Swiss Re

Economic Value Management
2014 Annual Report

Key Information

Financial highlights

For the year ended 31 December

USD millions, unless otherwise stated	2013	2014	Change in %
Group			
EVM profit	4007	**1336**	–67
EVM income	6339	**5189**	–18
Premiums and fees	36660	**35869**	–2
Economic net worth	37188	**38365**	3
Economic net worth per share in USD	108.67	**112.11**	3
Profit margin - new business	9.6%	**7.7%**	
Economic return on capital employed - new business	15.3%	**13.7%**	
Property & Casualty Reinsurance			
EVM profit	3568	**1219**	–66
EVM income	4801	**2367**	–51
Premiums and fees	16061	**16908**	5
Profit margin - new business	17.5%	**11.8%**	
Economic return on capital employed - new business	20.9%	**16.4%**	
Life & Health Reinsurance			
EVM profit	–295	**168**	–
EVM income	–619	**2034**	–
Premiums and fees	17137	**14692**	–14
Profit margin - new business	4.9%	**6.7%**	
Economic return on capital employed - new business	12.7%	**14.7%**	
Corporate Solutions			
EVM profit	581	**81**	–86
EVM income	610	**357**	–41
Premiums and fees	3462	**3764**	9
Profit margin - new business	7.6%	**2.9%**	
Economic return on capital employed - new business	13.7%	**8.1%**	
Admin Re®			
EVM profit	233	**43**	–82
EVM income	1082	**304**	–72
Premiums and fees		**505**	
Profit margin - new business	n/a	**4.6%**	
Economic return on capital employed - new business	n/a	**8.4%**	

Content

Introduction

EVM is an integrated economic accounting and steering framework based on market consistent valuations and is the method for measuring value creation for all business activities at Swiss Re

Economic Value Management (EVM) is Swiss Re Group's proprietary integrated economic valuation and accounting framework for planning, pricing, reserving, and steering our business.

EVM allows us to see the connection between risk-taking and value creation and provides a consistent framework to evaluate the outcome of controlled risk-taking and capital allocation decisions throughout a performance cycle. We are able to compare economic returns across business and product lines and therefore steer capital capacity, taking into account risk appetite constraints.

We separate performance evaluation between underwriting and investment activities. This separation allows our underwriters to focus on the costing parameters that require their expert judgement, while our investment professionals apply their expertise to decisions on systematic financial market risk. Economic value for shareholders is created if underwriting deploys capital in a manner that generates economic profit from core cash flows (after the cost of capital is charged), and investments outperform a minimum risk benchmark that is linked to underwriting liabilities (after the cost of capital is charged).

The performance cycle for underwriting is measured consistently over time by comparing costing at inception with the subsequent development of the business written. The underlying cause for any subsequent development can be analysed and fed back into costing and ultimately strategy. Investment activities are evaluated based on the performance of asset allocation decisions, taking into account our liability driven risk budgeting framework. The overall performance is then considered in compensation discussions.

EVM provides a consistent measurement tool to support business steering decisions underlying value creation.

The EVM framework rests on a set of formal valuation and accounting principles. These include:

- market consistent valuation of all assets and liabilities,
- exclusion of potential future new business (closed book approach),
- recognition of all profits on new business at inception and of changes in estimates as they occur,
- best estimates of future projected cash flows,
- performance measurement after capital costs,
- performance segmented between underwriting and investment activities.

The EVM valuation and reporting principles are consistently applied to all assets, liabilities and business activities of Swiss Re and are subject to strict governance guidelines.

In assessing whether changes to the EVM accounting principles are required, we monitor developments in other frameworks such as US Generally Accepted Accounting Principles (US GAAP), Market Consistent Embedded Value (MCEV) Principles©, the European Solvency II framework (Solvency II), the Swiss Solvency Test (SST) and other relevant sources. A more detailed description of the EVM valuation and reporting principles is included in Note 1 to the EVM financial statements.

Our EVM financial statements provide an economic view of our business performance and include an economic balance sheet, income statement and related notes.

EVM profit
EVM profit is a risk-adjusted measure of performance that can be compared across all business activities.

EVM income
EVM income is the total return generated for shareholders and includes the release of capital costs. EVM income is therefore not a risk-adjusted performance measure.

Economic net worth
Economic net worth (ENW) is defined as the difference between the market consistent value of assets and liabilities. ENW is an economic measure of shareholders' equity and the starting point in determining available capital under the Swiss Solvency Test (SST).

EVM capital
EVM capital is the capital required to support uncertainty related to estimated cash flows arising from existing underwriting and investment activities.

EVM profitability ratios
Profit margin is the ratio of EVM profit to EVM capital. As EVM profit is risk-adjusted, this ratio can be used to compare profitability across all underwriting and investment activities on a consistent basis. Economic return on capital employed (EROC) is the ratio of EVM income to EVM capital. This ratio could be seen as the economic equivalent of US GAAP return on equity (ROE).

