Swiss Re

Swiss Reinsurance Company Consolidated

Second Quarter 2016 Report

Content

Income statement

USD millions	Note	Three months ended 30 June 2015	2016	Six months ended 30 June 2015	2016
Revenues					
Gross premiums written	4	6 361	**7 416**	15 883	**18 102**
Net premiums written	4	5 824	**6 829**	14 942	**17 057**
Change in unearned premiums		330	**279**	–2 315	**–3 058**
Premiums earned	3	6 154	**7 108**	12 627	**13 999**
Fee income from policyholders	3	34	**35**	78	**69**
Net investment income – non-participating business	6	656	**704**	1 404	**1 372**
Net realised investment gains/losses – non-participating business[1]	6	–34	**498**	554	**1 000**
Net investment result – unit-linked and with-profit business	6	–34	**–74**	41	**–137**
Other revenues		26	**8**	39	**23**
Total revenues		6 802	**8 279**	14 743	**16 326**
Expenses					
Claims and claim adjustment expenses	3	–1 935	**–2 660**	–3 897	**–5 034**
Life and health benefits	3	–2 007	**–2 441**	–4 137	**–4 659**
Return credited to policyholders		–48	**–11**	–222	**–32**
Acquisition costs	3	–1 537	**–1 722**	–2 951	**–3 412**
Operating expenses[2]		–624	**–608**	–1 229	**–1 109**
Total expenses before interest expenses		–6 151	**–7 442**	–12 436	**–14 246**
Income before interest and income tax expense		651	**837**	2 307	**2 080**
Interest expenses[2]		–159	**–151**	–314	**–295**
Income before income tax expense		492	**686**	1 993	**1 785**
Income tax expense		–203	**–98**	–432	**–323**
Net income before attribution of non-controlling interests		289	**588**	1 561	**1 462**
Income/loss attributable to non-controlling interests		–1	**–8**	–1	**–11**
Net income after attribution of non-controlling interests		288	**580**	1 560	**1 451**
Interest on contingent capital instruments		–17	**–17**	–34	**–34**
Net income attributable to common shareholder		271	**563**	1 526	**1 417**

[1] Total impairments for the three months ended 30 June were USD 6 million in 2015 and USD 16 million in 2016 of which USD 6 million and USD 16 million, respectively, were recognised in earnings. Total impairments for the six months ended 30 June were USD 11 million in 2015 and USD 44 million in 2016 of which USD 11 million and USD 44 million, respectively, were recognised in earnings.
[2] Letter of credit fees of USD 15 million for the three months ended 30 June 2015 and USD 29 million for the six months ended 30 June 2015 have been reclassified from "Operating expenses" to "Interest expenses".

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

Statement of comprehensive income

USD millions	Three months ended 30 June 2015	2016	Six months ended 30 June 2015	2016
Net income before attribution of non-controlling interests	289	**588**	1 561	**1 462**
Other comprehensive income, net of tax:				
Change in unrealised investment gains/losses	–2 345	**1 223**	–1 333	**2 431**
Change in other-than-temporary impairment		**1**	1	**5**
Change in foreign currency translation	252	**–76**	–601	**34**
Change in adjustment for pension benefits	9	**18**	35	**26**
Other comprehensive income attributable to non-controlling interests		**10**		**36**
Total comprehensive income before attribution of non-controlling interests	–1 795	**1 764**	–337	**3 994**
Interest on contingent capital instruments	–17	**–17**	–34	**–34**
Comprehensive income attributable to non-controlling interests	–1	**–18**	–1	**–47**
Total comprehensive income attributable to common shareholder	–1 813	**1 729**	–372	**3 913**

Reclassification out of accumulated other comprehensive income

For the three months ended 30 June

2015 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	Accumulated other comprehensive income
Balance as of 1 April	4 474	–2	–5 114	–736	–1 378
Change during the period	–2 428		223	–9	–2 214
Amounts reclassified out of accumulated other comprehensive income	–807			20	–787
Tax	890		29	–2	917
Balance as of period end	2 129	–2	–4 862	–727	–3 462

2016 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 April	2 827	–6	–5 027	–945	**–3 151**
Change during the period	1 714		–11	9	**1 712**
Amounts reclassified out of accumulated other comprehensive income	–55	1		15	**–39**
Tax	–436		–65	–6	**–507**
Balance as of period end	**4 050**	**–5**	**–5 103**	**–927**	**–1 985**

[1] Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line.
[2] Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.
[3] Reclassification adjustment included in net income is presented in the "Operating expenses" line.

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

For the six months ended 30 June

2015 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	Accumulated other comprehensive income
Balance as of 1 January	3 462	–3	–4 261	–762	–1 564
Change during the period	–849	2	–517	11	–1 353
Amounts reclassified out of accumulated other comprehensive income	–1 023			35	–988
Tax	539	–1	–84	–11	443
Balance as of period end	2 129	–2	–4 862	–727	–3 462

2016 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	1 619	–10	–5 137	–953	**–4 481**
Change during the period	3 797	5	–14	5	**3 793**
Amounts reclassified out of accumulated other comprehensive income	–444	2		31	**–411**
Tax	–922	–2	48	–10	**–886**
Balance as of period end	**4 050**	**–5**	**–5 103**	**–927**	**–1 985**

[1] Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line.
[2] Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.
[3] Reclassification adjustment included in net income is presented in the "Operating expenses" line.

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

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Balance sheet

Assets

USD millions	Note	31.12.2015	30.06.2016
Investments	6, 7, 8		
Fixed income securities:			
Available-for-sale (including 10 839 in 2015 and 10 634 in 2016 subject to securities lending and repurchase agreements) (amortised cost: 2015: 59 137; 2016: 62 417)		61 134	**67 890**
Trading (including 1 729 in 2015 and 2 382 in 2016 subject to securities lending and repurchase agreements)		2 896	**3 338**
Equity securities:			
Available-for-sale (including 439 in 2015 and 347 in 2016 subject to securities lending and repurchase agreements) (cost: 2015: 2 876; 2016: 2 514)		3 091	**2 717**
Trading		68	**52**
Policy loans, mortgages and other loans		3 832	**3 785**
Investment real estate		1 550	**1 598**
Short-term investments (including 417 in 2015 and 1 488 in 2016 subject to securities lending and repurchase agreements)		4 662	**6 435**
Other invested assets		7 861	**7 861**
Investments for unit-linked and with-profit business (equity securities trading: 818 in 2015 and 485 in 2016)		818	**485**
Total investments		85 912	**94 161**
Cash and cash equivalents (including 181 in 2015 and 237 in 2016 subject to securities lending)		5 398	**4 391**
Accrued investment income		670	**654**
Premiums and other receivables		9 747	**12 846**
Reinsurance recoverable on unpaid claims and policy benefits	3	4 523	**4 359**
Funds held by ceding companies		10 668	**9 047**
Deferred acquisition costs	5	5 084	**5 766**
Acquired present value of future profits	5	1 721	**1 623**
Goodwill		3 756	**3 742**
Income taxes recoverable		112	**150**
Deferred tax assets		5 269	**5 320**
Other assets		2 331	**3 513**
Total assets		135 191	**145 572**

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

Liabilities and equity

USD millions	Note	31.12.2015	30.06.2016
Liabilities			
Unpaid claims and claim adjustment expenses		49 718	**51 041**
Liabilities for life and health policy benefits	7	16 779	**17 002**
Policyholder account balances		5 358	**5 341**
Unearned premiums		8 044	**11 366**
Funds held under reinsurance treaties		3 041	**2 567**
Reinsurance balances payable		1 858	**2 074**
Income taxes payable		272	**143**
Deferred and other non-current tax liabilities		6 771	**7 861**
Short-term debt	9	4 105	**4 156**
Accrued expenses and other liabilities		8 964	**12 646**
Long-term debt	9	9 674	**8 819**
Total liabilities		114 584	**123 016**
Equity			
Contingent capital instruments	9	1 102	**1 102**
Common shares CHF 0.10 par value			
2015: 344 052 565; 2016: 344 052 565 shares authorised and issued		32	**32**
Additional paid-in capital		8 730	**8 685**
Shares in Swiss Re Ltd, net of tax		–21	**–14**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		1 619	**4 050**
Other-than-temporary impairment, net of tax		–10	**–5**
Foreign currency translation, net of tax		–5 137	**–5 103**
Adjustment for pension and other post-retirement benefits, net of tax		–953	**–927**
Total accumulated other comprehensive income		–4 481	**–1 985**
Retained earnings		15 222	**13 649**
Shareholder's equity		20 584	**21 469**
Non-controlling interests		23	**1 087**
Total equity		20 607	**22 556**
Total liabilities and equity		135 191	**145 572**

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

Statement of shareholder's equity

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

USD millions	2015	2016
Contingent capital instruments		
Balance as of 1 January	1 102	**1 102**
Issued		
Balance as of period end	1 102	**1 102**
Common shares		
Balance as of 1 January	32	**32**
Issue of common shares		
Balance as of period end	32	**32**
Additional paid-in capital		
Balance as of 1 January	8 823	**8 730**
Share-based compensation	16	**–65**
Realised gains/losses on treasury shares	–109	**20**
Balance as of period end	8 730	**8 685**
Shares in Swiss Re Ltd, net of tax		
Balance as of 1 January	–10	**–21**
Change of shares in Swiss Re Ltd	–11	**7**
Balance as of period end	–21	**–14**
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	3 462	**1 619**
Changes during the period	–1 843	**2 431**
Balance as of period end	1 619	**4 050**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–3	**–10**
Changes during the period	–7	**5**
Balance as of period end	–10	**–5**
Foreign currency translation, net of tax		
Balance as of 1 January	–4 261	**–5 137**
Changes during the period	–876	**34**
Balance as of period end	–5 137	**–5 103**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–762	**–953**
Changes during the period	–191	**26**
Balance as of period end	–953	**–927**
Retained earnings		
Balance as of 1 January	14 421	**15 222**
Net income after attribution of non-controlling interests	3 824	**1 451**
Interest on contingent capital instruments, net of tax	–68	**–34**
Dividends on common shares and dividends-in-kind	–2 955	**–2 990**
Balance as of period end	15 222	**13 649**
Shareholder's equity	20 584	**21 469**
Non-controlling interests		
Balance as of 1 January	22	**23**
Change during the period[1]		**866**
Transactions with non-controlling interests		**151**
Income attributable to non-controlling interests	1	**11**
Comprehensive income		**36**
Balance as of period end	23	**1 087**
Total equity	20 607	**22 556**

[1] As of 1 January 2016 the Group adopted the new accounting guidance, ASU 2015-02 "Amendments to the Consolidation Analysis", which required the additional inclusion of non-controlling interests of USD 866 million.

