re Corporate Solutions Brasil Seguros S.A., Sao Paulo	BRL	318	60	f
Cayman Islands				
FWD Group Ltd, Grand Cayman	USD	1	15	e
SRE HL PE 1 LP, George Town	EUR	156	100	f
SREH HL PE 1 LP, George Town	EUR	213	100	f
SRZ HL PE 1 LP, George Town	USD	190	100	f
Colombia				
Compañía Aseguradora de Fianzas S.A. Confianza, Bogota	COP	234 203	51	f
United States				
First Specialty Insurance Corporation, Jefferson City	USD	5	100	f
iptiQ Americas Inc., Wilmington	USD	0	100	f
Lumico Life Insurance Company, Jefferson City	USD	0	100	f
North American Capacity Insurance Company, Manchester	USD	4	100	f
North American Elite Insurance Company, Manchester	USD	4	100	f
North American Specialty Insurance Company, Manchester	USD	5	100	f
Pecan Re Inc., Colchester	USD	5	100	f
Pillar RE Holdings LLC, Wilmington	USD	0	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	USD	0	100	f
SRE HL PE 1 (Master) LP, Wilmington	EUR	155	100	f
SREH HL PE 1 (Master) LP, Wilmington	EUR	213	100	f
SRZ HL PE 1 (Master) LP, Wilmington	USD	190	100	f
Swiss Re America Holding Corporation, Wilmington	USD	0	100	f
Swiss Re Capital Markets Corporation, New York	USD	0	100	f
Swiss Re Corporate Solutions Global Markets Inc., New York	USD	0	100	f
Swiss Re Financial Markets Corporation, Wilmington	USD	0	100	f
Swiss Re Financial Products Corporation, Wilmington	USD	0	100	f
Swiss Re Life & Health America Holding Company, Wilmington	USD	0	100	f
Swiss Re Life & Health America Inc., Jefferson City	USD	4	100	f
Swiss Re Life Capital Americas Holding Inc., Wilmington	USD	0	100	f
Swiss Re Management (US) Corporation, Wilmington	USD	0	100	f
Swiss Re Property & Casualty America Inc., Kansas City	USD	1	100	f
Swiss Re Risk Solutions Corporation, Wilmington	USD	0	100	f
Swiss Re Treasury (US) Corporation, Wilmington	USD	0	100	f
Swiss Reinsurance America Corporation, Armonk	USD	10	100	f
Washington Insurance Corporation, Jefferson City	USD	4	100	f
Westport Insurance Corporation, Jefferson City	USD	6	100	f
Wing Re Inc., Jefferson City	USD	0	100	f
Wing Re II Inc., Jefferson City	USD	0	100	f

Financial statements

	Share capital (millions)	Affiliation in % as of 31.12.2020	Method of consolidation	
Africa				
South Africa				
Swiss Re Africa Limited, Cape Town	ZAR	2	100	f
Asia-Pacific				
Australia				
Swiss Re Australia Ltd, Sydney	AUD	845	100	f
Swiss Re Life & Health Australia Limited, Sydney	AUD	980	100	f
China				
Swiss Re Corporate Solutions Insurance China Ltd, Shanghai	CNY	569	100	f
Singapore				
Swiss Re Asia Holding Pte. Ltd., Singapore	USD	0	100	f
Swiss Re Asia Pte. Ltd., Singapore	USD	3 002	100	f
Swiss Re Principal Investments Company Asia Pte. Ltd., Singapore	USD	0	100	f

Significance is defined by the total assets of the subsidiaries and the carrying value of the equity investees in relation to the total assets of the Group. The threshold is set at 0.05%.

Method of consolidation

f full
e equity

21 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 2020 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	2019	2020
Fixed income securities available-for-sale	3 423	3 807
Investment real estate	143	
Short-term investments	260	59
Investments for unit-linked and with-profit business	654	
Cash and cash equivalents	49	20
Accrued investment income	27	30
Premiums and other receivables	31	35
Funds held by ceding companies	1	1
Deferred acquisition costs	3	5
Deferred tax assets	182	191
Other assets	15	14
Reclassified to assets held for sale	-812	
Total assets	3 976	4 162
Unpaid claims and claim adjustment expenses	55	59
Unearned premiums	12	16
Funds held under reinsurance treaties	4	4
Reinsurance balances payable	21	22
Deferred and other non-current tax liabilities	152	166
Accrued expenses and other liabilities	129	18
Long-term debt	1 918	1 926
Reclassified to liabilities held for sale	-114	
Total liabilities	2 177	2 211

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	2019	2020
Fixed income securities available-for-sale	1 187	1 084
Equity securities at fair value through earnings	113	100
Policy loans, mortgages and other loans	1 735	1 518
Other invested assets	2 160	2 359
Investments for unit-linked and with-profit business	17 131	145
Funds held by ceding companies		25
Reclassified to assets held for sale	-17 590	
Total assets	4 736	5 231
Unpaid claims and claim adjustment expenses		19
Accrued expenses and other liabilities	43	52
Total liabilities	43	71

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	2019 Maximum exposure to loss ¹	Total assets	Total liabilities	2020 Maximum exposure to loss ¹
Insurance-linked securitisations	598		627	545		381
Life and health funding vehicles	22		2 300	20		2 377
Swaps in trusts	83	43	- ²	14	52	- ²
Investment vehicles	2 174		2 174	2 435		2 435
Investment vehicles for unit-linked business	17 131			145		
Senior commercial mortgage and infrastructure loans	2 318		2 318	2 047		2 047
Other				25	19	
Reclassified to held for sale	-17 590		-607			
Total	4 736	43	-²	5 231	71	-²

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

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

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

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Report of the statutory auditor

to the General Meeting of Swiss Re Ltd

Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Re Ltd and its subsidiaries (the 'Group'), which comprise the income statement and statement of comprehensive income for the year ended 31 December 2020, the balance sheet as at 31 December 2020 and the statement of shareholders' equity and the statement of cash flows for the year then ended, and notes to the Group financial statements (pages 182 to 284).

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America (US GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Group's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group for the year ended 31 December 2020 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Other Matter

Accounting principles generally accepted in the United States of America (US GAAP) requires that the supplementary information based on the requirements of ASU 2015-09, Disclosures about Short-Duration Contracts, on pages 223 to 231 be presented to supplement the consolidated financial statements. Such information, although not part of the consolidated financial statements, is required by the Financial Accounting Standards Board, which considers it an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America (US GAAS), which consisted of inquiries of the Group about the methods of preparing the information and comparing the information for consistency with the Group's responses to our inquiries, the consolidated financial statements and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Unobservable or interpolated inputs used for the valuation of certain level 2 and 3 investments

Key audit matter	How our audit addressed the key audit matter
<p>Investment valuation continues to be an area with inherent risk for certain level 2 and 3 investments that have unobservable or interpolated inputs. The risk is not the same for all investment types and is greatest for those listed below. These investments are more difficult to value because quoted prices are not always available, and valuation requires unobservable or interpolated inputs and complex valuation models:</p> <ul style="list-style-type: none">• Fixed income securitised products• Fixed income mortgage and asset-backed securities• Private placements and infrastructure loans• Private equity investments• Derivatives• Insurance-related financial products	<p>We assessed and tested the design and operating effectiveness of selected relevant controls around the valuation models for level 2 and 3 investments, including the Group's independent price verification process. We also tested the Group's data integrity and change management controls relating to the valuation models.</p> <p>In relation to the matters set out opposite, our substantive testing procedures included the following:</p> <ul style="list-style-type: none">• Challenging the Group's methodology and assumptions, in particular, the yield curves, discounted cash flows, perpetual growth rates and liquidity premiums used in the valuation models; comparing these assumptions against appropriate benchmarks; and investigating significant differences.• Engaging our own valuation specialists to perform independent valuations of selected level 2 and 3 investments. <p>Based on the work performed, we determined the Group's conclusions with regard to the valuation of these investments to be reasonable.</p>

Valuation of Property & Casualty ('P&C') loss reserves

Key audit matter

The valuation of P&C loss reserves within the unpaid claims and claim adjustment expenses financial statement line item involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date.