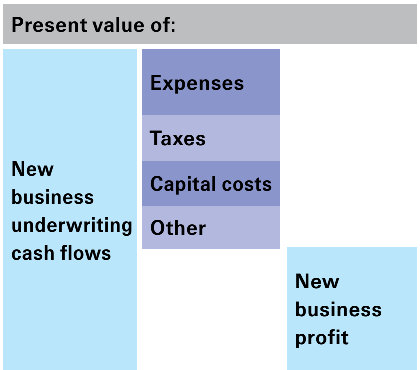
The composition of the EVM balance sheet is illustrated as follows:

Assets are carried at market consistent values. The market consistent value of liabilities is determined by replicating best estimate liability cash flows using a portfolio of traded financial market instruments. It takes into account the time value of money by using risk free interest rates for discounting. Since EVM is based on replication, no liquidity premium is included in the interest rates used to value liabilities and hence in the determination of the Group's ENW.

The EVM income statement includes:
- new business profit from underwriting,
- changes in previous years' business profit from underwriting,
- the result from investment activities.

New business is defined as business that incepted in the current reporting year. In determining new business profit, all cash flows resulting from new reinsurance and insurance contracts that incepted in the current reporting year are recognised at inception on a present value basis. Embedded financial options and guarantees are valued on a market consistent basis.

The composition of new business profit is illustrated as follows:



The underwriting result from previous years' business represents the present value of all changes in estimated cash flows on reinsurance and insurance contracts incepting in prior reporting years. These changes in cash flows reflect changes in best estimates as they occur.

In addition, many contracts written in prior years have a policy term that extends into the current year (e.g. contracts incepting on 1 April, for a 12-month policy term). Therefore, the impact of insurance events occurring in the current reporting year can be included in the result of previous years' business.

The EVM concept of investment performance

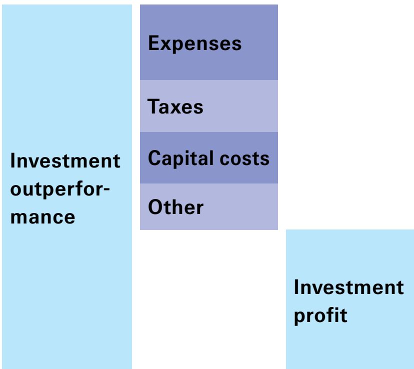
Mark-to-market return
Includes net investment income, realised gains and losses and changes in unrealised gains and losses reported under US GAAP. In addition, it includes changes in market value of investment positions carried at amortised cost under US GAAP. It excludes the following US GAAP items: investment income from cedants, unit linked and with profit business and mortgages and other loans as well as minority interest and depreciation.

Liability-based benchmark return
Changes in the economic value of liabilities as a result of changes in risk free discount rates, the passage of time, changes in credit spreads, changes in equity prices or changes in the economic value of embedded options and guarantees.

Outperformance
Defined as the difference between the mark-to-market return and the return on the liability-based benchmark.

In determining the result from investment activities, the investment outperformance represents the mark-to-market return on invested assets, after deducting the liability-based benchmark return required to support the economic liabilities. The return on the liability-based benchmark is deducted because it is credited to underwriting activities in determining the underwriting profit. This ensures that our client facing and costing teams are evaluated on the success in delivering economic value through underwriting profitability, while our investment activities are evaluated on the success in delivering risk-adjusted investment returns.

The composition of investment profit can be illustrated as follows:



EVM explicitly recognises that there is a cost to shareholders of taking risk and thus value creation needs to be assessed after taking these costs into account. Capital costs include:
- base cost of capital reflected through a charge for risk free return on available capital and market risk premiums. Market risk premiums compensate for systematic, non-diversifiable risk exposure, mainly assumed through investment activities,
- frictional capital costs, which compensate for agency costs, cost of potential financial distress and regulatory (illiquidity) costs,
- an allowance for double taxation on the risk free return on capital allocated to underwriting activities.

Comparison of EVM and US GAAP

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

	EVM	US GAAP
Profit recognition on new contracts	At inception	Over lifetime of the contract
Actuarial assumptions	Best estimate	Property & Casualty: best estimate Life & Health: generally locked-in assumptions
Liability cash flows	Discounted using risk free rates	Property & Casualty: generally no discounting Life & Health: generally discounted at locked-in historical rates and without market consistent valuation of embedded options and guarantees
Investment assets	Market values	Mostly market values, with exceptions such as real estate and own used property
Goodwill and intangibles	Not recognised	Recognised, subject to impairment test
Debt	Market values	Generally at amortised cost
Changes in interest rates	Asset change offset by change in insurance liability	Unrealised gains or losses on available-for-sale securities recognised in shareholders' equity; Generally no change in insurance liability
Capital cost recognition	Yes	No

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Group EVM results

Solid underwriting results benefiting from benign natural catastrophe experience, offset by lower investment performance

Swiss Re generated an EVM income of USD 5.2 billion in 2014 compared to an EVM income of USD 6.3 billion in 2013. EVM profit was USD 1.3 billion compared to an EVM profit of USD 4.0 billion in 2013.