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

Statement of cash flow

For the six months ended 30 June

USD millions	2015	2016
Cash flows from operating activities		
Net income attributable to common shareholder	1 526	**1 417**
Add net income attributable to non-controlling interests	1	**11**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	201	**213**
Net realised investment gains/losses	–587	**–860**
Income from equity-accounted investees, net of dividends received	–3	**46**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net[1]	–437	**1 213**
Funds held by ceding companies and under reinsurance treaties	240	**1 214**
Reinsurance recoverable on unpaid claims and policy benefits	414	**171**
Other assets and liabilities, net	–320	**–19**
Income taxes payable/recoverable	–264	**–8**
Trading positions, net[1]	–11	**269**
Net cash provided/used by operating activities	760	**3 667**
Cash flows from investing activities		
Fixed income securities:		
Sales	19 482	**17 429**
Maturities	2 229	**1 371**
Purchases	–25 628	**–20 794**
Net purchases/sales/maturities of short-term investments	3 720	**–1 722**
Equity securities:		
Sales	681	**1 124**
Purchases	–1 337	**–552**
Securities purchased/sold under agreement to resell/repurchase, net	703	**1 293**
Cash paid/received for acquisitions/disposal and reinsurance transactions, net	177	**0**
Net purchases/sales/maturities of other investments	2 179	**460**
Net purchases/sales/maturities of investments held for unit-linked and with profit business[1]	16	**138**
Net cash provided/used by investing activities	2 222	**–1 253**
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business:[1]		
Deposits	15	**11**
Withdrawals	–40	**–135**
Issuance/repayment of long-term debt	235	**–52**
Issuance/repayment of short-term debt	–714	**–476**
Purchase/sale of shares in Swiss Re Ltd		**7**
Transactions with non-controlling interests		**133**
Dividends paid to parent	–2 961	**–3 004**
Net cash provided/used by financing activities	–3 465	**–3 516**
Total net cash provided/used	–483	**–1 102**
Effect of foreign currency translation	–173	**95**
Change in cash and cash equivalents	–656	**–1 007**
Cash and cash equivalents as of 1 January	5 855	**5 398**
Cash and cash equivalents as of 30 June	5 199	**4 391**

[1] The Group changed the presentation of its investments related to unit-linked and with-profit business, and related deposits and withdrawals were reclassified from "Technical provisions, net" in the operating cash flow to "Policyholder account balances, unit-linked and with-profit business" in the financing cash flow. Comparative information for 2015 has been adjusted accordingly.

Interest paid was USD 266 million and USD 227 million (thereof USD 30 million and USD 26 million for letter of credit fees) for the six months ended 30 June 2015 and 2016, respectively.
Tax paid was USD 672 million and USD 322 million for the six months ended 30 June 2015 and 2016, respectively.

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

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

SRZ is a wholly owned subsidiary of Swiss Re Ltd. Swiss Re Ltd is the ultimate parent company of the Swiss Re Group, which consists of four business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Life Capital. The presentation of each segment's balance sheet is closely aligned with the segment legal entity structure.

Basis of presentation
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All significant intra-group transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2015.

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

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 30 June 2016, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 28 July 2016. This is the date on which the financial statements are available to be issued.

Recent accounting guidance
In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity – a consensus of the FASB Emerging Issues Task Force", an update to topic 810, "Consolidation". The ASU applies to entities that are required to consolidate a collateralised financing entity (CFE) under the variable interest entity (VIE) consolidation guidance when the entity measures all financial assets and financial liabilities of the CFE at fair value, with changes in fair value recorded in earnings. Before the ASU became effective, if an entity would measure the fair value of assets and liabilities separately following applicable US GAAP rules, the aggregate fair value might have differed. The new guidance allows the use of the more observable of the fair value of the financial assets or the fair value of the financial liabilities of the CFE to measure both. The Group adopted ASU 2014-13 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity – a consensus of the FASB Emerging Issues Task Force", an update to topic 815, "Derivatives and Hedging". The ASU provides guidance on how to assess whether or not a derivative embedded in an instrument in the legal form of a share must be bifurcated and accounted for separately from its host contract. Entities are required to use "the whole instrument approach" to determine whether the nature of the host contract in a hybrid instrument issued in the form of a share is more akin to debt or to equity. Under this approach, an issuer or investor considers all stated and implied substantive terms and features of a hybrid instrument when determining the nature of the host contract. No single term or feature will necessarily determine the nature of the host contract. The Group adopted ASU 2014-16 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items", an update to subtopic 225-20, "Income Statement–Extraordinary and Unusual Items". The ASU eliminates the separate presentation of extraordinary items, net of tax and the related earnings per share. Extraordinary items were events and transactions that were distinguished by their unusual nature and by the infrequency of their occurrence. The ASU does not affect the requirement to disclose material items that are unusual in nature or infrequently occurring. The Group adopted ASU 2015-01 on 1 January 2016 on a prospective basis. The adoption did not have a material effect on the Group's financial statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation: Amendments to the Consolidation Analysis", an amendment to topic 810, "Consolidation". ASU 2015-02 (i) eliminates the indefinite deferral of the consolidation requirements for certain investment companies and similar entities, (ii) modifies how to evaluate partnerships and other entities under the VIE framework, (iii) eliminates the presumption that a general partner should consolidate a limited partnership, (iv) modifies consolidation analysis, particularly for decision-maker fee arrangements and related party relationships, (v) excludes from the scope of consolidation assessment the entities that are, or operate similar to, money market funds registered under the US Investment Company Act of 1940. The Group adopted ASU 2015-02 on 1 January 2016 following the modified retrospective method. The modified retrospective method does not require the restatement of prior periods. The adoption did not have a material effect on the Group's financial statements; however, it led to an increase in VIEs disclosed in Note 10 Variable interest entities.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs", an update to subtopic 835-30, "Interest—Imputation of Interest". The ASU changes the presentation of debt issuance costs in financial statements by requiring that an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortisation of the costs is reported as interest expense. The Group adopted ASU 2015-03 on 1 January 2016 on a prospective basis. The adoption did not have an impact on the Group's financial statements.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)", an amendment to topic 820, "Fair Value Measurement". ASU 2015-07 removes the requirement to categorise within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Group adopted ASU 2015-07 on 1 January 2016 and applies the amendments retrospectively. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient gets removed from the fair value hierarchy in all periods presented in an entity's financial statements. The amended disclosures are provided in Note 7 Fair value disclosures.

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

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments", an amendment to topic 805, "Business Combinations". ASU 2015-16 is on adjustments to provisional amounts from business combinations during the measurement periods. It requires that an acquirer recognises such adjustments in the reporting period in which the adjustment amounts are determined. Further, the ASU requires that the acquirer records, in the same period's financial statements, the effect on earnings of changes in depreciation, amortisation, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Group adopted this guidance on 1 January 2016. The adoption did not have an effect on the Group's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", an update to subtopic 825-10, "Financial Instruments – Overall". The ASU requires an entity to carry investments in equity securities, including other ownership interests and limited liability companies at fair value through net income, with the exception of equity method investments, investments that result in consolidation or investments for which the entity has elected the practicability exception to fair value measurement. The practicability exception can only be applied by certain entities and only to equity investments without a readily determinable fair value. Investments under the practicability exception will be subject to an indicator-based impairment test. For financial liabilities to which the fair value option has been applied, the ASU also requires an entity to separately present the change in fair value attributable to instrument-specific credit risk in other comprehensive income rather than in net income. Specific exceptions apply to this requirement. In addition, the ASU requires an entity to assess whether a valuation allowance is needed on a deferred tax asset (DTA) related to fixed income securities AFS in combination with the entity's other DTAs rather than separately from other DTAs. The ASU also introduces changes to disclosure requirements for financial instruments not measured at fair value and introduces new requirements for equity instruments where the practicability exception to fair value measurement is applied. The new requirements are effective for annual and interim periods beginning after 15 December 2017 with early adoption permitted for requirements relating to the presentation of the impact of instrument-specific credit risk on qualifying financial liabilities in other comprehensive income. The Group is currently assessing the impact of the new requirements.

In February 2016, the FASB issued ASU 2016-02 "Leases", which creates topic 842, "Leases". The core principle of topic 842 is that a lessee should recognise the assets and liabilities that arise from leases. A lessee should recognise in the statement of financial position 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. This accounting treatment applies to finance leases and operating leases. The accounting applied by a lessor is largely unchanged from that applied under the current guidance. The new requirements are effective for the Group for annual and interim periods beginning after 15 December 2018. Early application of the Update is permitted. The Group is currently assessing the impact of the new requirements.

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 requires for financial instruments that are measured at amortised cost and available-for-sale debt securities that an entity recognises as an allowance its estimate of expected credit losses. This standard is effective for the Group for annual and interim periods beginning after 15 December 2020. Early adoption for interim and annual periods after 15 December 2018 is permitted. The Group is currently assessing the impact of the new requirements.

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2 Information on business segments

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

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

As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. This reflects the announcement in the 3rd Quarter 2015 news release to combine the existing business areas managing life insurance books, currently reported in Life & Health Reinsurance, under the Swiss Re Life Capital Business Unit. In line with the segment definition in the Swiss Re Group financial statements this business is therefore reported in the segment "Other". Comparative information for 2015 has been adjusted accordingly.

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

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance
Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance business 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. As well as traditional reinsurance solutions, the business unit 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.

Other
Items not allocated to the business segments are included in the "Other" column which encompasses non-core activities. The "Other" column includes mainly certain costs not allocated to the Reinsurance business segments, certain Treasury activities as well as the remaining non-core activities which have been in run-off since November 2007.