The Group uses a range of actuarial methodologies and methods to estimate these reserves. P&C loss reserves require significant judgment relating to certain factors and assumptions. Among the most significant reserving assumptions are the a-priori loss ratios, which typically drive the estimates of P&C loss reserves for the most recent contract years. Other key factors and assumptions include but are not limited to changes in exposure and business mix as well as inflation trends, claim emergence trends, and legal or regulatory decisions.

In particular, loss reserves for 'long tail' lines of business (for example, Liability, US Asbestos and Environmental, Motor and Workers' Compensation portfolios) generally require more judgment to estimate. This is due to the protracted period over which claims may be reported and/or settled as well as the fact that claim settlements are often less frequent but of higher magnitude.

Moreover, losses from natural catastrophe, significant man-made and COVID-19 pandemic events cannot be modelled using traditional actuarial methodologies or available proprietary models, which increases the degree of judgment needed in establishing reserves for these events. The ongoing nature of the COVID-19 pandemic and additional complexity because of unresolved contract coverage issues, notably on property lines, required particular focus and judgment by management.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected relevant controls relating to the application of the actuarial methodology, data collection and analysis, as well as the processes for determining the assumptions used by the Group in the valuation of P&C loss reserves.

In relation to the matters set out opposite, our substantive testing procedures included involving our PwC internal actuarial specialists, as appropriate, to perform the following:

- Testing the completeness and accuracy of underlying data utilised by the Group's actuaries in estimating P&C loss reserves; this includes applying IT audit techniques to validate the claims triangles used by management to develop reserving estimates.
- Performing independent projections of selected portfolios. For these portfolios, we compared our calculations of projected reserves with those of the Group taking into account the available corroborating and contrary evidence and challenging the Group's assumptions as appropriate.
- Testing the reasonableness of the methodology and assumptions for further selected portfolios by comparing the methodologies and assumptions adopted by the Group with recognised actuarial practices and by applying our industry knowledge and experience.
- Assessing the process and related judgments of the Group in relation to natural catastrophes and other large losses, including using our industry knowledge to assess the reasonableness of market loss estimates and other significant assumptions.
- Challenging the process followed and related judgments of the Group in relation to COVID-19 pandemic losses to assess the reasonableness of loss estimates.
- Where there was significant estimation uncertainty, performing sensitivity tests to determine the impact of selected key assumptions.
- Evaluating the appropriateness of any significant adjustments made by the Group to P&C loss reserve estimates.

Based on the work performed, we determined the Group's conclusions with regard to the valuation of P&C loss reserves to be reasonable.

Valuation of actuarially determined liabilities for Life & Health ('L&H') policy benefits

Key audit matter

The Group's valuation of actuarially determined liabilities for L&H policy benefits involves complex judgments about future events affecting the business.

Actuarial assumptions selected by the Group, including mortality, morbidity, longevity, and persistency, may result in material impacts on the valuation of liabilities for L&H policy benefits. The methodology and methods used can also have a material impact on the valuation of actuarially determined liabilities for L&H policy benefits. In addition, the impact of the COVID-19 pandemic required additional management judgment, particularly over shorter-term mortality assumptions.

The valuation of actuarially determined liabilities for L&H policy benefits depends on the use of complex models. The Group continues to migrate actuarial data and models from legacy systems and/or spreadsheets to new actuarial modelling systems. At the same time, the Group is validating models to ensure that new models are fit for use. Moving from one modelling platform to another is a complex and time-consuming process, frequently taking several years. Any resulting adjustments to the liabilities for L&H policy benefits need to be assessed in terms of appropriateness and classified as a change in estimate or as an out-of-period adjustment.

Furthermore, on a regular basis, the Group enters into large and/or structured transactions which often have material or complex financial reporting and reserving consequences. The reserving for such transactions is subject to increased risk of error due to the non-routine nature of transactions and the judgmental nature of reserving.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected relevant controls relating to the application of actuarial methodology, data collection and analysis, as well as the processes for determining the assumptions used by the Group in the valuation of actuarially determined liabilities for L&H policy benefits.

In relation to the matters set out opposite, our substantive testing procedures included involving our PwC internal actuarial specialists, as appropriate, to perform the following, which are applicable for the valuation of both standard and large and/or structured transactions:

- Testing the completeness and accuracy of the underlying data by vouching against the source documentation.
- Testing the migration of actuarial data from legacy systems and/or spreadsheets to the new actuarial systems for completeness and accuracy.
- Performing independent model validation procedures, including detailed testing of models, independent recalculations and back testing.
- Testing the Group's methodology and methods, focusing on changes to L&H actuarial methodology and methods during the year, by applying our industry knowledge and experience to check whether the methodology and methods are consistent with recognised actuarial practices and reporting requirements.
- Testing the reasonableness of L&H assumptions by applying our industry knowledge and experience to check whether the assumptions are consistent with recognised actuarial practices and industry trends.
- Challenging the process followed and related judgments of the Group in relation to COVID-19 pandemic losses to assess the reasonableness of loss estimates.
- Evaluating the appropriateness of the recognition, accounting, valuation, and disclosures for large and/or structured transactions.

Based on the work performed, we determined the Group's conclusions with regard to the valuation of actuarially determined liabilities for L&H policy benefits to be reasonable.

Valuation of deferred tax assets and completeness and valuation of uncertain tax positions

Key audit matter	How our audit addressed the key audit matter
<p>The Group operates in various countries and is subject to income taxes in those jurisdictions. The assessment of the valuation of deferred tax assets, resulting from net operating losses and temporary differences, and provisions for uncertain tax positions is based on complex calculations and depends on sensitive and judgmental assumptions made by the Group. These include, amongst others, future profitability and local fiscal regulations and developments.</p> <p>Changes in those estimates may have a material impact (through income tax expense) on the Group's results.</p>	<p>We assessed and tested the design and operating effectiveness of selected relevant controls related to the valuation of deferred tax assets and selected relevant controls in place to determine the completeness of the uncertain tax items and the Group's assessment of the items for recognition and valuation.</p> <p>In relation to the matters set out opposite, our substantive testing procedures included the following:</p> <ul style="list-style-type: none">• Involving our own tax specialists to critically review the Group's 'more likely than not' tax assessments and to evaluate the Group's judgments and estimates of the probabilities and the amounts.• Assessing the feasibility of the Group's tax planning measures, including the assessment of forecasted taxable income and any relevant tax rulings that impact the recoverability of deferred tax assets resulting from net operating losses.• Assessing how the Group considered new information or changes in tax law or case law and assessing the Group's judgment of how these impact the Group's position or measurement of the required provision.• Examining tax audit documentation to validate the appropriateness of releases of uncertain tax provisions.• Evaluating the appropriateness of the Group's assessment of completeness of uncertain tax positions.• Examining material movements within uncertain tax positions in each jurisdiction. <p>Based on the work performed, we determined the Group's assessments of the valuation of deferred tax assets and the completeness and valuation of uncertain tax positions to be reasonable.</p>

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd



Roy Clark

Audit expert
Auditor in charge

Zurich, 17 March 2021



Jasmine Chang



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Group financial years 2011–2020

USD millions	2011	2012 ¹	2013
Income statement			
Revenues			
Premiums earned	21 300	24 661	28 276
Fee income	876	785	542
Net investment income	5 469	5 302	4 735
Net realised investment gains/losses	388	2 688	3 325
Other revenues	50	188	24
Total revenues	28 083	33 624	36 902
Expenses			
Claims and claim adjustment expenses	-8 810	-7 763	-9 655
Life and health benefits	-8 414	-8 878	-9 581
Return credited to policyholders	-61	-2 959	-3 678
Acquisition costs	-4 021	-4 548	-4 895
Other operating costs and expenses	-3 902	-3 953	-4 268
Total expenses	-25 208	-28 101	-32 077
Income/loss before income tax expense	2 875	5 523	4 825
Income tax expense/benefit	-77	-1 125	-312
Net income/loss before attribution of non-controlling interests	2 798	4 398	4 513
Income/loss attributable to non-controlling interests	-172	-141	-2
Net income/loss after attribution of non-controlling interests	2 626	4 257	4 511
Interest on contingent capital instruments, net of tax		-56	-67
Net income/loss attributable to common shareholders	2 626	4 201	4 444
Balance sheet			
Assets			
Investments	162 224	152 812	150 075
Other assets	63 675	68 691	63 445
Assets held for sale			
Total assets	225 899	221 503	213 520
Liabilities			
Unpaid claims and claim adjustment expenses	64 878	63 670	61 484
Liabilities for life and health policy benefits	39 044	36 117	36 033
Unearned premiums	8 299	9 384	10 334
Other liabilities	65 850	62 020	57 970
Long-term debt	16 541	16 286	14 722
Liabilities held for sale			
Total liabilities	194 612	187 477	180 543
Shareholders' equity	29 590	34 002	32 952
Non-controlling interests	1 697	24	25
Total equity	31 287	34 026	32 977
Earnings per share in USD	7.68	11.85	12.97
Earnings per share in CHF	6.79	11.13	12.04