The Group's EVM results in 2014 reflected strong underwriting performance in Property & Casualty Reinsurance and Corporate Solutions. The result of Life & Health Reinsurance was impacted by negative previous business development in Americas. Admin Re® contributed an EVM profit mainly driven by the sale of Aurora National Life Assurance Company and a new transaction in the UK.

Economic return on capital employed (EROC) for new business was 13.7% in 2014 compared to 15.3% in 2013. The profit margin for new business was 7.7% in 2014, decreasing from 9.6% in 2013. The profit margin for previous years' business was 0.1% in 2014 compared to 4.8% in 2013. EROC for investment activities was 3.8%, down from 18.2% in 2013. The profit margin for investment activities was –7.2% compared to 8.6% in 2013.

Property & Casualty Reinsurance reported an EVM profit of USD 1.2 billion in 2014 compared to USD 3.6 billion in 2013. The 2014 result was driven by strong underwriting performance, reflecting premium growth in Americas, as well as positive previous years' business development, partially offset by the investment result, which includes the unfavourable impact of falling interest rates on the segment's short duration position.

Life & Health Reinsurance reported an EVM profit of USD 168 million in 2014 compared to a loss of USD 295 million in 2013. The 2014 result was mainly driven by new business profit and the investment result, which includes the favourable impact of falling interest rates on the segment's long duration position. The EVM profit in 2014 was negatively impacted by negative previous business development in Americas.

Corporate Solutions delivered an EVM profit of USD 81 million in 2014 compared to an EVM profit of USD 581 million in 2013. The continued profitable growth across most lines of business was partially offset by a reduced profit from investment activities, higher capital costs, a lower profit from previous years' business, and the acquisition of Compañía Aseguradora de Fianzas S.A. Confianza ("Confianza") as goodwill is not recognised for EVM.

Admin Re® reported an EVM profit of USD 43 million compared to an EVM profit of USD 233 million in 2013. The 2014 result was driven by the sale of Aurora National Life Assurance Company and a new transaction in the UK, partially offset by a loss from investment activities and unfavourable previous business development.

In 2014, an EVM loss of USD 175 million was reported in Group items compared to a loss of USD 80 million in 2013. The EVM loss on new business was USD 184 million in 2014, driven by overhead expenses, partially offset by trademark license fees charged to the business segments. The EVM loss on previous years' business was USD 14 million in 2014, driven by Legacy, partially offset by expense reserve releases. The EVM profit from investment activities was USD 23 million in 2014, driven by gains in Principal Investments and Legacy, partially offset by losses from Treasury activities.

New business

The new business profit was USD 2.2 billion, a decline of USD 95 million compared to 2013. The 2014 result was driven by higher business volumes in Property & Casualty Reinsurance, new large transactions in Life & Health Reinsurance and Admin Re® and organic growth in Corporate Solutions.

Premiums and fees amounted to USD 35.9 billion in 2014 compared to USD 36.7 billion in 2013. The decrease was mainly driven by Life & Health Reinsurance due to the non-recurrence of a large health transaction in Japan in 2013, partially offset by premium growth in Property & Casualty Reinsurance and Corporate Solutions, as well as lower external retrocession in Property & Casualty Reinsurance.

Claims and benefits amounted to USD 22.0 billion, a decrease of USD 392 million compared to 2013, driven by lower natural catastrophe losses in Property & Casualty Reinsurance and lower business volumes in Life & Health Reinsurance, partially offset by the increase in claims due to higher business volumes in Property & Casualty Reinsurance and Corporate Solutions.

Commissions amounted to USD 5.7 billion, a decrease of USD 998 million compared to 2013. The decrease was primarily driven by Life & Health Reinsurance due to the non-recurrence of a large health transaction in Japan in 2013, partially offset by Property & Casualty Reinsurance due to higher business volumes and a greater share of proportional business.

Expenses amounted to USD 3.5 billion in 2014 compared to USD 3.1 billion in 2013. The increase was mainly driven by higher acquisition costs in Admin Re® and business growth in Corporate Solutions.

Capital costs amounted to USD 1.6 billion in 2014, an increase of USD 366 million compared to 2013, mainly driven by higher risk capital costs due to the inclusion as of 1 January 2014 of eligible hybrid debt in the calculation of economic capital, as well as higher capital cost allocations in Corporate Solutions and lower external retrocession.

Previous years' business
The profit from previous years' business was USD 5 million in 2014 compared to a profit of USD 496 million in 2013. The 2014 result was primarily driven by favourable claims experience and a release of a premium tax provision in Property & Casualty Reinsurance, offset by negative previous business development in Life & Health Reinsurance.