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. In the periods presented, significant intra-group transactions related to intra-group reinsurance arrangements and certain treasury-related activities are included.

a) Business segments – income statement
For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Consolidation	Total
Revenues					
Gross premium written	3 453	2 833	118	–43	6 361
Net premiums written	3 289	2 460	75		5 824
Change in unearned premiums	214	69	47		330
Premiums earned	3 503	2 529	122		6 154
Fee income from policyholders		12	22		34
Net investment income – non-participating business	272	351	33		656
Net realised investment gains/losses – non-participating business	133	57	–224		–34
Net investment result – unit-linked and with-profit business		–34			–34
Other revenues	27	–2	2	–1	26
Total revenues	3 935	2 913	–45	–1	6 802
Expenses					
Claims and claim adjustment expenses	–1 934		–1		–1 935
Life and health benefits		–1 884	–123		–2 007
Return credited to policyholders		30	–78		–48
Acquisition costs	–1 030	–489	–18		–1 537
Operating expenses[2,3]	–291	–186	–147		–624
Total expenses before interest expenses	–3 255	–2 529	–367	0	–6 151
Income/loss before interest and income tax expense	680	384	–412	–1	651
Interest expenses[2]	–77	–78	–5	1	–159
Income/loss before income tax expense	603	306	–417	0	492
Income tax expense/benefit	–137	–68	2		–203
Net income/loss before attribution of non-controlling interests	466	238	–415	0	289
Income/loss attributable to non-controlling interests			–1		–1
Net income/loss after attribution of non-controlling interests	466	238	–416	0	288
Interest on contingent capital instruments	–5	–12			–17
Net income/loss attributable to common shareholder	461	226	–416	0	271
Claims ratio in %	55.2				
Expense ratio in %	37.7				
Combined ratio in %	92.9				
Management expense ratio in %		6.4			
Net operating margin in %	17.3	13.0	n.a.		9.5

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[2] Letter of credit fees of USD 11 million in Life & Health Reinsurance and USD 4 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[3] The Group's new internal service cost framework resulted in a reallocation of operating expenses to "Other" from the business segments. Comparative information for 2015 has been adjusted accordingly.

Business segments – income statement

For the three months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Gross premium written	4 122	3 181	148	–35	7 416
Net premiums written	3 935	2 814	80		6 829
Change in unearned premiums	201	34	44		279
Premiums earned	4 136	2 848	124		7 108
Fee income from policyholders		12	23		35
Net investment income – non-participating business	278	329	103	–6	704
Net realised investment gains/losses – non-participating business	186	90	222		498
Net investment result – unit-linked and with-profit business		–74			–74
Other revenues	10		1	–3	8
Total revenues	**4 610**	**3 205**	**473**	**–9**	**8 279**
Expenses					
Claims and claim adjustment expenses	–2 663		3		–2 660
Life and health benefits		–2 307	–134		–2 441
Return credited to policyholders		69	–80		–11
Acquisition costs	–1 220	–494	–8		–1 722
Operating expenses	–295	–167	–146		–608
Total expenses before interest expenses	**–4 178**	**–2 899**	**–365**	**0**	**–7 442**
Income/loss before interest and income tax expense	**432**	**306**	**108**	**–9**	**837**
Interest expenses	–77	–76	–7	9	–151
Income before income tax expense	**355**	**230**	**101**	**0**	**686**
Income tax expense/benefit	–67	–44	13		–98
Net income before attribution of non-controlling interests	**288**	**186**	**114**	**0**	**588**
Income/loss attributable to non-controlling interests	–1		–7		–8
Net income after attribution of non-controlling interests	**287**	**186**	**107**	**0**	**580**
Interest on contingent capital instruments	–4	–13			–17
Net income attributable to common shareholder	**283**	**173**	**107**	**0**	**563**
Claims ratio in %	64.4				
Expense ratio in %	36.6				
Combined ratio in %	101.0				
Management expense ratio in %		5.2			

Business segments – income statement
For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Consolidation	Total
Revenues					
Gross premium written	9 658	5 934	518	–227	15 883
Net premiums written	9 417	5 239	286		14 942
Change in unearned premiums	–2 147	–118	–50		–2 315
Premiums earned	7 270	5 121	236		12 627
Fee income from policyholders		27	51		78
Net investment income – non-participating business	551	685	168		1 404
Net realised investment gains/losses – non-participating business	330	216	8		554
Net investment result – unit-linked and with-profit business		41			41
Other revenues	40		1	–2	39
Total revenues	8 191	6 090	464	–2	14 743
Expenses					
Claims and claim adjustment expenses	–3 896		–1		–3 897
Life and health benefits		–3 858	–279		–4 137
Return credited to policyholders		–53	–169		–222
Acquisition costs	–1 947	–970	–34		–2 951
Operating expenses[3]	–576	–368	–285		–1 229
Total expenses before interest expenses	–6 419	–5 249	–768	0	–12 436
Income/loss before interest and income tax expense	1 772	841	–304	–2	2 307
Interest expenses[2]	–140	–166	–10	2	–314
Income/loss before income tax expense	1 632	675	–314	0	1 993
Income tax expense/benefit	–344	–142	54		–432
Net income/loss before attribution of non-controlling interests	1 288	533	–260	0	1 561
Income/loss attributable to non-controlling interests			–1		–1
Net income/loss after attribution of non-controlling interests	1 288	533	–261	0	1 560
Interest on contingent capital instruments	–10	–24			–34
Net income/loss attributable to common shareholder	1 278	509	–261	0	1 526
Claims ratio in %	53.6				
Expense ratio in %	34.7				
Combined ratio in %	88.3				
Management expense ratio in %		6.3			
Net operating margin in %	21.6	13.9	–65.5		15.7

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[2] Letter of credit fees of USD 22 million in Life & Health Reinsurance and USD 7 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[3] The Group's new internal service cost framework resulted in a reallocation of operating expenses to "Other" from the business segments. Comparative information for 2015 has been adjusted accordingly.

Business segments – income statement
For the six months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Gross premium written	11 133	6 586	614	–231	18 102
Net premiums written	10 883	5 895	279		17 057
Change in unearned premiums	–2 791	–224	–43		–3 058
Premiums earned	8 092	5 671	236		13 999
Fee income from policyholders		24	45		69
Net investment income – non-participating business	515	662	207	–12	1 372
Net realised investment gains/losses – non-participating business	482	197	321		1 000
Net investment result – unit-linked and with-profit business		–137			–137
Other revenues	21	5		–3	23
Total revenues	**9 110**	**6 422**	**809**	**–15**	**16 326**
Expenses					
Claims and claim adjustment expenses	–5 037		3		–5 034
Life and health benefits		–4 381	–278		–4 659
Return credited to policyholders		129	–161		–32
Acquisition costs	–2 257	–1 134	–21		–3 412
Operating expenses	–575	–332	–202		–1 109
Total expenses before interest expenses	**–7 869**	**–5 718**	**–659**	**0**	**–14 246**
Income/loss before interest and income tax expense	**1 241**	**704**	**150**	**–15**	**2 080**
Interest expenses	–146	–154	–10	15	–295
Income before income tax expense	**1 095**	**550**	**140**	**0**	**1 785**
Income tax expense	–215	–108			–323
Net income before attribution of non-controlling interests	**880**	**442**	**140**	**0**	**1 462**
Income/loss attributable to non-controlling interests	–1		–10		–11
Net income after attribution of non-controlling interests	**879**	**442**	**130**	**0**	**1 451**
Interest on contingent capital instruments	–9	–25			–34
Net income attributable to common shareholder	**870**	**417**	**130**	**0**	**1 417**
Claims ratio in %	62.2				
Expense ratio in %	35.0				
Combined ratio in %	97.2				
Management expense ratio in %		5.2			
Net operating margin in %	13.6	10.7	18.5		12.6

Business segments –balance sheet

As of 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Consolidation	Total
Total assets[2]	78 207	55 337	12 851	–11 204	135 191

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[2] The Group's new internal service cost framework resulted in a reallocation of operating expenses to "Other" from the business segments. The resulted impact on the balance sheet has been adjusted accordingly for the comparative information 2015.

As of 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets	86 154	58 082	14 520	–13 184	145 572

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

For the three months ended 30 June

2015 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	1 481	1 522	450		3 453
Net premiums written	1 338	1 511	440		3 289
Change in unearned premiums	–39	115	138		214
Premiums earned	1 299	1 626	578		3 503
Net investment income				272	272
Net realised investment gains/losses				133	133
Other revenues				27	27
Total revenues	1 299	1 626	578	432	3 935
Expenses					
Claims and claim adjustment expenses	–632	–1 009	–293		–1 934
Acquisition costs	–312	–535	–183		–1 030
Operating expenses[1,2]	–159	–87	–45		–291
Total expenses before interest expenses	–1 103	–1 631	–521	0	–3 255
Income/loss before interest and income tax expense	196	–5	57	432	680
Interest expenses[1]				–77	–77
Income/loss before income tax expense	196	–5	57	355	603
Claims ratio in %	48.6	62.0	50.7		55.2
Expense ratio in %	36.3	38.3	39.4		37.7
Combined ratio in %	84.9	100.3	90.1		92.9

[1] Letter of credit fees of USD 4 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[2] The Group's new internal service cost framework resulted in a reallocation of operating expenses to the segment "Other" from the Property & Casualty Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

2016 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	1 718	1 975	429		4 122
Net premiums written	1 552	1 964	419		3 935
Change in unearned premiums	2	43	156		201
Premiums earned	1 554	2 007	575		4 136
Net investment income				278	278
Net realised investment gains/losses				186	186
Other revenues				10	10
Total revenues	**1 554**	**2 007**	**575**	**474**	**4 610**
Expenses					
Claims and claim adjustment expenses	–1 118	–1 308	–237		–2 663
Acquisition costs	–378	–659	–183		–1 220
Operating expenses	–169	–89	–37		–295
Total expenses before interest expenses	**–1 665**	**–2 056**	**–457**	**0**	**–4 178**
Income/loss before interest and income tax expense	**–111**	**–49**	**118**	**474**	**432**
Interest expenses				–77	–77
Income/loss before income tax expense	**–111**	**–49**	**118**	**397**	**355**
Claims ratio in %	71.9	65.1	41.2		64.4
Expense ratio in %	35.2	37.3	38.3		36.6
Combined ratio in %	107.1	102.4	79.5		101.0