¹ The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

2014	2015	2016	2017	2018	2019	2020
30 756	29 751	32 691	33 119	33 875	37 974	40 321
506	463	540	586	586	620	449
4 992	4 236	4 740	4 702	5 077	5 175	3 503
1 059	1 220	5 787	4 048	-2 530	5 515	-972
34	44	28	32	39	30	37
37 347	35 714	43 786	42 487	37 047	49 314	43 338
-10 577	-9 848	-12 564	-16 730	-14 855	-18 683	-19 838
-10 611	-9 080	-10 859	-11 083	-11 769	-13 087	-13 929
-1 541	-1 166	-5 099	-3 298	1 033	-4 633	1 760
-6 515	-6 419	-6 928	-6 977	-6 919	-7 834	-8 236
-3 876	-3 882	-3 964	-3 874	-3 987	-4 168	-4 185
-33 120	-30 395	-39 414	-41 962	-36 497	-48 405	-44 428
4 227	5 319	4 372	525	550	909	-1 090
-658	-651	-749	-132	-69	-140	266
3 569	4 668	3 623	393	481	769	-824
	-3	3	5	-19	-42	-54
3 569	4 665	3 626	398	462	727	-878
-69	-68	-68	-67	-41		
3 500	4 597	3 558	331	421	727	-878
143 987	137 810	155 016	161 897	147 302	103 746	120 693
60 474	58 325	60 049	60 629	60 268	60 382	61 929
					74 439	
204 461	196 135	215 065	222 526	207 570	238 567	182 622
57 954	55 518	57 355	66 795	67 446	72 373	81 258
33 605	30 131	41 176	42 561	39 593	19 836	22 456
10 576	10 869	11 629	11 769	11 721	13 365	13 309
53 670	55 033	59 402	56 959	51 581	23 232	26 757
12 615	10 978	9 787	10 148	8 502	10 138	11 584
					68 586	
168 420	162 529	179 349	188 232	178 843	207 530	155 364
35 930	33 517	35 634	34 124	27 930	29 251	27 135
111	89	82	170	797	1 786	123
36 041	33 606	35 716	34 294	28 727	31 037	27 258
10.23	13.44	10.72	1.03	1.37	2.46	-3.04
9.33	12.93	10.55	1.02	1.34	2.46	-2.97

Annual Report

Swiss Re Ltd

Swiss Re Ltd (the Company), domiciled in Zurich, Switzerland, is the ultimate holding company of the Swiss Re Group (the Group). Its principal activity is the holding of investments in Swiss Re Group companies.

Income statement

Net income for 2020 amounted to CHF 1 573 million (2019: CHF 932 million).

Revenues were mainly driven by cash dividends from subsidiaries and affiliated companies of CHF 3 658 million, trademark licence fees of CHF 416 million, interest on loans with subsidiaries and affiliated companies of CHF 75 million, and commitment fees of CHF 67 million.

Expenses were mainly driven by valuation adjustments to the carrying amount of investments in subsidiaries and affiliated companies totalling CHF 1 982 million. These valuation adjustments were recognised to reflect the substance reduction caused by dividend payments funded by proceeds from sale of significant investments. Expenses were also driven by administrative expenses of CHF 310 million.

Assets

Total assets increased from CHF 24 247 million as of 31 December 2019 to CHF 25 104 million as of 31 December 2020.

Current assets increased by CHF 1 786 million to CHF 4 713 million as of 31 December 2020, mainly driven by an increase in receivables from subsidiaries and affiliated companies, partially offset by a decrease in loans to subsidiaries and affiliated companies.

Non-current assets decreased by CHF 929 million to CHF 20 391 million as of 31 December 2020, mainly driven by a decrease in investments in subsidiaries and affiliated companies partially offset by an increase in loans to subsidiaries and affiliated companies.

Liabilities

Total liabilities increased from CHF 1 447 million as of 31 December 2019 to CHF 2 619 million as of 31 December 2020.

Short-term liabilities decreased by CHF 428 million to CHF 502 million as of 31 December 2020, mainly driven by a decrease in loans from subsidiaries and affiliated companies.

Long-term liabilities increased by CHF 1 600 million to CHF 2 117 million as of 31 December 2020, mainly due to loan agreements with Swiss Re Finance (UK) plc.

Shareholders' equity

Shareholders' equity decreased from CHF 22 800 million as of 31 December 2019 to CHF 22 485 million as of 31 December 2020, mainly due to dividends to shareholders of CHF 1 705 million and share buyback programme of CHF 184 million partially offset by net income of CHF 1 573 million.

Share capital decreased by CHF 1 million to CHF 32 million as of 31 December 2020 and legal profit reserves decreased by CHF 998 million to CHF 4 314 million as of 31 December 2020 resulting from the cancellation of own shares.

Own shares (directly held by the Company) decreased by CHF 817 million to CHF 1 073 million as of 31 December 2020 due to share buyback programme of CHF 184 million offset by the cancellation of own shares of CHF 1 000 million and net sale of own shares of CHF 1 million.

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. After significant contractions in 2020, the global economy is expected to experience a protracted and uneven recovery in 2021. As the COVID-19 crisis continues, 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. The Swiss Re Group will continue to monitor pandemic-related developments and their impact on its operations and its investments.

Income statement

Swiss Re Ltd

For the years ended 31 December

CHF millions	Notes	2019	2020
Revenues			
Investment income	2	2 629	3 832
Trademark licence fees		407	416
Other revenues		41	9
Total revenues		3 077	4 257
Expenses			
Administrative expenses	3	-143	-310
Investment expenses	2	-1 893	-2 072
Other expenses		-105	-299
Total expenses		-2 141	-2 681
Income before income tax expense		936	1 576
Income tax expense		-4	-3
Net income		932	1 573

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Balance sheet

Swiss Re Ltd

As of 31 December

Assets

CHF millions	Notes	2019	2020
Current assets			
Cash and cash equivalents		0	0
Short-term investments	4	48	55
Receivables from subsidiaries and affiliated companies	2	703	2 615
Other receivables and accrued income		16	26
Loans to subsidiaries and affiliated companies		2 160	2 017
Total current assets		2 927	4 713
Non-current assets			
Loans to subsidiaries and affiliated companies		911	1 241
Investments in subsidiaries and affiliated companies	5	20 409	19 150
Total non-current assets		21 320	20 391
Total assets		24 247	25 104

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Liabilities and shareholders' equity

CHF millions	Notes	2019	2020
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		149	264
Other liabilities and accrued expenses		152	128
Loans from subsidiaries and affiliated companies		629	110
Total short-term liabilities		930	502
Long-term liabilities			
Provisions		33	–
Debt	7	484	2 117
Total long-term liabilities		517	2 117
Total liabilities		1 447	2 619
Shareholders' equity			
Share capital	8 10	33	32
<i>Legal reserves from capital contributions</i>		192	192
<i>Other legal capital reserves</i>		0	0
Legal capital reserves		192	192
Legal profit reserves		5 312	4 314
Reserve for own shares (indirectly held by subsidiaries)		17	16
Voluntary profit reserves		18 200	17 431
Retained earnings brought forward		4	–
Net income for the financial year		932	1 573
Own shares (directly held by the Company)	9	–1 890	–1 073
Total shareholders' equity		22 800	22 485
Total liabilities and shareholders' equity		24 247	25 104

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Notes

Swiss Re Ltd

1 Significant accounting principles

Basis of presentation

The financial statements are prepared in accordance with Swiss Law.