Investment activities
Investment activities generated a loss of USD 823 million in 2014 compared to a profit of USD 1.3 billion in 2013. The decline was primarily driven by the adverse impact of falling interest rates on the Group's net short duration position.

EVM income statement

USD millions	2013	2014	Change in %
Underwriting result			
New business result			
Premiums and fees	36 660	35 869	–2
Claims and benefits	–22 417	–22 025	–2
Commissions	–6 708	–5 710	–15
Expenses	–3 090	–3 468	12
Taxes	–913	–1 117	22
Capital costs	–1 207	–1 573	30
Other	–76	178	–
New business profit (loss)	**2 249**	**2 154**	**–4**
Previous years' business profit (loss)	**496**	**5**	**–99**
Underwriting profit (loss)	**2 745**	**2 159**	**–21**
Investment result			
Outperformance (underperformance)	3 605	739	–80
Expenses	–331	–301	–9
Taxes	–706	–134	–81
Capital costs	–1 385	–1 204	–13
Other	79	77	–3
Investment profit (loss)	**1 262**	**–823**	**–**
EVM profit (loss)	**4 007**	**1 336**	**–67**
Change in market value of debt	–1 005	–404	–60
Release of current year capital costs	2 548	2 801	10
Additional taxes	789	1 456	85
EVM income	**6 339**	**5 189**	**–18**

Profit margin	2013	2014	Change in pp
New business	9.6%	7.7%	–1.9
Previous years' business	4.8%	0.1%	–4.7
Investment	8.6%	–7.2%	–15.8
Economic return on capital employed			
New business	15.3%	13.7%	–1.6
Investment	18.2%	3.8%	–14.4

Summary EVM income statement by business segment

USD millions	2013	2014	Change in %
New business result (by business segment)			
Property & Casualty Reinsurance	1 706	1 547	–9
Life & Health Reinsurance	565	519	–8
Corporate Solutions	154	99	–36
Admin Re®	–129	173	–
Group items	–47	–184	–
New business profit (loss)	**2 249**	**2 154**	**–4**
Previous years' business result (by business segment)			
Property & Casualty Reinsurance	918	484	–47
Life & Health Reinsurance	–779	–441	–43
Corporate Solutions	203	9	–96
Admin Re®	82	–33	–
Group items	72	–14	–
Previous years' business profit (loss)	**496**	**5**	**–99**
Investment result (by business segment)			
Property & Casualty Reinsurance	944	–812	–
Life & Health Reinsurance	–81	90	–
Corporate Solutions	224	–27	–
Admin Re®	280	–97	–
Group items	–105	23	–
Investment profit (loss)	**1 262**	**–823**	**–**
EVM profit (loss)	**4 007**	**1 336**	**–67**
Change in market value of debt	–1 005	–404	–60
Release of current year capital costs	2 548	2 801	10
Additional taxes	789	1 456	85
EVM income	**6 339**	**5 189**	**–18**

Property & Casualty Reinsurance

Continued strong underwriting performance partially offset by investment losses

Property & Casualty Reinsurance reported an EVM profit of USD 1.2 billion in 2014 compared to USD 3.6 billion in 2013. The decrease was mainly driven by the investment result, which includes the unfavourable impact of falling interest rates on the segment's short duration position, as well as higher capital costs for new business and less favourable, albeit positive, claims experience for previous years' business.

As of 31 December 2014, economic net worth was USD 16.6 billion compared to USD 17.2 billion as of 31 December 2013. The decline was driven by dividend payments to Swiss Re Ltd which were only partially offset by EVM income in 2014.

New business

The new business profit was USD 1.5 billion in 2014 compared to USD 1.7 billion in 2013. The decrease was mainly driven by higher capital costs.

Premiums amounted to USD 16.9 billion in 2014, an increase of USD 847 million compared to 2013. The growth was mainly driven by Americas, reflecting the increased share of Casualty business, and lower external retrocession, partially offset by decreases in EMEA and Asia, reflecting lower renewals and rates softening.

Claims decreased by USD 120 million to USD 9.1 billion in 2014. The decrease was mainly due to lower natural catastrophe losses which more than offset the increase in claims due to higher business volumes.

Commissions increased by USD 608 million to USD 3.7 billion in 2014. The increase was driven by higher business volumes as well as a greater share of proportional business which has a higher ratio of commissions to premiums (commission ratio) compared to the rest of the portfolio.

The ratio of expenses to premiums (expense ratio) increased to 8.2% in 2014 from 8.0 % in 2013 mainly due to higher trademark license fees as a result of the revised allocation of such fees between Life & Health Reinsurance and Property & Casualty Reinsurance.

In 2014, Property & Specialty's new business profit was USD 104 million lower than in 2013 due to higher capital costs and taxes, partially offset by more favourable natural catastrophe loss experience.