Property & Casualty Reinsurance business segment – by line of business

For the six months ended 30 June

2015 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	4328	3742	1588		9658
Net premiums written	4152	3726	1539		9417
Change in unearned premiums	–1334	–447	–366		–2147
Premiums earned	2818	3279	1173		7270
Net investment income				551	551
Net realised investment gains/losses				330	330
Other revenues				40	40
Total revenues	2818	3279	1173	921	8191
Expenses					
Claims and claim adjustment expenses	–1286	–2081	–529		–3896
Acquisition costs	–602	–1028	–317		–1947
Operating expenses[1,2]	–319	–177	–80		–576
Total expenses before interest expenses	–2207	–3286	–926	0	–6419
Income/loss before interest and income tax expense	611	–7	247	921	1772
Interest expenses[1]				–140	–140
Income/loss before income tax expense	611	–7	247	781	1632
Claims ratio in %	45.6	63.5	45.1		53.6
Expense ratio in %	32.7	36.7	33.8		34.7
Combined ratio in %	78.3	100.2	78.9		88.3

[1] Letter of credit fees of USD 7 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[2] The Group's new internal service cost framework resulted in a reallocation of operating expenses to the segment "Other" from the Property & Casualty Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

2016 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	4371	5230	1532		11133
Net premiums written	4151	5215	1517		10883
Change in unearned premiums	–1065	–1384	–342		–2791
Premiums earned	3086	3831	1175		8092
Net investment income				515	515
Net realised investment gains/losses				482	482
Other revenues				21	21
Total revenues	**3086**	**3831**	**1175**	**1018**	**9110**
Expenses					
Claims and claim adjustment expenses	–1872	–2639	–526		–5037
Acquisition costs	–709	–1229	–319		–2257
Operating expenses	–324	–179	–72		–575
Total expenses before interest expenses	**–2905**	**–4047**	**–917**	**0**	**–7869**
Income/loss before interest and income tax expense	**181**	**–216**	**258**	**1018**	**1241**
Interest expenses				–146	–146
Income/loss before income tax expense	**181**	**–216**	**258**	**872**	**1095**
Claims ratio in %	60.6	68.8	44.7		62.2
Expense ratio in %	33.5	36.8	33.3		35.0
Combined ratio in %	94.1	105.6	78.0		97.2

c) Life & Health Reinsurance business segment – by line of business
For the three months ended 30 June

2015 USD millions	Life	Health	Unallocated	Total[1]
Revenues				
Gross premium written	2 049	784		2 833
Net premiums written	1 718	742		2 460
Change in unearned premiums	26	43		69
Premiums earned	1 744	785		2 529
Fee income from policyholders	12			12
Net investment income – non-participating business	230	121		351
Net realised investment gains/losses – non-participating business	23	2	32	57
Net investment result – unit-linked and with-profit business	–34			–34
Other revenues	–2			–2
Total revenues	1 973	908	32	2 913
Expenses				
Life and health benefits	–1 383	–501		–1 884
Return credited to policyholders	30			30
Acquisition costs	–302	–187		–489
Operating expenses[2, 3]	–129	–57		–186
Total expenses before interest expenses	–1 784	–745	0	–2 529
Income before interest and income tax expense	189	163	32	384
Interest expenses[2]			–78	–78
Income/loss before income tax expense	189	163	–46	306
Management expense ratio in %	6.5	6.3		6.4
Net operating margin[4] in %	9.4	18.0		13.0

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[2] Letter of credit fees of USD 11 million in Life & Health Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[3] The Group's new internal service cost framework resulted in a reallocation of operating expenses to the segment "Other" from the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[4] Net operating margin is calculated as "Income/loss before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the three months ended 30 June

2016 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premium written	2 217	964		3 181
Net premiums written	1 874	940		2 814
Change in unearned premiums	19	15		34
Premiums earned	1 893	955		2 848
Fee income from policyholders	12			12
Net investment income – non-participating business	207	122		329
Net realised investment gains/losses – non-participating business	30	–2	62	90
Net investment result – unit-linked and with-profit business	–74			–74
Other revenues				0
Total revenues	**2 068**	**1 075**	**62**	**3 205**
Expenses				
Life and health benefits	–1 564	–743		–2 307
Return credited to policyholders	69			69
Acquisition costs	–319	–175		–494
Operating expenses	–119	–48		–167
Total expenses before interest expenses	**–1 933**	**–966**	**0**	**–2 899**
Income before interest and income tax expense	**135**	**109**	**62**	**306**
Interest expenses			–76	–76
Income/loss before income tax expense	**135**	**109**	**–14**	**230**
Management expense ratio in %	5.6	4.5		5.2
Net operating margin[1] in %	6.3	10.1		9.3

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

Life & Health Reinsurance business segment – by line of business

For the six months ended 30 June

2015 USD millions	Life	Health	Unallocated	Total[1]
Revenues				
Gross premium written	4 094	1 840		5 934
Net premiums written	3 463	1 776		5 239
Change in unearned premiums	–26	–92		–118
Premiums earned	3 437	1 684		5 121
Fee income from policyholders	27			27
Net investment income – non-participating business	446	239		685
Net realised investment gains/losses – non-participating business	33	1	182	216
Net investment result – unit-linked and with-profit business	41			41
Other revenues				0
Total revenues	3 984	1 924	182	6 090
Expenses				
Life and health benefits	–2 707	–1 151		–3 858
Return credited to policyholders	–53			–53
Acquisition costs	–607	–363		–970
Operating expenses[2, 3]	–263	–105		–368
Total expenses before interest expenses	–3 630	–1 619	0	–5 249
Income before interest and income tax expense	354	305	182	841
Interest expenses[2]			–166	–166
Income before income tax expense	354	305	16	675
Management expense ratio in %	6.7	5.5		6.3
Net operating margin[4] in %	9.0	15.9		13.9

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[2] Letter of credit fees of USD 22 million in Life & Health Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[3] The Group's new internal service cost framework resulted in a reallocation of operating expenses to the segment "Other" from the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[4] Net operating margin is calculated as "Income/loss before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the six months ended 30 June

2016 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premium written	4 454	2 132		6 586
Net premiums written	3 809	2 086		5 895
Change in unearned premiums	–44	–180		–224
Premiums earned	3 765	1 906		5 671
Fee income from policyholders	24			24
Net investment income – non-participating business	425	237		662
Net realised investment gains/losses – non-participating business	30	–2	169	197
Net investment result – unit-linked and with-profit business	–137			–137
Other revenues	5			5
Total revenues	**4 112**	**2 141**	**169**	**6 422**
Expenses				
Life and health benefits	–2 949	–1 432		–4 381
Return credited to policyholders	129			129
Acquisition costs	–770	–364		–1 134
Operating expenses	–235	–97		–332
Total expenses before interest expenses	**–3 825**	**–1 893**	**0**	**–5 718**
Income before interest and income tax expense	**287**	**248**	**169**	**704**
Interest expenses			–154	–154
Income before income tax expense	**287**	**248**	**15**	**550**
Management expense ratio in %	5.6	4.5		5.2
Net operating margin[1] in %	6.8	11.6		10.7

[1] 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".

3 Insurance information

Premiums earned and fees assessed against policyholders

For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Total
Premiums earned, thereof:				
Direct		10	174	184
Reinsurance	3 594	2 806	35	6 435
Intra-group transactions (assumed and ceded)		87	–87	0
Premiums earned before retrocession to external parties	3 594	2 903	122	6 619
Retrocession to external parties	–91	–374		–465
Net premiums earned	3 503	2 529	122	6 154
Fee income from policyholders, thereof:				
Direct				0
Reinsurance		12	22	34
Net fee income	0	12	22	34

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		11	211	222
Reinsurance	4 231	3 110	34	7 375
Intra-group transactions (assumed and ceded)		96	–96	0
Premiums earned before retrocession to external parties	4 231	3 217	149	7 597
Retrocession to external parties	–95	–369	–25	–489
Net premiums earned	**4 136**	**2 848**	**124**	**7 108**
Fee income from policyholders, thereof:				
Direct				
Reinsurance		12	23	35
Net fee income	**0**	**12**	**23**	**35**

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Premiums earned and fees assessed against policyholders

For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Total
Premiums earned, thereof:				
Direct		20	346	366
Reinsurance	7 492	5 625	68	13 185
Intra-group transactions (assumed and ceded)		173	–173	0
Premiums earned before retrocession to external parties	7 492	5 818	241	13 551
Retrocession to external parties	–222	–697	–5	–924
Net premiums earned	7 270	5 121	236	12 627
Fee income from policyholders, thereof:				
Direct			5	5
Reinsurance		27	46	73
Net fee income	0	27	51	78

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		21	401	422
Reinsurance	8 271	6 151	67	14 489
Intra-group transactions (assumed and ceded)		193	–193	0
Premiums earned before retrocession to external parties	8 271	6 365	275	14 911
Retrocession to external parties	–179	–694	–39	–912
Net premiums earned	**8 092**	**5 671**	**236**	**13 999**
Fee income from policyholders, thereof:				
Direct				
Reinsurance		24	45	69
Net fee income	**0**	**24**	**45**	**69**

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment “Other” instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Claims and claim adjustment expenses

For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Total
Claims paid, thereof:				
Gross claims paid to external parties	–2 648	–2 372	–340	–5 360
Intra-group transactions (assumed and ceded)		–55	55	0
Claims before receivables from retrocession to external parties	–2 648	–2 427	–285	–5 360
Retrocession to external parties	284	262	1	547
Net claims paid	–2 364	–2 165	–284	–4 813
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross - with external parties	665	283	145	1 093
Intra-group transactions (assumed and ceded)		–15	15	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	665	268	160	1 093
Retrocession to external parties	–235	13		–222
Net unpaid claims and claim adjustment expenses; life and health benefits	430	281	160	871
Claims and claim adjustment expenses; life and health benefits	–1 934	–1 884	–124	–3 942

Acquisition costs

For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	–1 056	–534	–36	–1 626
Intra-group transactions (assumed and ceded)	3	–21	18	0
Acquisition costs before impact of retrocession to external parties	–1 053	–555	–18	–1 626
Retrocession to external parties	23	66		89
Net acquisition costs	–1 030	–489	–18	–1 537