Time period

The financial year 2020 comprises the accounting period from 1 January 2020 to 31 December 2020.

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Actual results could differ from these estimates.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates, with the exception of participations, which are reported in Swiss francs at historical exchange rates. Income and expenses in foreign currencies are converted into Swiss francs using the exchange rate prevailing at the date of transaction. Until the end of the financial year 2019, income and expenses were converted into Swiss francs using the average exchange rates for the reporting year.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Short-term investments

Short-term investments contain investments with an original maturity between three months and one year. Such investments are carried at cost, less necessary and legally permissible depreciation.

Receivables from subsidiaries and affiliated companies/ Other receivables

These assets are generally carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Receivables from subsidiaries and affiliated companies/ Other receivables also include derivative financial instruments. Derivative financial instruments which have an observable market price and are traded in an active and liquid market are recorded at market value.

Accrued income

Accrued income consists of both other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year but receivable in a subsequent financial year.

Loans to subsidiaries and affiliated companies

Loans to subsidiaries and affiliated companies are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Investments in subsidiaries and affiliated companies

These assets are carried at cost less necessary value adjustments to reflect other than temporary decreases in the value in use. As of year-end 2020 a group valuation approach is applied for the Company's investments in subsidiaries and affiliated companies, when the facts and circumstances indicate that the investments are to be seen as an economical unit.

Payables to subsidiaries and affiliated companies/ Other liabilities

These liabilities are generally carried at nominal value.

Payables to subsidiaries and affiliated companies/ Other liabilities also include derivative financial instruments. Derivative financial instruments which have an observable market price and are traded in an active and liquid market are recorded at market value.

Accrued expenses

Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but payable in a subsequent financial year.

Loans from subsidiaries and affiliated companies

Loans from subsidiaries and affiliated companies are carried at nominal value.

Provisions

Provisions contain provision for currency fluctuation and provision for taxation.

As of 2020, the provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the revaluation of the balance sheet at year-end. Until the end of the financial year 2019, the provision for currency fluctuation comprised the net effect of foreign exchange gains and losses arising from the yearly revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

The provision for taxation represents an estimate of taxes payable in respect of the reporting year.

Debt

Debt is held at redemption value.

Other legal capital reserves

Other legal capital reserves reflect gains and losses from sale of own shares (directly held by the Company).

Reserve for own shares (indirectly held by subsidiaries)

Reserve for own shares is accounted for at the book value of those shares in the statutory financial statements of the respective subsidiary.

Own shares (directly held by the Company)

Own shares are carried at cost and presented as a deduction in shareholders' equity.

Foreign exchange transaction gains and losses

Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported in other expenses or other revenues, respectively.

Dividends from subsidiaries and affiliated companies

Dividends from subsidiaries and affiliated companies are recognised as investment income in the year in which they are declared.

Trademark licence fees

Trademark licence fees are charged by the Company to its direct and indirect subsidiaries and their branches that benefit from the use of the Swiss Re brand.

Capital and indirect taxes

Capital and indirect taxes related to the financial year are included in other expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense

As of 1 January 2020, due to the abolishment of the holding company exemption on a cantonal/ communal level as part of the Swiss Tax Reform, Swiss Re Ltd is subject to ordinary income taxation at cantonal/ communal and federal level. In 2019, as a holding company incorporated in Switzerland, Swiss Re Ltd was exempt from income taxation at cantonal/ communal level.

Dividends from subsidiaries and affiliated companies are indirectly exempt from income taxation (participation relief).

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 17 March 2021. This is the date on which the financial statements are available to be issued.

2 Investment income and expenses

CHF millions	2019	2020
Cash dividends from subsidiaries and affiliated companies	2 230	3 658
Realised gains on sale of investments	155	5
Valuation adjustments on derivative financial instruments ¹	35	24
Income from short-term investments	1	0
Income from loans to subsidiaries and affiliated companies	131	75
Investment management income	0	0
Other interest revenues	77	70
Investment income	2 629	3 832

CHF millions	2019	2020
Realised losses on sale of investments	157	13
Valuation adjustments on derivative financial instruments ¹	14	32
Valuation adjustments on investments in subsidiaries and affiliated companies	1 702	1 982
Investment management expenses	1	0
Other interest expenses	19	45
Investment expenses	1 893	2 072

¹ The derivative financial instruments are included in Receivables from subsidiaries and affiliated companies and Payables to subsidiaries and affiliated companies.

As of 31 December 2020, the Company's assets for derivative financial instruments carried at market value amounted to CHF 155 millions (2019: CHF 101 millions).

3 Administrative expenses and personnel information

Swiss Re Ltd receives management and other services from Swiss Re Management Ltd and Swiss Reinsurance Company Ltd and has no employees of its own.

4 Securities lending

As of 31 December 2020, securities of CHF 53.0 million (2019: CHF 47.1 million) were lent to Group companies under securities lending agreements. As of 31 December 2020 and 2019, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

As of 31 December 2020 and 2019, Swiss Re Ltd held directly the following investments in subsidiaries and affiliated companies:

As of 31 December 2020	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd ¹	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Management Ltd	Zurich	CHF	0.1	100	100
Swiss Re Insurance-Linked Investment Management AG ²	Zurich	CHF	1.5	100	100
Swiss Re Finance (UK) plc ³	London	GBP	1.0	100	100

As of 31 December 2019	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Management Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

¹ On 22 July 2020 the Group completed the sale of ReAssure Group Plc a subsidiary of Swiss Re Life Capital Ltd, to Phoenix Group Holdings Plc. Detailed information is included in Note 10 "Acquisitions and disposals" on page 258 in the notes to the Group's 2020 financial statements.

² New direct subsidiary, registered 16 October 2020.

³ Swiss Re Specialised Investments Holdings (UK) Ltd was renamed to Swiss Re Finance (UK) plc.

Further disclosures in respect of investments in significant indirect subsidiaries and affiliated companies are detailed in Note 20 "Significant subsidiaries and equity investees" on pages 278 to 280 in the notes to the Group's 2020 financial statements, where the voting interests are equal to the affiliations disclosed.

6 Commitments

The Company has established subordinated debt facilities which allow the Company to issue subordinated callable notes at any time. The Company pays a fee on the available commitment under the facility and an interest rate on issued notes. Notes, when issued, will be classified as subordinated debt. As of 31 December 2019 and 2020, no notes have been issued under the facilities.

An overview of the subordinated debt facilities is provided in the following table:

Instrument	Issued in	Currency	Nominal value in millions	Commitment fee (paid on undrawn amount)	Interest rate on issued notes	Facility first termination date	Issued notes' scheduled maturity date
Dated subordinated fixed-to-floating rate callable notes facility	2015	USD	700	3.53%	5.75% ¹	2025	2050
Dated subordinated fixed rate callable notes facility	2016	USD	400	3.92%	6.05% ¹	2031	2056
Dated subordinated fixed-to-floating rate callable notes facility	2016	USD	800	3.67%	5.625% ¹	2027	2052
Perpetual subordinated fixed spread callable notes facility	2017	USD	750	2.77%	4.625% ¹	2022	Perpetual ²

¹ Until first optional redemption date.

² First optional redemption date in 2022 and every five years thereafter.

The Company has entered into subordinated funding facilities with its subsidiary Swiss Reinsurance Company Ltd under which Swiss Reinsurance Company Ltd has the right, among others, to issue subordinated notes to the Company at any time. For its various rights, Swiss Reinsurance Company Ltd owes the Company an unconditional fixed commitment fee on the total facility amount, payable in annual instalments. Annually, Swiss Reinsurance Company Ltd receives a partial reimbursement of the commitment fee on the undrawn facility amount. As of 31 December 2019 and 2020, the facilities were undrawn.