In 2014, Casualty's new business profit was flat compared to 2013.

Previous years' business

The profit from previous years' business was USD 484 million in 2014 mainly due to favourable claims experience and a release of a premium tax provision in Asia.

Property & Specialty's profit from previous years' business was USD 511 million in 2014, reflecting favourable claims experience in EMEA and Americas.

Casualty reported a loss from previous years' business of USD 27 million in 2014. The loss was mainly driven by higher capital costs and taxes which more than offset the positive claims experience across all regions.

Investment activities

Investment activities generated a loss of USD 812 million in 2014 compared to a profit of USD 944 million in 2013. The decline in the investment performance was primarily driven by the adverse impact of falling interest rates on the segment's short duration position and less favourable, albeit positive, performance of credit, equity and alternative investments.

Property & Casualty Reinsurance

USD millions	2013	2014	Change in %
Underwriting result			
New business result			
Premiums and fees	16061	16908	5
Claims and benefits	–9192	–9072	–1
Commissions	–3103	–3711	20
Expenses	–1285	–1388	8
Taxes	–482	–666	38
Capital costs	–268	–550	105
Other	–25	26	–
New business profit (loss)	**1706**	**1547**	**–9**
Previous years' business profit (loss)	**918**	**484**	**–47**
Underwriting profit (loss)	**2624**	**2031**	**–23**
Investment result			
Outperformance (underperformance)	1965	–373	–
Expenses	–115	–107	–7
Taxes	–397	111	–
Capital costs	–554	–481	–13
Other	45	38	–16
Investment profit (loss)	**944**	**–812**	**–**
EVM profit (loss)	**3568**	**1219**	**–66**
Change in market value of debt	–707	–149	–79
Release of current year capital costs	960	1203	25
Additional taxes	980	94	–90
EVM income	**4801**	**2367**	**–51**

Profit margin	2013	2014	Change in pp
New business	17.5%	11.8%	–5.7
Previous years' business	20.3%	12.4%	–7.9
Investment	17.5%	–24.1%	–41.6
Economic return on capital employed			
New business	20.9%	16.4%	–4.5
Investment	27.9%	–9.5%	–37.4

Life & Health Reinsurance

Strong new business performance partially offset by unfavourable previous business development

Life & Health Reinsurance reported an EVM profit of USD 168 million in 2014 compared to a loss of USD 295 million in 2013. The improvement was largely driven by a lower loss from previous years' business as well as a stronger investment result, which includes the favourable impact of falling interest rates on the segment's long duration position.

New business

The new business profit was USD 519 million in 2014 compared to a profit of USD 565 million in 2013. The new business profit in 2014 was supported by large transactions in the UK and US and new business in Asia, partially offset by lower contribution from EMEA and traditional business in the US.

Premiums and fees amounted to USD 14.7 billion in 2014, a decrease of USD 2.4 billion compared to 2013. The decrease was mainly attributable to the non-recurrence of a large health transaction in Japan in 2013, partially offset by a large longevity transaction in the UK.

Claims and benefits amounted to USD 10.9 billion in 2014, a decline of 4% compared to 2013, reflecting the decrease in business volumes in Americas and Asia, partially offset by a large longevity transaction in the UK.

Commissions amounted to USD 1.5 billion in 2014, down by USD 1.6 billion compared to 2013. The decrease was mainly attributable to the non-recurrence of a large health transaction in Japan in 2013 which had a relatively high ratio of commissions to premiums and fees (commission ratio).

The ratio of expenses to premiums and fees (expense ratio) increased to 5.8% in 2014 from 5.3% in 2013, reflecting mainly the decrease in business volumes.

In 2014, Life generated new business profit of USD 306 million, 4% lower than in 2013. The decrease was mainly due to lower business contribution in Americas.

In 2014, Health generated new business profit of USD 213 million, 13% lower than in 2013. The decrease was mainly driven by the non-recurrence of a large health transaction in Japan and transactions in Australia in 2013, partially offset by business growth in the US.

Previous years' business

The loss from previous years' business in 2014 was USD 441 million, a decrease of USD 338 million compared to the loss of USD 779 million in 2013. The loss in 2014 was primarily driven by the US business, including in-force updates, model conversions and updates, and an additional loss on conclusion of the management actions related to the pre-2004 individual life business. These losses were partially offset by the favourable impact of mortality and morbidity assumption changes in the UK.

The loss in 2013 was driven primarily by the adverse impact of a business recapture, unfavourable assumption changes in the US post-level term business, and negative developments in the Australia group disability business, partially offset by favourable mortality assumption changes in Canada, model updates in the UK, and lower funding charges.

Investment activities

The investment profit was USD 90 million in 2014, up from a loss of USD 81 million in 2013. The positive result was mainly driven by the favourable impact of falling interest rates on the segment's long duration position as well as the positive performance of equity investments. The investment loss in 2013 was mainly driven by the negative impact of rising interest rates on the segment's long duration position which more than offset the positive performance of credit and equity investments.