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Claims and claim adjustment expenses
For the three months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross claims paid to external parties	–2 636	–2 498	–220	–5 354
Intra-group transactions (assumed and ceded)		–76	76	0
Claims before receivables from retrocession to external parties	–2 636	–2 574	–144	–5 354
Retrocession to external parties	113	313	9	435
Net claims paid	**–2 523**	**–2 261**	**–135**	**–4 919**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross – with external parties	–21	–81	–16	–118
Intra-group transactions (assumed and ceded)		–8	8	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	–21	–89	–8	–118
Retrocession to external parties	–119	43	12	–64
Net unpaid claims and claim adjustment expenses; life and health benefits	**–140**	**–46**	**4**	**–182**
Claims and claim adjustment expenses; life and health benefits	**–2 663**	**–2 307**	**–131**	**–5 101**

Acquisition costs
For the three months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	–1 247	–541	–24	–1 812
Intra-group transactions (assumed and ceded)		–13	13	0
Acquisition costs before impact of retrocession to external parties	–1 247	–554	–11	–1 812
Retrocession to external parties	27	60	3	90
Net acquisition costs	**–1 220**	**–494**	**–8**	**–1 722**

Claims and claim adjustment expenses
For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Total
Claims paid, thereof:				
Gross claims paid to external parties	–4 705	–4 670	–443	–9 818
Intra-group transactions (assumed and ceded)		–111	111	0
Claims before receivables from retrocession to external parties	–4 705	–4 781	–332	–9 818
Retrocession to external parties	474	585	5	1 064
Net claims paid	–4 231	–4 196	–327	–8 754
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross - with external parties	737	357	25	1 119
Intra-group transactions (assumed and ceded)		–22	22	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	737	335	47	1 119
Retrocession to external parties	–402	3		–399
Net unpaid claims and claim adjustment expenses; life and health benefits	335	338	47	720
Claims and claim adjustment expenses; life and health benefits	–3 896	–3 858	–280	–8 034

Acquisition costs
For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	–2 006	–1 053	–72	–3 131
Intra-group transactions (assumed and ceded)	3	–41	38	0
Acquisition costs before impact of retrocession to external parties	–2 003	–1 094	–34	–3 131
Retrocession to external parties	56	124		180
Net acquisition costs	–1 947	–970	–34	–2 951

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Claims and claim adjustment expenses
For the six months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross claims paid to external parties	–4 729	–5 527	–428	–10 684
Intra-group transactions (assumed and ceded)		–139	139	0
Claims before receivables from retrocession to external parties	–4 729	–5 666	–289	–10 684
Retrocession to external parties	252	656	10	918
Net claims paid	**–4 477**	**–5 010**	**–279**	**–9 766**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross – with external parties	–350	624	–46	228
Intra-group transactions (assumed and ceded)		–26	26	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	–350	598	–20	228
Retrocession to external parties	–210	31	24	–155
Net unpaid claims and claim adjustment expenses; life and health benefits	**–560**	**629**	**4**	**73**
Claims and claim adjustment expenses; life and health benefits	**–5 037**	**–4 381**	**–275**	**–9 693**

Acquisition costs
For the six months ended 30 June

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	–2 299	–1 216	–59	–3 574
Intra-group transactions (assumed and ceded)		–33	33	0
Acquisition costs before impact of retrocession to external parties	–2 299	–1 249	–26	–3 574
Retrocession to external parties	42	115	5	162
Net acquisition costs	**–2 257**	**–1 134**	**–21**	**–3 412**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2015 and 30 June 2016 were as follows:

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Consolidation[1]	Total
Assets					
Reinsurance recoverable on unpaid claims and policy benefits	2 872	1 652	188	–189	4 523
Deferred acquisition costs	2 051	3 020	13		5 084
Liabilities					
Unpaid claims and claim adjustment expenses	39 366	9 468	1 073	–189	49 718
Liabilities for life and health policy benefits		15 472	1 308	–1	16 779
Policyholder account balances		1 368	3 990		5 358

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable on unpaid claims and policy benefits	2 680	1 656	242	–219	4 359
Deferred acquisition costs	2 571	3 180	15		5 766
Liabilities					
Unpaid claims and claim adjustment expenses	39 894	10 209	1 157	–219	51 041
Liabilities for life and health policy benefits		15 770	1 234	–2	17 002
Policyholder account balances		1 277	4 064		5 341

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Reinsurance receivables

Reinsurance receivables as of 31 December 2015 and 30 June 2016 were as follows:

USD millions	2015	**2016**
Premium receivables invoiced	1103	1 451
Receivables invoiced from ceded re/insurance business	126	160
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	169	100
Recognised allowance	–36	–32

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4 Premiums written

For the three months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Consolidation[1]	Total
Gross premiums written, thereof:					
Direct		10	85		95
Reinsurance	3 453	2 780	33		6 266
Intra-group transactions (assumed)		43		–43	0
Gross premiums written	3 453	2 833	118	–43	6 361
Intra-group transactions (ceded)			–43	43	0
Gross premiums written before retrocession to external parties	3 453	2 833	75		6 361
Retrocession to external parties	–164	–373			–537
Net premiums written	3 289	2 460	75	0	5 824

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		11	114		125
Reinsurance	4 122	3 135	34		7 291
Intra-group transactions (assumed)		35		–35	0
Gross premiums written	4 122	3 181	148	–35	7 416
Intra-group transactions (ceded)			–35	35	0
Gross premiums written before retrocession to external parties	4 122	3 181	113		7 416
Retrocession to external parties	–187	–367	–33		–587
Net premiums written	**3 935**	**2 814**	**80**	**0**	**6 829**

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

For the six months ended 30 June

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Consolidation[1]	Total
Gross premiums written, thereof:					
Direct		20	452		472
Reinsurance	9658	5687	66		15411
Intra-group transactions (assumed)		227		–227	0
Gross premiums written	9658	5934	518	–227	15883
Intra-group transactions (ceded)			–227	227	0
Gross premiums written before retrocession to external parties	9658	5934	291		15883
Retrocession to external parties	–241	–695	–5		–941
Net premiums written	9417	5239	286	0	14942

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		21	547		568
Reinsurance	11 133	6334	67		17534
Intra-group transactions (assumed)		231		–231	0
Gross premiums written	11 133	6586	614	–231	18 102
Intra-group transactions (ceded)			–231	231	0
Gross premiums written before retrocession to external parties	11 133	6586	383		18 102
Retrocession to external parties	–250	–691	–104		–1 045
Net premiums written	**10883**	**5895**	**279**	**0**	**17057**

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the segment "Other" instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

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

As of 31 December 2015 and 30 June 2016, the DAC were as follows:

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Other[1]	Total
Opening balance as of 1 January	1 756	2 723	1	4 480
Effect of change in Group structure[1]		–12	12	0
Deferred	4 132	1 018	35	5 185
Effect of acquisitions/disposals and retrocessions	7	2		9
Amortisation	–3 793	–560	–34	–4 387
Effect of foreign currency translation	–51	–151	–1	–203
Closing balance	2 051	3 020	13	5 084

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January	2 051	3 020	13	5 084
Deferred	2 714	365	24	3 103
Amortisation	–2 232	–188	–22	–2 442
Effect of foreign currency translation	38	–17		21
Closing balance	**2 571**	**3 180**	**15**	**5 766**

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the "Other" segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

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 2015 and 30 June 2016, the PVFP was as follows:

			2015			**2016**
USD millions	Life & Health Reinsurance	Other	Total	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January	1 294	605	1 899	1 134	587	1 721
Amortisation	–159	–28	–187	–68	–7	–75
Interest accrued on unamortised PVFP	40	1	41	17		17
Effect of foreign currency translation	–41		–41	–37		–37
Effect of change in unrealised gains/losses		9	9		–3	–3
Closing balance	1 134	587	1 721	**1 046**	**577**	**1 623**

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

6 Investments

Investment income

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

USD millions	Three months ended 30 June 2015	Three months ended 30 June 2016	Six months ended 30 June 2015	Six months ended 30 June 2016
Fixed income securities	462	479	961	946
Equity securities	26	24	36	39
Policy loans, mortgages and other loans	36	37	72	72
Investment real estate	37	45	73	89
Short-term investments	20	8	40	25
Other current investments	7	9	25	40
Share in earnings of equity-accounted investees	36	4	80	1
Cash and cash equivalents	8	5	18	11
Net result from deposit-accounted contracts	18	53	29	67
Deposits with ceding companies	82	116	222	234
Gross investment income	732	**780**	1 556	**1 524**
Investment expenses	–74	–75	–149	–150
Interest charged for funds held	–2	–1	–3	–2
Net investment income – non-participating business	656	**704**	1 404	**1 372**

Dividends received from investments accounted for using the equity method were USD 46 million and USD 18 million for the three months ended 30 June 2015 and 2016, respectively, as well as USD 77 million and USD 47 million for the six months ended 30 June 2015 and 2016, respectively.

Realised gains and losses

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

USD millions	Three months ended 30 June 2015	Three months ended 30 June 2016	Six months ended 30 June 2015	Six months ended 30 June 2016
Fixed income securities available-for-sale:				
Gross realised gains	70	179	346	437
Gross realised losses	–115	–22	–151	–129
Equity securities available-for-sale:				
Gross realised gains	123	74	168	119
Gross realised losses	–6	–19	–18	–61
Other-than-temporary impairments	–6	–16	–11	–44
Net realised investment gains/losses on trading securities	1	58	40	116
Change in net unrealised investment gains/losses on trading securities	–17	32	10	98
Net realised/unrealised gains/losses other investments	218	–1	142	–56
Net realised/unrealised gains/losses on insurance-related activities	31	5	27	6
Foreign exchange gains/losses	–333	208	1	514
Net realised investment gains/losses – non-participating business	**–34**	**498**	**554**	**1 000**

Investment result – unit-linked and with-profit business

The net investment result on unit-linked and with-profit business credited to policyholders amounted to losses of USD 34 million and USD 74 million for the three months ended 30 June 2015 and 2016, and gains of USD 41 million and losses of USD 137 million for the six months ended 30 June 2015 and 2016, respectively, mainly originating from gains/losses on equity securities.