An overview of the subordinated funding facilities is provided in the following table:

Instrument	Borrower	Issued in	Currency	Nominal value in millions	Total commitment fee calculated and paid on nominal value	Reimbursement fee paid on undrawn amount	Net commitment fee paid on undrawn amount	Maturity
Subordinated funding facility	Swiss Reinsurance Company Ltd	2015	USD	700	5.80%	2.22%	3.58%	2030
Subordinated funding facility	Swiss Reinsurance Company Ltd	2016	USD	400	6.10%	2.13%	3.97%	2036
Subordinated funding facility	Swiss Reinsurance Company Ltd	2016	USD	800	5.68%	1.95%	3.73%	2032

7 Debt

As of 31 December 2020, Swiss Re Ltd had outstanding debt of CHF 442 million (2019: CHF 484 million).

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity	Book value CHF millions
Convertible debt	2018	USD	500	3.25%	2024	442

8 Change in shareholders' equity

CHF millions	Share capital	Legal capital reserves ²	Legal profit reserves	Reserves for own shares	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Own shares	Total shareholders' equity
Shareholders' equity 1.1.2020	33	192	5 312	17	18 200	4	932	-1 890	22 800
Allocations relating to the dividend paid					936	-4	-932		0
Dividend for the financial year 2019					-1 705				-1 705
Net income for the financial year							1 573		1 573
Share buyback programme 2019 ¹								-184	-184
Share cancellation ¹	-1		-999					1 000	0
Other movements in own shares			1	-1				1	1
Shareholders' equity 31.12.2020	32	192	4 314	16	17 431	0	1 573	-1 073	22 485

CHF millions	Share capital	Legal capital reserves	Legal profit reserves	Reserves for own shares	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Own shares	Total shareholders' equity
Shareholders' equity 1.1.2019	34	192	6 294	18	16 797	4	3 077	-1 946	24 470
Allocations relating to the dividend paid					3 077		-3 077		0
Dividend for the financial year 2018					-1 674				-1 674
Net income for the financial year							932		932
Share buyback programme 2018								-111	-111
Share cancellation	-1	-16	-983					1 000	0
Share buyback programme 2019								-816	-816
Other movements in own shares		16	1	-1				-17	-1
Shareholders' equity 31.12.2019	33	192	5 312	17	18 200	4	932	-1 890	22 800

¹ At the 155th Annual General Meeting held on 17 April 2019, the Group's shareholders authorised the Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2020 Annual General Meeting through a public share buyback programme for cancellation purposes. The buyback programme was completed on 18 February 2020. The total number of shares repurchased amounted to 9.9 million, of which 8.2 million and 1.7 million shares were repurchased by 31 December 2019 and between 1 January and 18 February 2020, respectively. On 17 April 2020, the 156th Annual General Meeting resolved the cancellation of the repurchased 9.9 million shares by way of share capital reduction. The shares were cancelled on 28 July 2020, after completion of the procedure in respect of a share capital reduction as set forth in Article 732 et seqq of the Swiss Code of Obligations.

² Under the new provision applicable as of 1 January 2020 (Article 4a paragraph 4 VstG), legal reserves from capital contributions need to be used for share buyback programmes. With the share buyback programme completed on 18 February 2020, the CHF 0.7 million legal reserves that have been previously confirmed by the Swiss Federal Tax Administration were fully used. Consequently, the Board of Directors proposes at the Annual General Meeting to reclassify the full amount of legal reserves from capital contributions into voluntary profit reserves.

9 Own shares (directly and indirectly held by the Company)

Number of own shares	2019	2020
<i>Own shares held by subsidiaries</i>	197 194	169 772
<i>Own shares held by Swiss Re Ltd directly</i>	38 378 130	36 579 990
Opening balance own shares	38 575 324	36 749 762
Purchase of own shares ¹	1 111 638	484 557
Sale of own shares ²	-1 125 758	-474 412
Share buyback programme (154th AGM 2018) ³	1 164 319	-
Share buyback programme (155th AGM 2019) ⁴	8 239 000	1 668 398
Cancellation of shares bought back	-11 214 761	-9 907 398
Own shares as of 31 December	36 749 762	28 520 907

¹ Purchased at average price of CHF 74.56 (2019: CHF 98.75).

² Sold at average price of CHF 73.99 (2019: CHF 98.03).

³ Purchased at average price of CHF 94.98.

⁴ Purchased at average price of CHF 110.56 (2019: CHF 98.99).

10 Major shareholders

As of 31 December 2020, there was one shareholder with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholder	Number of shares	% of voting rights and share capital ¹	Creation of the obligation to notify
BlackRock, Inc	15 995 446	5.04	31 December 2020

¹ The percentage of voting rights is calculated at the date the obligation was created and notified.

Further information in respect of major shareholders are detailed in "Group structure and shareholders" on page 84 of the Group's 2020 financial report.

In addition, Swiss Re Ltd held, as of 31 December 2020, directly and indirectly 28 520 907 (2019: 36 749 762) own shares, representing 8.98% (2019: 11.22%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

11 Release of undisclosed reserves

In 2020 and 2019, no net undisclosed reserves were released.

12 Contingent liabilities

Swiss Re Ltd has issued guarantees to its subsidiaries and affiliated companies in support of their business activities by securing their overall capital positions or specific transactions. As of 31 December 2020, the Company has guaranteed CHF 2 130 million (2019: CHF 0 million) of which no amount was utilised as of 31 December 2020 and 2019, respectively.

13 Share ownership, options and related instruments of governing bodies

This section is in line with Articles 663c para. 3 and 959c para. 2 cif. 11 of the Swiss Code of Obligations, which require disclosure of shareholdings, options and related instruments held by members of the Board of Directors and Group Executive Committee (Group EC) at the end of the reporting year and of share-based compensation for the Board of Directors during the reporting year. Further disclosures in respect of shareholding and compensation for the members of the Board of Directors and the Group EC, and persons closely related, are detailed in the Compensation Report on pages 140–145 of the Financial Report of the Swiss Re Group.

Share ownership

The number of shares held as of 31 December were:

Members of the Group EC	2019	2020
Christian Mumenthaler, Group Chief Executive Officer	75 305	83 157
Urs Baertschi, CEO Reinsurance EMEA/Regional President EMEA	546	1 371
Andreas Berger, CEO Corporate Solutions	34	125
Anette Bronder, Group Chief Operating Officer	0	135
John R. Dacey, Group Chief Financial Officer	29 809	30 346
Nigel Fretwell, Group Chief Human Resources Officer	12 272	12 436
Guido Furer, Group Chief Investment Officer	53 983	54 203
Hermann Geiger, Group Chief Legal Officer	49 318	49 756
Russell Higginbotham, CEO Reinsurance Asia/Regional President Asia	4 662	8 546
Jonathan Isherwood, CEO Reinsurance Americas/Regional President Americas	n/a	51 196
Thierry Léger, Group Chief Underwriting Officer	56 167	56 343
Moses Ojeisekhoba, CEO Reinsurance	40 704	40 831
Patrick Raaflaub, Group Chief Risk Officer	16 590	24 063
Edouard Schmid, former Chairman Swiss Re Institute & Group Chief Underwriting Officer ¹	31 794	n/a
J. Eric Smith, former CEO Reinsurance Americas/Regional President Americas ²	25 262	n/a
Total	396 446	412 508

¹ The number of shares held on 31 August 2020 when Edouard Schmid stepped down from the Group EC was 31 935.

² The number of shares held on 13 August 2020 when J. Eric Smith stepped down from the Group EC was 25 355.

Members of the Board of Directors	2019	2020
Walter B. Kielholz, Chairman ¹	423 878	399 005
Renato Fassbind, Vice Chairman, Lead Independent Director, Chair Audit and Nomination Committees	31 143	35 513
Raymond K.F. Ch'ien, member	21 345	18 067
Sergio P. Ermotti, member ²	n/a	874
Karen Gavan, member ³	2 803	4 587
Trevor Manuel, former member ⁴	7 065	n/a
Joachim Oechslin, member ²	n/a	1 263
Deanna Ong, member ²	n/a	1 166
Jay Ralph, member	3 299	4 950
Joerg Reinhardt, member	25 684	27 300
Eileen Rominger, former member ⁴	1 997	n/a
Philip K. Ryan, member, Chair Finance and Risk Committee	15 693	18 871
Sir Paul Tucker, member	5 403	7 125
Jacques de Vaucleroy, member, Chair Compensation Committee	4 835	7 511
Susan L. Wagner, member, Chair Investment Committee	13 920	17 125
Larry Zimpleman, member	1 997	3 745
Total	559 062	547 102

¹ Walter B. Kielholz reported in the reporting period the purchase of 300 call options for a total of 30 000 shares, if exercised. For further details, please refer to: www.swissre.com/investors/shares/management-transactions

² Elected to Swiss Re's Board of Directors at the AGM of 17 April 2020.