Life & Health Reinsurance

USD millions	2013	2014	Change in %
Underwriting result			
New business result			
Premiums and fees	17 137	14 692	–14
Claims and benefits	–11 345	–10 915	–4
Commissions	–3 107	–1 463	–53
Expenses	–907	–859	–5
Taxes	–340	–284	–16
Capital costs	–825	–596	–28
Other	–48	–56	17
New business profit (loss)	**565**	**519**	**–8**
Previous years' business profit (loss)	**–779**	**–441**	**–43**
Underwriting profit (loss)	**–214**	**78**	**–**
Investment result			
Outperformance (underperformance)	410	627	53
Expenses	–80	–82	3
Taxes	–74	–144	95
Capital costs	–357	–330	–8
Other	20	19	–5
Investment profit (loss)	**–81**	**90**	**–**
EVM profit (loss)	**–295**	**168**	**–**
Change in market value of debt	–277	–242	–13
Release of current year capital costs	855	781	–9
Additional taxes	–902	1 327	–
EVM income	**–619**	**2 034**	**–**

Profit margin	2013	2014	Change in pp
New business	4.9%	6.7%	1.8
Previous years' business	–16.4%	–12.3%	4.1
Investment	–1.9%	1.9%	3.8

Economic return on capital employed			
New business	12.7%	14.7%	2.0
Investment	6.9%	9.2%	2.3

Corporate Solutions

Growth plan on track, result lower due to special impacts

Corporate Solutions realised an EVM profit of USD 81 million in 2014, a decrease of USD 500 million compared to the EVM profit of USD 581 million in 2013. The decrease was driven by:

- reduced profit from investment activities (decline of USD 251 million),
- significantly higher capital costs (increase of USD 144 million), primarily due to an update to the EVM methodology, impacting both new and previous years' business result,
- reduced previous years' business profit, primarily driven by a loss on the asset and liability management process mismatch, compared to a significant gain in the prior year (loss of USD 25 million in 2014 compared to a gain of USD 93 million in 2013), and
- the acquisition of Compañía Aseguradora de Fianzas S.A. Confianza ("Confianza") (loss of USD 52 million) in the fourth quarter of 2014 as goodwill is not recognised for EVM.

New business
The profit margin on new business was 2.9% in 2014 compared to 7.6% in 2013. EVM profit on new business decreased to USD 99 million in 2014 compared to USD 154 million in 2013. The new business result was primarily driven by continued profitable business growth across most lines of business, partially offset by higher capital costs and the loss on the Confianza acquisition.

Premiums increased by 9% to USD 3.8 billion in 2014 compared to USD 3.5 billion in 2013. Claims and commissions increased in line with premium growth. Gross premiums (premiums excluding external and internal retrocession) increased by 5% to USD 4.0 billion in 2014 compared to USD 3.9 billion in 2013, and are on track to deliver the ambition to attain USD 4–5 billion by 2015.

Capital costs increased by 41% to USD 158 million in 2014 compared to USD 112 million in 2013, mainly driven by an update to the EVM methodology.

Property & Specialty's new business profit decreased slightly to USD 136 million in 2014 compared to USD 142 million in 2013. The 2014 profit reflected continued profitable business growth across all regions, with the highest growth in Europe and Latin America, lower natural catastrophe losses, offset by a larger number of man-made losses and higher capital costs.

Casualty generated a new business loss of USD 13 million in 2014 compared to a profit of USD 12 million in 2013, driven by slightly higher business volume mainly in Liability, offset by a reduced underwriting result and higher capital costs due to changes in reserving patterns.

Other new business resulted in a loss of USD 24 million in 2014 compared to a zero result in 2013. The 2014 result was driven by the loss on the Confianza acquisition in the fourth quarter of 2014, partially offset by gains from insurance business in derivative form. In 2013, the insurance business in derivative form was classified in EVM profit from investment activities. This business offers protection against weather perils and other insurance risks.

Previous years' business
The profit from previous years' business decreased to USD 9 million in 2014 compared to USD 203 million in 2013. The 2014 result was impacted by significantly higher capital costs (increase of USD 98 million) as well as a loss from the asset and liability management process mismatch compared to a significant gain in 2013.

Property & Specialty's profit from previous years' business decreased to USD 40 million in 2014 compared to a profit of USD 114 million in 2013. The decline was mainly due to less favourable prior year business development, mainly on Credit, and the impact from the asset and liability management process mismatch.

Casualty previous years' business generated a loss of USD 84 million in 2014 compared to a profit of USD 89 million in 2013, driven by significantly higher capital costs and a larger number of man-made losses, mainly impacting the Liability business in North America.

Other profit from previous years' business increased to USD 53 million in 2014 compared to a zero result in 2013, driven by insurance business in derivative form and lower capital costs due to an updated collateral allocation.