Impairment on fixed income securities related to credit losses

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

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

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

USD millions	2015	**2016**
Balance as of 1 January	131	129
Credit losses for which an other-than-temporary impairment was not previously recognised		12
Reductions for securities sold during the period	–15	–28
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	4	7
Impact of increase in cash flows expected to be collected	–4	–4
Impact of foreign exchange movements	–2	–2
Balance as of 30 June	114	**114**

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 2015 and 30 June 2016 were as follows:

2015 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	9 981	507	–94		10 394
US Agency securitised products	2 761	28	–27		2 762
States of the United States and political subdivisions of the states	913	39	–11		941
United Kingdom	4 462	486	–43		4 905
Canada	3 730	518	–13		4 235
Germany	2 789	232	–27		2 994
France	1 861	189	–16		2 034
Other	7 023	190	–143		7 070
Total	33 520	2 189	–374		35 335
Corporate debt securities	21 287	621	–482	–10	21 416
Mortgage- and asset-backed securities	4 330	88	–32	–3	4 383
Fixed income securities available-for-sale	59 137	2 898	–888	–13	61 134
Equity securities available-for-sale	2 876	375	–160		3 091

2016 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	10 075	986	–11		11 050
US Agency securitised products	3 788	76	–6		3 858
States of the United States and political subdivisions of the states	989	116	–3		1 102
United Kingdom	4 169	934	–14		5 089
Canada	3 890	742	–3		4 629
Germany	2 898	490	–4		3 384
France	1 853	376	–1		2 228
Other	7 951	432	–38		8 345
Total	35 613	4 152	–80		39 685
Corporate debt securities	22 470	1 397	–92		23 775
Mortgage- and asset-backed securities	4 334	123	–21	–6	4 430
Fixed income securities available-for-sale	**62 417**	**5 672**	**–193**	**–6**	**67 890**
Equity securities available-for-sale	**2 514**	**341**	**–138**		**2 717**

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

Investments trading

The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December 2015 and 30 June 2016 were as follows:

USD millions	2015	**2016**
Debt securities issued by governments and government agencies	2 710	3 171
Corporate debt securities	52	44
Mortgage- and asset-backed securities	134	123
Fixed income securities trading – non-participating business	2 896	**3 338**
Equity securities trading – non-participating business	68	**52**

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked business consist of equity securities trading. As of 31 December 2015 and 30 June 2016, these amounted to USD 818 million and USD 485 million, respectively.

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 2015 and 30 June 2016, USD 10 893 million and USD 13 046 million, respectively, of fixed income securities available-for-sale were callable.

		2015		**2016**
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	3 261	3 309	4 723	4 771
Due after one year through five years	14 508	14 695	15 662	16 043
Due after five years through ten years	13 039	13 364	14 431	15 454
Due after ten years	24 246	25 631	23 523	27 450
Mortgage- and asset-backed securities with no fixed maturity	4 083	4 135	4 078	4 172
Total fixed income securities available-for-sale	59 137	61 134	**62 417**	**67 890**

Assets pledged

As of 30 June 2016, investments with a carrying value of USD 6 643 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 10 158 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2015 and 30 June 2016, securities of USD 13 605 million and USD 15 088 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 995 million and USD 2 020 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 30 June 2016, a real estate portfolio with a carrying value of USD 226 million serves as collateral for a credit facility allowing the Group to withdraw funds up to CHF 650 million.

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

As of 31 December 2015 and 30 June 2016, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 10 732 million and USD 9 950 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2015 and 30 June 2016 was USD 6 125 million and USD 6 668 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December 2015 and 30 June 2016 was as follows:

2015 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	2 752	–1 953	799	–34	765
Reverse repurchase agreements	6 358	–3 000	3 358	–3 351	7
Securities borrowing	452		452	–452	0
Total	9 562	–4 953	4 609	–3 837	772

2015 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–2 090	1 477	–613	77	–536
Repurchase agreements	–2 844	2 475	–369	369	0
Securities lending	–1 151	525	–626	582	–44
Total	–6 085	4 477	–1 608	1 028	–580

2016 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	3 512	–2 544	968		**968**
Reverse repurchase agreements	6 224	–3 311	2 913	–2 913	**0**
Securities borrowing					**0**
Total	**9 736**	**–5 855**	**3 881**	**–2 913**	**968**

2016 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–3 279	2 348	–931	102	**–829**
Repurchase agreements	–3 457	2 786	–671	672	**1**
Securities lending	–1 874	525	–1 349	1 211	**–138**
Total	**–8 610**	**5 659**	**–2 951**	**1 985**	**–966**

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

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

As of 31 December 2015 and 30 June 2016, the gross amounts of liabilities related to repurchase agreements and securities lending by the class of securities transferred to third parties and by the remaining maturity are shown below. The liabilities are recognised for the obligation to return collateral that the Group has the right to sell or repledge.

2015 USD millions	Remaining contractual maturity of the agreements Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	370	2 136	176	135	2 817
Corporate debt securities	3	24			27
Total repurchase agreements	373	2 160	176	135	2 844
Securities lending					
Debt securities issued by governments and government agencies	217		501	433	1 151
Total securities lending	217	0	501	433	1 151
Gross amount of recognised liabilities for repurchase agreements and securities lending					3 995

2016 USD millions	Remaining contractual maturity of the agreements Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	393	2 751	135	152	3 431
Corporate debt securities		26			26
Total repurchase agreements	**393**	**2 777**	**135**	**152**	**3 457**
Securities lending					
Debt securities issued by governments and government agencies	278	16	694	760	1 748
Corporate debt securities	6		105		111
Equity securities	15				15
Total securities lending	**299**	**16**	**799**	**760**	**1 874**
Gross amount of recognised liabilities for repurchase agreements and securities lending					5 331

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

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2015 and 30 June 2016. As of 31 December 2015 and 30 June 2016, USD 126 million and USD 102 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 34 million and USD 36 million, respectively, to decline in value for more than 12 months.

2015 USD millions	Less than 12 months Fair value	Less than 12 months Unrealised losses	12 months or more Fair value	12 months or more Unrealised losses	Total Fair value	Total Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	4 516	93	6	1	4 522	94
US Agency securitised products	1 408	22	226	5	1 634	27
States of the United States and political subdivisions of the states	339	10	6	1	345	11
United Kingdom	1 067	42	14	1	1 081	43
Canada	930	11	10	2	940	13
Germany	825	25	113	2	938	27
France	500	13	16	3	516	16
Other	3 067	107	194	36	3 261	143
Total	12 652	323	585	51	13 237	374
Corporate debt securities	9 201	426	383	66	9 584	492
Mortgage- and asset-backed securities	2 150	27	187	8	2 337	35
Total	24 003	776	1 155	125	25 158	901

2016 USD millions	Less than 12 months Fair value	Less than 12 months Unrealised losses	12 months or more Fair value	12 months or more Unrealised losses	Total Fair value	Total Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	338	11			338	11
US Agency securitised products	341	4	188	2	529	6
States of the United States and political subdivisions of the states	44	2	11	1	55	3
United Kingdom	794	10	49	4	843	14
Canada	702	2	6	1	708	3
Germany	247	3	161	1	408	4
France	147	1			147	1
Other	1 260	19	356	19	1 616	38
Total	3 873	52	771	28	4 644	80
Corporate debt securities	1 718	61	436	31	2 154	92
Mortgage- and asset-backed securities	785	16	249	11	1 034	27
Total	**6 376**	**129**	**1 456**	**70**	**7 832**	**199**

Mortgages, loans and real estate

As of 31 December 2015 and 30 June 2016, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2015	**2016**
Policy loans	80	80
Mortgage loans	1 389	1 408
Other loans	2 363	2 297
Investment real estate	1 550	1 598

The fair value of mortgage loans as of 31 December 2015 and 30 June 2016 was USD 1 389 million and USD 1 451 million, respectively. The fair value of other loans as of 31 December 2015 and 30 June 2016 was USD 2 363 million and USD 2 314 million, respectively. The fair value of the real estate as of 31 December 2015 and 30 June 2016 was USD 3 205 million and USD 3 303 million, respectively. The carrying value of policy loans approximates fair value.

Depreciation expense related to income-producing properties was USD 15 million and USD 20 million for the six months ended 30 June 2015 and 2016, respectively. Accumulated depreciation on investment real estate totalled USD 504 million and USD 524 million as of 31 December 2015 and 30 June 2016, respectively.

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

7 Fair value disclosures

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

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

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

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the six months ended 30 June 2016, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Other.

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

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

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

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. 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 include debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

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

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

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

The Group holds both exchange-traded and OTC interest rate, foreign exchange, credit and equity derivative contracts for hedging and trading purposes. The fair values of exchange-traded derivatives measured using observable exchange prices are classified in level 1. Long-dated contracts may require adjustments to the exchange-traded prices which would trigger reclassification to level 2 in the fair value hierarchy. OTC derivatives are generally valued by the Group based on 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, as well as more complex structured credit derivatives. Plain vanilla credit derivatives, such as index and single-name credit default swaps, are valued by the Group based on the models consistent with the industry valuation standards for these credit contracts, and primarily 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.

Governance around level 3 fair valuation

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2015 and 30 June 2016, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2015 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	10 695	52 997	338		64 030
Debt securities issued by US government and government agencies	10 695	1 450			12 145
US Agency securitised products		2 776			2 776
Debt securities issued by non-US governments and government agencies		23 124			23 124
Corporate debt securities		21 143	325		21 468
Mortgage- and asset-backed securities		4 504	13		4 517
Equity securities held for proprietary investment purposes	3 148		11		3 159
Equity securities backing unit-linked and with-profit business	818				818
Short-term investments held for proprietary investment purposes	1 795	2 867			4 662
Derivative financial instruments	22	2 266	464	–1 953	799
Interest rate contracts	6	1 304			1 310
Foreign exchange contracts		319			319
Equity contracts	16	617	334		967
Credit contracts		1	1		2
Other contracts		25	129		154
Other invested assets	579	49	1 013		1 641
Funds held by ceding companies		245			245
Total assets at fair value	17 057	58 424	1 826	–1 953	75 354
Liabilities					
Derivative financial instruments	–17	–1 576	–497	1 477	–613
Interest rate contracts	–5	–789			–794
Foreign exchange contracts		–201			–201
Equity contracts	–12	–582	–38		–632
Credit contracts			–19		–19
Other contracts		–4	–440		–444
Liabilities for life and health policy benefits			–165		–165
Accrued expenses and other liabilities	–812	–2 524	–1 474		–4 810
Total liabilities at fair value	–829	–4 100	–2 136	1 477	–5 588

[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.