³ Shareholdings include 2 500 American Depository Receipts (ADRs), equivalent to 625 shares.

⁴ Term of office expired after the completion of the AGM of 17 April 2020 and did not stand for re-election.

Share-based compensation

The share-based compensation for the members of the Board of Directors for 2019 and 2020 was:

Members of the Board of Directors	2019		2020	
	Fees in blocked shares ¹ (CHF thousands)	Number of shares ²	Fees in blocked shares ¹ (CHF thousands)	Number of shares ²
Walter B. Kielholz, Chairman	1 520	16 355	1 520	20 127
Renato Fassbind, Vice Chairman, Lead Independent Director, Chair Audit and Nomination Committees	330	3 550	330	4 370
Raymond K.F. Ch'ien, member	130	1 399	130	1 722
Sergio P. Ermotti, member ³	n/a	n/a	60	874
Karen Gavan, member	120	1 291	133	1 784
Trevor Manuel, former member ⁴	140	1 507	47	494
Joachim Oechslin, member ³	n/a	n/a	87	1 263
Deanna Ong, member ³	n/a	n/a	80	1 166
Jay Ralph, member	110	1 184	123	1 651
Joerg Reinhardt, member	118	1 269	122	1 616
Eileen Rominger, former member ⁴	110	1 184	37	388
Philip K. Ryan, member, Chair Finance and Risk Committee	240	2 582	240	3 178
Sir Paul Tucker, member	130	1 399	130	1 722
Jacques de Vaucleroy, member, Chair Compensation Committee	198	2 129	202	2 676
Susan L. Wagner, member, Chair Investment Committee	238	2 560	242	3 205
Larry Zimpleman, member	110	1 184	130	1 748
Total	3 494	37 593	3 613	47 984

¹ Represents the portion (40%) of the total fees for the members of the Board of Directors that is delivered in Swiss Re Ltd shares, with a four-year blocking period.

² The number of shares is calculated by dividing the portion (40%) of the total fees with the average closing price of the shares on the SIX Swiss Exchange during the ten trading days preceding the AGM less the amount of any dividend resolved by such AGM.

³ Elected to Swiss Re's Board of Directors at the AGM of 17 April 2020.

⁴ Term of office expired after the completion of the AGM of 17 April 2020 and did not stand for re-election.

Vested options

For the years ended 31 December 2019 and 2020, neither the members of the Board of Directors nor the members of the Group EC held any vested options granted or allocated by Swiss Re.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 16 April 2021 to approve the following allocations and dividend payment:

CHF millions	2019	2020
Retained earnings brought forward	4	–
Net income for the financial year	932	1 573
Disposable profit	936	1 573
Allocation to voluntary profit reserves	–936	–1 573
Retained earnings after allocation	–	–

CHF millions	2019	2020
Voluntary profit reserves brought forward	18 200	17 431
Allocation from retained earnings	936	1 573
Reclassification of legal reserves from capital contributions ³	–	192
Ordinary dividend payment out of voluntary profit reserves	–1 705 ¹	–1 705 ²
Voluntary profit reserves after allocation and dividend payment	17 431	17 491

¹ Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2019, the number of registered shares eligible for dividend, at the dividend payment date of 23 April 2020, decreased due to the share buyback programme of 1 668 398 shares and transfer of 3 811 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a lower dividend of CHF 10 million, compared to the Board of Directors' proposal, and higher voluntary profit reserves by the same amount.

² The Board of Directors' proposal to the Annual General Meeting of 16 April 2021 is based on the number of shares eligible for dividend as of 31 December 2020. The actual dividend payment will depend on the number of shares eligible for dividend as of 19 April 2021.

³ Under the new provision applicable as of 1 January 2020 (Article 4a paragraph 4 VstG), legal reserves from capital contributions need to be used for share buyback programmes. As of 31 December 2020, Swiss Re Ltd has no legal reserves from capital contributions that can be distributed exempt from Swiss withholding tax and, for Swiss resident shareholders holding the shares in private wealth, exempt from Swiss income taxes. Therefore, the full amount of legal reserves from capital contributions is proposed to be reclassified into voluntary profit reserves.

Dividend

If the Board of Directors' proposal for allocations and dividend payment is accepted, an ordinary dividend of CHF 5.90 per share will be paid on 22 April 2021 from voluntary profit reserves.

Share structure per 31 December 2020	Number of registered shares	Nominal capital in CHF
Eligible for dividend ¹	288 976 399	28 897 640
Not eligible for dividend	28 520 907	2 852 091
Total shares issued	317 497 306	31 749 731

¹ The Board of Directors' proposal to the Annual General Meeting of 16 April 2021 is based on the number of shares eligible for dividend as of 31 December 2020. The actual dividend payment will depend on the number of shares eligible for dividend as of 19 April 2021.

Zurich, 17 March 2021

Report of the statutory auditor

to the General Meeting of Swiss Re Ltd

Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Re Ltd (the 'Company'), which comprise the income statement, balance sheet and notes (pages 295 to 305), for the year ended 31 December 2020.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the Company's Articles of Association.

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Report on key audit matter based on the circular 1/2015 of the Federal Audit Oversight Authority

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Impairment assessment of investments in subsidiaries and affiliated companies

Key audit matter

The Company applies either individual valuations, or when the facts and circumstances indicate that the investments are to be seen as an economic unit, group valuations of investments in subsidiaries and affiliated companies in accordance with Swiss law.

The impairment assessments of investments in subsidiaries and affiliated companies are based on the selected valuation method that reflects specific characteristics of the investment and corresponding assumptions as model inputs.

The impairment assessment is considered a key audit matter due to the considerable judgment in the assumptions and adjustments applied to the valuation method as well as the materiality of this account to the Company's financial statements.

How our audit addressed the key audit matter

In relation to the matter set out opposite, our substantive testing procedures included the following:

- Assessing whether the group valuation approach (where applied) is appropriate.
- Evaluating the method used by the Company to determine a market value.
- Assessing whether the assumptions used are reasonable.
- Understanding changes in the approach and discussing them with the Company to ensure they are in accordance with our own expectations based on our knowledge of the business and industry.

Based on the work performed, we consider the methods and assumptions used by the Company to assess the recoverability of investments in subsidiaries and affiliated companies to be reasonable.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

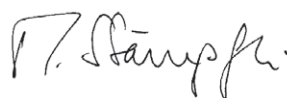
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposal for allocation of disposable profit (page 306) complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd



Roy Clark
Audit expert
Auditor in charge



Michael Stämpfli
Audit expert

Zürich, 17 March 2021



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Headquartered in Zurich, Switzerland, Swiss Re has operations across the globe. Our success is built on our solid client relationships, capital strength and risk knowledge company approach. We make the world more resilient.