Investment activities
Investment activities resulted in a loss of USD 27 million in 2014 compared to a profit of USD 224 million in 2013. The result was mainly driven by the impact of falling interest rates on the segment's short duration position, partially offset by positive performance of equity investments.

Corporate Solutions

USD millions	2013 [1]	**2014 [2]**	Change in %
Underwriting result			
New business result			
Premiums and fees	3462	3764	9
Claims and benefits	–1880	–2024	8
Commissions	–498	–536	8
Expenses	–708	–797	13
Taxes	–105	–135	29
Capital costs	–112	–158	41
Other	–5	–15	200
New business profit (loss)	**154**	**99**	**–36**
Previous years' business profit (loss)	**203**	**9**	**–96**
Underwriting profit (loss)	**357**	**108**	**–70**
Investment result			
Outperformance (underperformance)	393	58	–85
Expenses	–26	–23	–12
Taxes	–78	–12	–85
Capital costs	–69	–55	–20
Other	4	5	25
Investment profit (loss)	**224**	**–27**	**–**
EVM profit (loss)	**581**	**81**	**–86**
Change in market value of debt		15	
Release of current year capital costs	195	195	0
Additional taxes	–166	66	–
EVM income	**610**	**357**	**–41**

Profit margin	2013 [1]	**2014 [2]**	Change in pp
New business	7.6%	2.9%	–4.7
Previous years' business	35.7%	3.6%	–32.1
Investment	29.0%	–5.3%	–34.3
Economic return on capital employed			
New business	13.7%	8.1%	–5.6
Investment	38.1%	7.5%	–30.6

[1] Investment profit includes insurance derivatives accounted business for 2013.
[2] Underwriting profit includes insurance derivatives accounted business from 2014 onward.

Admin Re®

EVM profit driven by the sale of Aurora partially offset by unfavourable in-force development and investment losses

Admin Re® reported an EVM profit of USD 43 million in 2014 compared to a profit of USD 233 million in 2013. The primary driver for this result was the sale of Aurora National Life Assurance Company (Aurora) which resulted in a profit of USD 209 million, partially offset by a loss from previous years' business of USD 33 million and a loss from investment activities of USD 97 million.

New business

The new business profit was USD 173 million in 2014 compared to a loss of USD 129 million in 2013. The new business loss of USD 129 million in 2013 was driven by expenses allocated to acquisition costs. There was no offsetting new business profit as no new transactions were entered into.

On 11 June 2014, Admin Re® entered into a transaction with HSBC Life (UK) Limited to acquire individual and group pension and related annuity policies through an initial 100% quota share reinsurance treaty followed by a subsequent Part VII transfer. This transaction added USD 505 million of new business premiums and generated EVM profit of USD 23 million in 2014.

On 21 October 2014, Admin Re® announced the sale of Aurora to Reinsurance Group of America, Incorporated (RGA). The sale of Aurora is expected to close in the second quarter of 2015 and is subject to approval by the relevant regulators. The EVM profit recognised for this transaction was USD 209 million in 2014.

The above mentioned favourable impacts were partially offset by expenses allocated to acquisition costs.

Previous years' business

The loss from previous years' business was USD 33 million in 2014 compared to a profit of USD 82 million in 2013. The loss is mainly driven by unfavourable expense assumption changes as a result of a review of general expense provisions as well as unfavourable persistency assumption changes in the Admin Re® UK business, and morbidity assumption changes in the Admin Re® US business. This was partially offset by favourable mortality in the Admin Re® UK business and a gain on the asset and liability management process mismatch.

The profit from previous years' business of USD 82 million in 2013 was driven by favourable mortality assumption changes in both the Admin Re® UK and US business. These more than offset losses on the retained block of business following the sale of the Admin Re® US business in 2012.

Investment activities

The loss from investment activities was USD 97 million in 2014 compared to a profit of USD 280 million in 2013. The loss was mainly driven by the impact of spread widening on credit investments, partially offset by income on credit investments, the impact of falling interest rates on the segment's long duration position and higher expected unit-linked investment related fee income as equity markets rose.

The 2013 profit from investment activities of USD 280 million was mainly driven by the impact of spread tightening on credit investments and higher expected unit-linked investment related fee income, partially offset by the impact of rising interest rates on the segment's long duration position.