2016 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]	Investments measured at net asset value as a practical expedient	Total
Assets						
Fixed income securities held for proprietary investment purposes	10 908	59 990	330			71 228
Debt securities issued by US government and government agencies	10 908	1 661				12 569
US Agency securitised products		4 022				4 022
Debt securities issued by non-US governments and government agencies		26 265				26 265
Corporate debt securities		23 502	317			23 819
Mortgage- and asset-backed securities		4 540	13			4 553
Equity securities held for proprietary investment purposes	2 768		1			2 769
Equity securities backing unit-linked and with-profit business	485					485
Short-term investments held for proprietary investment purposes	3 003	3 432				6 435
Derivative financial instruments	8	2 949	555	–2 544		968
Interest rate contracts	6	1 852				1 858
Foreign exchange contracts		627				627
Equity contracts	2	465	443			910
Credit contracts		1				1
Other contracts		4	112			116
Other invested assets	764	547	161		785	2 257
Funds held by ceding companies		222				222
Total assets at fair value	**17 936**	**67 140**	**1 047**	**–2 544**	**785**	**84 364**
Liabilities						
Derivative financial instruments	–19	–2 493	–767	2 348		–931
Interest rate contracts	–8	–1 456				–1 464
Foreign exchange contracts		–478				–478
Equity contracts	–11	–559	–52			–622
Credit contracts			–16			–16
Other contracts			–699			–699
Liabilities for life and health policy benefits			–177			–177
Accrued expenses and other liabilities	–1 045	–4 037	–1 343			–6 425
Total liabilities at fair value	**–1 064**	**–6 530**	**–2 287**	**2 348**		**–7 533**

[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.

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

As of 31 December 2015 and 30 June 2016, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs was as follows:

2015 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Accrued expenses and other liabilities	Total liabilities
Assets and liabilities									
Balance as of 1 January	388	4	537	1 289	2 218	–717	–187	–1 559	–2 463
Realised/unrealised gains/losses:									
Included in net income	4		–20	45	29	165	22		187
Included in other comprehensive income	–14	–1		–71	–86				0
Purchases	9		7	134	150				0
Issuances					0	–10			–10
Sales	–46		–3	–441	–490	1			1
Settlements	–35		–72		–107	65			65
Transfers into level 3[1]	33	8	15	70	126	–1			–1
Transfers out of level 3[1]					0				0
Impact of foreign exchange movements	–1			–13	–14			85	85
Closing balance as of 31 December	338	11	464	1 013	1 826	–497	–165	–1 474	–2 136

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

2016 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	**Total assets**	Derivative liabilities	Liabilities for life and health policy benefits	Accrued expenses and other liabilities	**Total liabilities**
Assets and liabilities									
Balance as of 1 January	338	11	464	1 013	**1 826**	–497	–165	–1 474	**–2 136**
Impact of Accounting Standards Updates[2]				–895	**–895**				**0**
Realised/unrealised gains/losses:									
Included in net income	3		114	–13	**104**	–235	–13		**–248**
Included in other comprehensive income	5		1	5	**11**				**0**
Purchases	27		3	37	**67**				**0**
Issuances					**0**	–18			**–18**
Sales	–33		–20	–1	**–54**	20			**20**
Settlements	–8		–13		**–21**	–32			**–32**
Transfers into level 3[1]			6	10	**16**	–5			**–5**
Transfers out of level 3[1]		–10			**–10**				**0**
Impact of foreign exchange movements	–2			5	**3**		1	131	**132**
Closing balance as of 30 June	**330**	**1**	**555**	**161**	**1 047**	**–767**	**–177**	**–1 343**	**–2 287**

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.
[2] Impact of ASU 2015 - 07. Please refer to Note 1 for more details.

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

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

USD millions	2015	**2016**
Gains/losses included in net income for the period	177	–144
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	66	–207

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December 2015 and 30 June 2016 were as follows:

USD millions	2015 Fair value	**2016 Fair value**	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	325	**317**			
Private placement corporate debt	241	232	Corporate Spread Matrix	Credit spread	60 bps–689 bps (218 bps)
Private placement credit tenant leases	51	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (132 bps)
Infrastructure loans	32	32	Discounted Cash Flow Model	Valuation spread	181 bps (n.a.)
Derivative equity contracts	334	**443**			
OTC equity option referencing correlated equity indices	334	443	Proprietary Option Model	Correlation	-50%–100% (25%)[1]
Liabilities					
Derivative equity contracts	–38	**–52**			
OTC equity option referencing correlated equity indices	–38	–52	Proprietary Option Model	Correlation	-50%–100% (25%)[1]
Other derivative contracts and liabilities for life and health policy benefits	–605	**–876**			
Variable annuity and fair valued GMDB contracts	–567	–851	Discounted Cash Flow Model	Risk margin	4% (n.a.)
				Volatility	4%–42%
				Lapse	0.5%–33%
				Mortality adjustment	-10%–0%
				Withdrawal rate	0%–90%

[1] Represents average input value for the reporting period.

Sensitivity of recurring level 3 measurements to changes in unobservable inputs
The significant unobservable input used in the fair value measurement of the Group's private placement corporate debt securities is credit spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's private placement credit tenant leases is illiquidity premium. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's infrastructure loan is valuation spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

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

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

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December 2015 and 30 June 2016, respectively, were as follows:

USD millions	2015 Fair value	**2016** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	550	456	93	non-redeemable	n.a.
Hedge funds	135	102		redeemable[1]	45-95 days[2]
Private equity direct	31	1		non-redeemable	n.a.
Real estate funds	203	226	62	non-redeemable	n.a.
Total	919	**785**	**155**		

[1] The redemption frequency varies by position.
[2] Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

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

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

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

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

Fair value option

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

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

Other invested assets

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

Funds held by ceding companies

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

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2015 and 30 June 2016 were as follows:

USD millions	2015	2016
Assets		
Other invested assets	7 861	7 861
of which at fair value pursuant to the fair value option	92	115
Funds held by ceding companies	10 668	9 047
of which at fair value pursuant to the fair value option	245	222
Liabilities		
Liabilities for life and health policy benefits	–16 779	–17 002
of which at fair value pursuant to the fair value option	–165	–177

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

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

USD millions	2015	2016
Other invested assets	12	–12
Funds held by ceding companies	6	3
Liabilities for life and health policy benefits	28	–12
Total	46	**–21**

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

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

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December 2015 and 30 June 2016 were as follows:

2015 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		80	80
Mortgage loans		1 389	1 389
Other loans		2 363	2 363
Investment real estate		3 205	3 205
Total assets	0	7 037	7 037
Liabilities			
Debt	–8 190	–7 137	–15 327
Total liabilities	–8 190	–7 137	–15 327

2016 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		80	80
Mortgage loans		1 451	1 451
Other loans		2 314	2 314
Investment real estate		3 303	3 303
Total assets	**0**	**7 148**	**7 148**
Liabilities			
Debt	–7 208	–7 964	–15 172
Total liabilities	**–7 208**	**–7 964**	**–15 172**

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

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8 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2015 and 30 June 2016, the fair values and notional amounts of the derivatives outstanding were as follows:

2015 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	66 787	1 310	–794	516
Foreign exchange contracts	14 273	282	–201	81
Equity contracts	16 374	967	–632	335
Credit contracts	188	2	–19	–17
Other contracts	17 842	154	–444	–290
Total	115 464	2 715	–2 090	625
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 151	37		37
Total	2 151	37	0	37
Total derivative financial instruments	117 615	2 752	–2 090	662
Amount offset				
Where a right of set-off exists		–1 162	1 162	
Due to cash collateral		–791	315	
Total net amount of derivative financial instruments		799	–613	186

2016 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	80 748	1 858	–1 464	394
Foreign exchange contracts	21 868	392	–417	–25
Equity contracts	15 521	910	–622	288
Credit contracts	194	1	–16	–15
Other contracts	17 592	116	–699	–583
Total	**135 923**	**3 277**	**–3 218**	**59**
Derivatives designated as hedging instruments				
Foreign exchange contracts	10 139	235	–61	174
Total	**10 139**	**235**	**–61**	**174**
Total derivative financial instruments	**146 062**	**3 512**	**–3 279**	**233**
Amount offset				
Where a right of set-off exists		–1 755	1 755	
Due to cash collateral		–789	593	
Total net amount of derivative financial instruments		**968**	**–931**	**37**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2015 and 30 June 2016.

Non-hedging activities

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

USD millions	Three months ended 30 June 2015	Three months ended 30 June **2016**	Six months ended 30 June 2015	Six months ended 30 June **2016**
Derivatives not designated as hedging instruments				
Interest rate contracts	37	110	11	241
Foreign exchange contracts	22	–83	241	42
Equity contracts	–53	95	–152	–39
Credit contracts	–2		–3	2
Other contracts	150	–134	164	–218
Total gains/losses recognised in income	154	**–12**	261	**28**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 30 June 2016, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" in the income statement. The gains and losses attributable to the hedged risks for the periods ended 30 June were as follows:

2015 USD millions	Three months ended 30 June Gains/losses on derivatives	Three months ended 30 June Gains/losses on hedged items	Six months ended 30 June Gains/losses on derivatives	Six months ended 30 June Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	–36	36	83	–83
Total gains/losses recognised in income	–36	36	83	–83

2016 USD millions	Three months ended 30 June Gains/losses on derivatives	Three months ended 30 June Gains/losses on hedged items	Six months ended 30 June Gains/losses on derivatives	Six months ended 30 June Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	251	–251	46	–46
Total gains/losses recognised in income	**251**	**–251**	**46**	**–46**

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2015 and the six months ended 30 June 2016, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 1 075 million and a gain of USD 988 million, respectively, in shareholder's equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss
In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2015 and 30 June 2016 was approximately USD 1 590 million and USD 1 757 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 51 million and USD 79 million as of 31 December 2015 and 30 June 2016, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil as of 31 December 2015 and 30 June 2016, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 79 million additional collateral would have had to be posted as of 30 June 2016. The total equals the amount needed to settle the instruments immediately as of 30 June 2016.

9 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 (not withstanding that optional redemption could be subject to regulatory consent). Interest expense is classified accordingly.