Contents

Glossary	312
Cautionary note on forward-looking statements	318
Note on risk factors	320
Contacts	328
Corporate calendar	329

Glossary

Acquisition costs	That portion of an insurance premium which represents the cost of obtaining the insurance business: it includes the intermediaries' commission, the company's sales expense and other related expenses.
Asset-backed securities	Securities backed by notes or receivables against financial assets such as auto loans, credit cards, royalties, student loans and insurance profits.
Asset-liability management (ALM)	Management of an insurance business in a way that coordinates investment-related decisions on assets and liabilities. Specifically, the ongoing process of formulating, implementing, monitoring and revising investment strategies related to assets and liabilities in an attempt to achieve financial objectives, while managing exposure to financial market risks, such as interest rates, credit spreads and currency movements.
Aviation insurance	Insurance of accident and liability risks, as well as hull damage, connected with the operation of aircraft.
Benchmark investment result	Includes changes in the economic value of liabilities (as represented by the replicating portfolio) as a result of movements in risk-free discount rates, the passage of time, changes in credit spreads, changes in equity prices or changes in the economic value of embedded options and guarantees.
Book value per share	The ratio of ordinary shareholders' equity to the number of common shares entitled to dividend.
Business interruption	Insurance covering the loss of earnings resulting from, and occurring after, destruction of property; also known as "loss of profits" or "business income protection insurance".
Capacity	Maximum amount of risk that can be accepted in insurance. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.
Catastrophe bonds	Securities used by insurance and reinsurance companies to transfer peak insurance risks, including natural catastrophes, to the capital markets. Catastrophe bonds help to spread peak exposures (see insurance-linked securities).
Cession	Insurance that is reinsured: the passing of the insurer's risks to the reinsurer against payment of a premium. The insurer is referred to as the ceding company or cedent.
Claim	Demand by an insured for indemnity under an insurance contract.
Claims and benefits	Claims and benefits in the EVM income statement represent the present value of all estimated future claims and benefits on contracts written during the year. Changes in estimates of claims and benefits payable on contracts written in prior years are reflected in previous years' business profit, along with changes in other underwriting cash flows relating to previous years.
Claims handling	Activities in connection with the investigation, settlement and payment of claims from the time of their occurrence until settlement.
Claims incurred and claim adjustment expenses	All claims payments plus the adjustment in the outstanding claims provision of a business year and claim adjustment expenses.
Claims ratio	Sum of claims paid and change in the provisions for unpaid claims and claim adjustment expenses in relation to premiums earned.
Coinsurance	Arrangement by which a number of insurers and/or reinsurers share a risk.
Combined ratio	The ratio is a combination of the non-life claims ratio and the expense ratio.

Commission	Remuneration paid by the insurer to its agents, brokers or intermediaries, or by the reinsurer to the insurer, for costs in connection with the acquisition and administration of insurance business.
Commutation	The termination of a reinsurance contract by agreement of the parties on the basis of one or more lump sum payments by the reinsurer which extinguish its liability under the contract. The payment made by the reinsurer commonly relates to incurred losses under the contract.
Cover	Insurance and reinsurance protection of one or more specific risk exposures based on a contractual agreement.
Credit insurance	Insurance against financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them.
Credit spreads	Difference in yield between a fixed income security which has default risk and one which is considered to be risk-free, such as U.S. Treasury securities.
Directors' and officers' liability insurance (D&O)	Liability insurance for directors and officers of an entity, providing cover for their personal legal liability towards shareholders, creditors, employees and others arising from wrongful acts such as errors and omissions.
Disability insurance	Insurance against the incapacity to exercise a profession as a result of sickness or other infirmity.
Earnings per share (EPS)	Portion of a company's profit allocated to each outstanding share of common stock. Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.
Economic net worth	Economic net worth (ENW) is defined as the difference between the market-consistent value of assets and liabilities. ENW is an economic measure of shareholders' equity and the starting point in determining available capital under the Swiss Solvency Test (SST).
EVM	Economic Value Management (EVM) is Swiss Re Group's proprietary integrated economic valuation and accounting framework for planning, pricing, reserving, and steering our business.
EVM capital	EVM capital is the capital required to support uncertainty related to estimated cash flows arising from existing underwriting and investment activities.
EVM profit	EVM profit is a risk-adjusted measure of performance that can be compared across all business activities.
Expense ratio	Sum of acquisition costs and other operating costs and expenses, in relation to premiums earned.
G-SIIs	Globally systemically important insurers.
Gross outperformance	Defined as the difference between the mark-to-market investment result and the benchmark investment result.
Gross underwriting result – new business	Gross underwriting result from new business is defined as present value of new business underwriting cash flows (eg premiums, claims, commissions, etc) before internal expenses, taxes and capital costs.
Guaranteed minimum death benefit (GMDB)	A feature of variable annuity business. The benefit is a predetermined minimum amount that the beneficiary will receive upon the death of the insured.
Health insurance	Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.

General information

Glossary

Incurred but not reported (IBNR)	Provision for claims incurred but not reported by the balance sheet date. In other words, it is anticipated that an event will affect a number of policies, although no claims have been made so far, and is therefore likely to result in liability for the insurer.
Insurance-linked securities (ILS)	Security for which the payment of interest and/or principal depends on the occurrence or severity of an insurance event. The underlying risk of the security is a peak or volume insurance risk.
Layer	Section of cover in a non-proportional reinsurance programme in which total coverage is divided into a number of consecutive layers starting at the retention or attachment point of the ceding company up to the maximum limit of indemnity. Individual layers may be placed with different insurers or reinsurers.
Liability insurance	Insurance for damages that a policyholder is obliged to pay because of bodily injury or property damage caused to another person or entity based on negligence, strict liability or contractual liability.
Life insurance	Insurance that provides for the payment of a sum of money upon the death of the insured, or upon the insured surviving a given number of years, depending on the terms of the policy. In addition, life insurance can be used as a means of investment or saving.
Longevity risk	The risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout ratios. Increasing life expectancy trends among policyholders and pensioners can result in payout levels that are higher than originally expected.
Marine insurance	Line of insurance which includes coverage for property in transit (cargo), means of transportation (except aircraft and motor vehicles), offshore installations and valuables, as well as liabilities associated with marine risks and professions.
Mark-to-market	Adjustment of the book value or collateral value of a security, portfolio or account to current fair market value.
Mark-to-market investment result	Includes net investment income, realised gains and losses and changes in unrealised gains and losses reported under the accounting principles generally accepted in the United States of America (US GAAP). In addition, it includes changes in market value of investment positions carried at amortised cost under US GAAP. It excludes the following US GAAP items: investment income from cedants, unit-linked and with-profit business and certain loans as well as minority interest and depreciation on real estate.
Market value margin	The market value margin (MVM) represents the minimum cost of holding capital after the one-year SST period until the end of a potential run-off period.
Motor insurance	Line of insurance which offers coverage for property, accident and liability losses involving motor vehicles.
Net outperformance	Defined as the gross outperformance after deducting the actual costs incurred by managing our actual investment portfolio in excess of the internal fee paid by underwriting for the purchase and maintenance of the investment portfolio replicating the best-estimate liability and backing the associated capital requirements.
Net reinsurance assets	Receivables related to deposit accounting contracts (contracts which do not meet risk transfer requirements) less payables related to deposit contracts.
Net underwriting result – new business	Net underwriting result from new business is defined as the gross underwriting result from new business net of the present value of internal expenses allocated to new business but before taxes and capital costs.
Non-life insurance	All classes of insurance business excluding life insurance.
Non-proportional reinsurance	Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss; instead the reinsurer is liable for a specified amount which exceeds the insurer's retention; also known as "excess of loss reinsurance".

Operating margin ratio	The operating margin is calculated as operating result divided by total operating revenues. The operating result is before interest expenses, taxes and net realised gains/losses.
Operating revenues	Premiums earned plus net investment income plus other revenues.
Operational risk	Risk arising from failure of operational processes, internal procedures and controls leading to financial loss.
Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.
Premiums and fees	Premiums and fees in the EVM income statement represent the present value of all estimated future premiums and fees on contracts written during the year. Gross premiums and fees represent premiums and fees before external retrocessions. Gross premiums and fees in the EVM income statement of the business segments also exclude retrocessions to other segments of the Group.
Premiums earned	Premiums an insurance company has recorded as revenues during a specific accounting period.
Premiums written	Premiums for all policies sold during a specific accounting period.
Present value of future profits (PVFP)	Intangible asset primarily arising from the purchase of life and health insurance companies or portfolios.
Principal Investments and Acquisitions	Principal Investments and Acquisitions is a unit of Swiss Re that manages all strategic acquisition activities of the Group as well as a portfolio of minority holdings in primarily insurance and insurance-related businesses with the goal of generating long-term value.
Product liability insurance	Insurance covering the liability of the manufacturer or supplier of goods for damage caused by their products.
Professional indemnity insurance	Liability insurance cover which protects professional specialists such as physicians, architects, engineers, lawyers, accountants and others against third-party claims arising from activities in their professional field; policies and conditions vary according to profession.
Profit margin	Profit margin is calculated for new business, previous years' business and investment activities. The new business profit margin is the ratio of new business profit/loss to EVM capital allocated to new business over the lifetime of the business. The previous years' business profit margin is the ratio of previous years' business profit/loss to EVM capital allocated to previous years' business in the current year. Investment profit margin is the ratio of investment profit/loss to EVM capital allocated to investment activities in the current year. These ratios can be used to compare profitability across all underwriting and investment activities on a consistent, risk-adjusted basis.
Property insurance	Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.
Proportional reinsurance	Form of reinsurance arrangement in which the premiums earned and the claims incurred of the cedent are shared proportionally by the cedent and the reinsurer.
Provision for capital costs	Frictional capital costs provide compensation to shareholders for agency costs, costs for potential financial distress and regulatory (illiquidity) costs. Frictional capital costs include risk capital costs and funding costs. Risk capital costs are charged at 4.5% of eligible economic capital which consists of ENW and eligible hybrid debt. Funding costs are charged or credited at the legal entity level depending on the liquidity the respective legal entity uses or generates. In addition, the provision for capital costs includes an allowance for double taxation on the risk free return on capital allocated to underwriting activities.