The Group's debt as of 31 December 2015 and 30 June 2016 was as follows:

USD millions	2015	**2016**
Senior financial debt	2 285	3 140
Senior operational debt	751	457
Subordinated financial debt	1 069	559
Short-term debt – financial and operational debt	4 105	**4 156**
Senior financial debt	2 880	2 897
Senior operational debt	467	423
Subordinated financial debt	3 607	3 023
Subordinated operational debt	2 720	2 476
Long-term debt – financial and operational debt	9 674	**8 819**
Total carrying value	13 779	**12 975**
Total fair value	15 327	**15 172**

Interest expense on long-term debt and contingent capital instruments

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

	Three months ended 30 June		Six months ended 30 June	
USD millions	2015	**2016**	2015	**2016**
Senior financial debt	26	26	52	52
Senior operational debt	3	2	6	5
Subordinated financial debt	61	41	128	85
Subordinated operational debt	34	32	68	64
Total	124	**101**	254	**206**

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 17 million and USD 17 million for the three months ended 30 June 2015 and 2016, respectively, and USD 34 million and USD 34 million for the six months ended 30 June 2015 and 2016, respectively.

Long-term debt issued in 2016

No long-term debt was issued in the first half of 2016.

10 Variable interest entities

The adoption of ASU 2015-02 as of 1 January 2016 led to an increase in the number of variable interest entities (VIEs), mainly due to the evaluation of partnerships and investment funds.

The Group enters into arrangements with 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 of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb 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 reassesses regularly 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 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 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 under ASU 2015-02, 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 6 and are not included in the tables below.

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 under ASU 2015-02, because it is structured as an umbrella company comprised of multiple sub-funds. Majority of the investments held in this vehicle are accounted for as available for sale and are disclosed in the investment note 6 and not included in the tables below.

Investment vehicles (unit-linked business)
Additionally, the Group invests on behalf of the policyholders as a passive investor in a variety of investment funds across various jurisdictions. By design, many of these funds meet a VIE definition. While the Group may have a potentially significant variable interest in some of these entities due to its share of the fund's total net assets, it never has power over the fund's investment decisions, or unilateral kick-out rights relative to the decision maker.

The Group is not exposed to losses in the aforementioned investment vehicles, as the investment risk is born 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 2016 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to the VIEs of which the Group is the primary beneficiary as of 31 December 2015 and 30 June 2016:

USD millions	2015	2016
Fixed income securities available-for-sale	3 876	4 167
Short-term investments	88	201
Other invested assets	26	
Cash and cash equivalents	147	21
Accrued investment income	42	38
Premiums and other receivables	34	48
Deferred acquisition costs	9	11
Deferred tax assets	38	72
Other assets	8	84
Total assets	4 268	**4 642**
Unpaid claims and claim adjustment expenses	53	70
Unearned premiums	26	29
Reinsurance balances payable	2	15
Deferred and other non-current tax liabilities	96	250
Accrued expenses and other liabilities	17	83
Long-term debt	2 720	2 476
Total liabilities	2 914	**2 923**

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 in the Group's balance sheet related to the VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2015 and 30 June 2016:

USD millions	2015	2016
Fixed income securities available-for-sale	52	289
Equity securities available-for-sale		448
Policy loans, mortgages and other loans	1	720
Other invested assets	918	1 614
Investments for unit-linked and with-profit business		170
Total assets	971	**3 241**
Accrued expenses and other liabilities	45	77
Total liabilities	45	**77**

The following table shows the Group's assets, liabilities representing variable interests and maximum exposure to loss related to the VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2015 and 30 June 2016:

			2015			**2016**
USD millions	Total assets	Total liabilities	Maximum exposure to loss[1]	Total assets	Total liabilities	Maximum exposure to loss[1]
Insurance-linked securitisations	52		52	257		255
Life and health funding vehicles	2	1	1 777	2	1	1 840
Swaps in trusts	146	44	–[2]	133	76	–[2]
Investment vehicles	771		773	1 931		1 932
Investment vehicles for unit-linked and with-profit business				170		
Commercial mortgage / infrastructure loans				748		748
Total	971	45	–[2]	**3 241**	**77**	**–[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.

11 Benefit plans

Net periodic benefit cost

Pension and post-retirement cost for the Group and affiliated companies for the six months ended 30 June 2015 and 2016 were USD 62 million and USD 55 million, respectively.

Employers' contributions for 2016

For the six months ended 30 June 2016, the Group and affiliated companies contributed USD 91 million to its defined benefit pension plans and USD 8 million to other post-retirement plans, compared to USD 98 million and USD 8 million, respectively, in the same period of 2015.

The expected 2016 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 June 2016 for the latest information, amount to USD 151 million and USD 16 million, respectively.

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Cautionary note on forward-looking statements

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

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause 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. Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- 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 effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that the Group's hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of one or more Group companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;

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

These factors are not exhaustive. 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. The Group undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Note on risk factors

General impact of adverse market conditions

The operations of Swiss Reinsurance Company Ltd ("Swiss Re") and its subsidiaries (the "Group") as well as its investment returns are subject to market volatility and macro-economic factors, which are outside of the Group's control and are often inter-related.

Market sentiment currently is dominated largely by reactions to the outcome of the UK referendum in favor of withdrawing from the European Union, and concerns in respect of a range of related economic, monetary, political, regulatory and constitutional issues. There is no consensus on the future of the relationship between the United Kingdom and the European Union. Since the referendum, sterling has fallen to lows against the dollar not seen since 1985, bond yields have plummeted and business confidence indices and consumer confidence have dropped. The uncertainty is compounded by upcoming elections in various key European countries and the magnitude of the issues that will need to be addressed and resolved in the coming months and possibly longer as between the United Kingdom and the European Union. Efforts to address the issues presented by the UK referendum will take place against the backdrop of macro-economic and global political conditions that predate the referendum, including uneven and uncertain growth forecasts for the principal global economies; continued dislocation caused by the drop in oil prices; continued concerns over the implications of austerity-driven economic policies in Europe and the ability of the European Union to address significant ongoing structural challenges; deceleration in GDP growth and other negative trends in emerging markets; and geopolitical instability, reflecting the political and military situations in the Middle East and North Africa, the rise of the so-called Islamic State, concerns over further terrorist attacks across the globe and the political, economic and social crises caused by massive waves of migration into and through Europe. These factors have contributed to downward pressure on the capital markets and significant volatility in foreign exchange markets, and call into question the likelihood of continued recovery of the global economies. Liquidity concerns in respect of financial institutions could exacerbate current levels of volatility.

With the nature of the relationship between the United Kingdom and the European Union unlikely to be resolved in the near-term, fewer options available to policymakers and concerns generally over the absence of realistic confidence-building measures, and with heightened risk that volatility or depressed conditions in one sector, one market, one country or one region could have far broader implications, volatility can be expected to continue. 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 reinsurance. Any such developments and trends could also have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's investment portfolio and/or make it difficult to acquire suitable investments to meet the Group's risk and return criteria. The Group will continue to assess the longer-term implications of the UK referendum and potential scenarios affecting both the United Kingdom and the European Union on its operations and capital position.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment and are subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. In addition, the Group could be affected by regulatory changes or developments affecting the overall Swiss Re group, comprising Swiss Re Ltd ("SRL") and its consolidated subsidiaries, of which the Group is a part (the "Swiss Re Group"). The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve as a result of global efforts following the credit crisis.

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

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

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

The Group cannot predict which legislative and 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 the Group uses for capital and solvency purposes, and could be adversely affected if for example the Group 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. Uncertainty triggered by the outcome of the UK referendum could also impact the legislative or regulatory regimes to which the Group or the broader Swiss Re Group are subject, both in the United Kingdom and in the European Union.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business, reduce access to liquidity, limit the scope of 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 can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees. Current conditions and recent developments are likely to delay increases in interest rates. 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 they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has discontinued writing new variable annuity business and has an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

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

Credit risk

If the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to deteriorate again, the Group could also face 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.

Liquidity risks

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

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

Unexpected liquidity needs (including to meet collateral calls) could require the Group to incur indebtedness or liquidate investments or other assets. The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations, and through third-party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. Failure to meet covenants in lending arrangements could give rise to collateral-posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks

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

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

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings 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 its ratings could be downgraded or withdrawn in the future, and market conditions could increase the risk of downgrade. Rating agencies may increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the Group, could make it more difficult for the Group to achieve improved ratings which it would otherwise have expected.

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

Legal and regulatory risks

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

The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgements, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. 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 risks arising from potential employee misconduct, including non-compliance with internal policies and procedures 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 hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values); macro developments giving rise to emerging risks, including climate change and technological developments (including greater exposure to cyber risks); 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. Any of the foregoing, as well 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 management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

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

Risks related to the Swiss Re corporate structure

Following the realignment of the corporate structure of SRL in 2012, the asset base, liquidity position, capital profile and other characteristics of the Group of relevance to its counterparties changed. Swiss Re is a wholly owned subsidiary of SRL, and the Group represents only two of the four principal operating segments of the Swiss Re Group. Capital, funding, reserve and cost allocations are made at the Swiss Re Group level across the four operating segments based principally on business plans as measured against US GAAP and economic value management metrics. Decisions at the Swiss Re Group level in respect of the broader Swiss Re Group could have an adverse impact on the Group's financial condition, including its capital and liquidity levels, as well as on its SST ratio. As part of the Swiss Re Group's focus on efficient capital allocation, the Group expects to be paying dividends to SRL. Decisions on dividends payable by each of the operating segments, including the Group, are made at the Swiss Re Group level based on legal entity, regulatory, capital and liquidity considerations. The Swiss Re Group expects that, over time, its structure will continue to evolve, and while to date all of the Swiss Re Group's principal operations, including the Group, remain wholly owned, in the future the Swiss Re Group may elect to partner with minority investors in or within one or more of the Swiss Re Group's business units or sub-groups within its business units, which could alter historical approaches taken in respect of capital, liquidity, funding and/or dividends, as well as other governance matters, including strategy for such business unit or sub-group.

While further changes to the overall Swiss Re Group structure may not have a financial statement impact on a Swiss Re Group consolidated basis, they would impact the Group to the extent that operations are transferred into or from the Group, or as a result of intra-group transactions (from the perspective of the Swiss Re Group) to the extent the Group is a counterparty to any such transactions.

Swiss Reinsurance Company Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com

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