Quota share reinsurance	Form of proportional reinsurance in which a defined percentage of the premiums earned and the claims incurred by the cedent in a specific line is reinsured for a given period. Quota share reinsurance arrangements represent a sharing of business in a fixed ratio or proportion.
Reinsurance	Insurance which lowers the risk carried by primary insurance companies. Reinsurance includes various forms such as facultative, financial, non-proportional, proportional, quota share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Retention	Amount of risk which the policyholder or insurer does not insure or reinsure but keeps for its own account.
Retrocession	Amount of the risk accepted by the reinsurer which is then passed on to other reinsurance companies.
Return on equity	Net income as a percentage of time-weighted shareholders' equity.
Return on investments	Investment-related operating income as a percentage of invested assets. Invested assets include investments, securities in transit, certain financial liabilities and exclude policy loans, cash and cash equivalents, as well as assets related to securities lending, repurchase agreements and collateral balances.
Risk	Condition in which there is a possibility of injury or loss; also used by insurance practitioners to indicate the property insured or the peril insured against.
Risk management	Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.
Running yield	Net investment income on long-term fixed income positions and loan investments, including coupon income and amortisation, as a percentage of the average market value of the long-term fixed income portfolio and carrying value of loan investments.
Securitisation	Financial transaction in which future cash flows from financial assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The financial assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.
Solvency II	Regulatory framework for EU re/insurance solvency rules. Solvency II is a comprehensive, economic and risk-based regulation and includes prudential requirements on solvency capital, risk modelling, supervisory control and disclosure.
SST risk-bearing capital	The SST risk-bearing capital (SST RBC) is the amount of capital that is available to protect the policyholders of an entity in case of a large and unexpected adverse event.
SST target capital	Amount of capital that is required to support the risks assumed by an entity. It is based on the entity's total risk.
Stop-loss reinsurance	Form of reinsurance that protects the ceding insurer against an aggregate amount of claims over a period, in excess of either a stated amount or a specified percentage of estimated benefit costs. An example of this is employer stop-loss (ESL) coverage, which is used by US companies to cap losses on self-funded group health benefit programmes. The stop-loss can apply to specific conditions or aggregate losses.
Surety insurance	Sureties and guarantees issued to third parties for the fulfilment of contractual liabilities.
Surplus reinsurance	Form of proportional reinsurance in which risks are reinsured above a specified amount.

Swiss Solvency Test (SST)	An economic and risk-based insurance regulation, similar to the objectives of Solvency II to which all insurance and reinsurance companies writing business in Switzerland are subject.
Tail VaR	See "Value at risk".
Top-down investment strategy approach	An investment strategy process which analyses trends in the global economy and the associated impact on financial markets to assess the overall financial market outlook as well as their implications for various asset classes and risk exposures.
Total contribution to ENW	Total contribution to ENW is the total return generated for shareholders and includes the release of capital costs. Total contribution to ENW is therefore not a risk-adjusted performance measure.
Total leverage ratio	Total on-balance sheet senior and subordinated debt and contingent capital, including drawn LOCs, divided by total capitalisation.
Treaty reinsurance	Participation of the reinsurer in certain sections of the insurer's business as agreed by treaty, as opposed to single risks.
Underwriting result	Premiums earned less the sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses and expenses (acquisition costs and other operating costs and expenses).
Unearned premium	Part of written premium (paid or owed) which relates to future coverage and for which services have not yet been provided; this is carried in an unearned premium reserve and may be refundable if the contract is cancelled before expiry.
Unit-linked policy	A life insurance contract which provides policyholder funds linked to an underlying investment product or fund. The performance of the policyholder funds is for the account of the policyholder.
US GAAP	United States generally accepted accounting principles.
Value at risk (VaR)	Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. 99% VaR measures the level of loss likely to be exceeded in only one year out of a hundred, while 99.5% VaR measures the loss likely to be exceeded in only one year out of two hundred. 99% tail VaR estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.
With-profit policy	An insurance contract that has additional amounts added to the sum insured, or paid/credited separately to the policyholder as a bonus, which result from a share of the profit generated by the with-profits insurance funds, including these funds' interests in other blocks of business.

Some of the terms included in the glossary are explained in more detail in Note 1 to the Group financial statements.

Swiss Re uses some of the term definitions provided by the glossary of the International Association of Insurance Supervisors (IAIS).

Cautionary note on forward-looking statements

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

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

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism or acts of war;
- mortality, morbidity and longevity experience;
- the 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, or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;

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

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

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

Note on risk factors

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

Coronavirus

The global spread of the novel coronavirus and the disease it causes (“COVID-19”), and the actions taken to slow the spread of the pandemic, have had an adverse impact on communities, social and business interactions, economic activity and economies across the globe. After significant contractions in 2020, the global economy is expected to experience a protracted and uneven recovery in 2021. The impact of the pandemic on recovery of individual economies will be affected by their respective capacities to absorb shocks and the fiscal responses of their governments, and more broadly by continuing uncertainties over the impact of new strains of the virus and the effectiveness of vaccines against new strains, the timeline for the rollout of vaccination programs, the duration of immunity and resulting restrictions on mobility. Despite the impact of the pandemic on the global economy, the global insurance markets (as measured by premium growth) were less severely impacted in 2020 than expected (although the life market was more adversely affected than the non-life market) and premium growth is expected to recover, alongside recovery of the global economy, in 2021 and 2022, supported by rate hardening. Growth is expected to be led by China and, to a lesser extent, by other markets in Asia, aided in the case of life business by greater awareness of the importance post-pandemic of mortality and health coverage, as well as digital insurance penetration.

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

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

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

General impact of adverse market conditions

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

Regulatory changes

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

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 resolution plans. Swiss Re expects that it will be classified as an IAIG.

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

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

Market risk

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

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

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

Credit risk

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

Liquidity risks

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

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

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

Counterparty risks

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

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

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers, such as Swiss Re. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be solicited or unsolicited and may be revised downward or revoked 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, and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to litigation or enforcement actions arising from potential employee misconduct, including non-compliance with internal policies and procedures, negligence and malfeasance, such as undertaking or facilitating cyber-attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

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

Use of models; accounting matters

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

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

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

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

Risks related to the Swiss Re corporate structure

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

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Corporate calendar

2021

16 April 2021

157th Annual General Meeting

30 April 2021

First quarter 2021 key financial data

30 July 2021

Half-year 2021 results

29 October 2021

Nine months 2021 key financial data

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Title:
Financial Report 2020

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

Photography:
Braschler/Fischer
Deniz Kenber
Fredri Lienhardt
Geri Krischker
Getty Images, Shutterstock
Marc Wetli

Printing:
Multicolor Print AG, Baar

printed in
switzerland



This report is printed on sustainably produced paper and is climate neutral. The wood used comes from forests certified to 100% by the Forest Stewardship Council (FSC).

Original version in English.

The Annual Report 2020 is also available in German. The web version of the Annual Report 2020 is available at: reports.swissre.com

Order no: 1490793_21_en

03/21, 1850 en

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