Admin Re®

USD millions	2013	2014	Change in %
Underwriting result			
New business result			
Premiums and fees		505	
Claims and benefits		–14	
Commissions			
Expenses	–143	–366	156
Taxes	14	–32	–
Capital costs		–129	
Other		209	
New business profit (loss)	**–129**	**173**	**–**
Previous years' business profit (loss)	**82**	**–33**	**–**
Underwriting profit (loss)	**–47**	**140**	**–**
Investment result			
Outperformance (underperformance)	742	131	–82
Expenses	–40	–36	–10
Taxes	–151	–28	–81
Capital costs	–281	–179	–36
Other	10	15	50
Investment profit (loss)	**280**	**–97**	**–**
EVM profit (loss)	**233**	**43**	**–82**
Change in market value of debt		–5	
Release of current year capital costs	406	302	–26
Additional taxes	443	–36	–
EVM income	**1 082**	**304**	**–72**

Profit margin	2013	2014	Change in pp
New business	n/a	4.6%	n/a
Previous years' business	14.1%	–1.5%	–15.6
Investment	9.2%	–9.8%	–19.0

Economic return on capital employed			
New business	n/a	8.4%	n/a
Investment	18.7%	8.3%	–10.4

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EVM income statement

For the years ended 31 December

USD millions	2013 (unaudited)	2014
Underwriting result		
New business result		
Premiums and fees	36 660	35 869
Claims and benefits	–22 417	–22 025
Commissions	–6 708	–5 710
Expenses	–3 090	–3 468
Taxes	–913	–1 117
Capital costs	–1 207	–1 573
Other	–76	178
New business profit (loss)	**2 249**	**2 154**
Previous years' business profit (loss)	**496**	**5**
Underwriting profit (loss)	**2 745**	**2 159**
Investment result		
Outperformance (underperformance)	3 605	739
Expenses	–331	–301
Taxes	–706	–134
Capital costs	–1 385	–1 204
Other	79	77
Investment profit (loss)	**1 262**	**–823**
EVM profit (loss)	**4 007**	**1 336**
Change in market value of debt	–1 005	–404
Release of current year capital costs	2 548	2 801
Additional taxes	789	1 456
EVM income	**6 339**	**5 189**

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

EVM balance sheet

As of 31 December

USD millions	2013 (unaudited)	2014
Assets		
Investments	161 010	154 939
Cash and cash equivalents	8 083	7 466
In-force business assets	177 253	194 255
External retrocession assets	33 773	28 474
Other assets	2 748	3 198
Total assets	**382 867**	**388 332**
Liabilities		
In-force business liabilities	272 492	288 848
External retrocession liabilities	29 150	24 376
Provision for capital costs	8 121	6 759
Future income tax liabilities	5 305	5 865
Debt	21 035	17 370
Other liabilities	9 576	6 749
Total liabilities	**345 679**	**349 967**
Economic net worth	**37 188**	**38 365**

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

Statement of economic net worth

For the years ended 31 December

USD millions	2013 (unaudited)	2014
Economic net worth as of 1 January	33 928	37 188
Changes in EVM accounting principles (refer to Note 1)	298	1 470
Restated economic net worth as of 1 January	**34 226**	**38 658**
EVM income	6 339	5 189
Dividends	–2 760	–3 129
Other, including foreign exchange on economic net worth	–617	–2 353
Economic net worth as of 31 December	**37 188**	**38 365**
Common shares outstanding as of 31 December	**342 195 633**	**342 199 440**
Economic net worth per share in USD as of 31 December	**108.67**	**112.11**

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

Notes to the EVM financial statements

Note 1 Organisation and summary of significant EVM principles

Economic Value Management (EVM) is Swiss Re's proprietary integrated economic measurement and steering framework used for planning, pricing, reserving and steering the business. In addition, the EVM balance sheet provides the basis for determining available capital under the Swiss Solvency Test (SST). EVM best estimate cash flow information also forms the basis for the calculation of Solvency II technical provisions.

Nature of operations

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

Basis of presentation

The accompanying consolidated EVM financial statements have been prepared in accordance with the Group's EVM principles. All significant intra-group transactions and balances have been eliminated on consolidation.

Principles of consolidation

The Group's EVM financial statements follow the same consolidation principles as used in the preparation of the Group's consolidated US GAAP financial statements, except for holdings with minority interests to which proportionate consolidation is applied to reflect Swiss Re's economic share.

Use of estimates in the preparation of financial statements

The preparation of EVM financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The valuation of assets and liabilities reflects best estimates of underlying cash flows (e.g. premiums, claims, commissions, expenses, etc), using models and taking into consideration all relevant information available at the balance sheet date. In line with other valuation methods based on projections of future cash flows, EVM involves significant judgement when establishing assumptions to be used. The Group actively and carefully reviews assumptions, selecting those which are considered appropriate and seeking consistency among business activities. Valuations are updated at each balance sheet date as experience develops and more information becomes available. In-force business assets and liabilities include estimates for premiums as well as claims and benefit payments not received from ceding companies at the balance sheet date. In addition, the Group has certain assets and liabilities for which liquid market prices do not exist. These estimates are determined on a market consistent basis using all relevant information available at the time of valuation. However, actual results could differ significantly from these estimates.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated to the reporting currency at year-end exchange rates. Revenues and expenses denominated in foreign currencies are translated to the reporting currency at average exchange rates for the reporting year. Foreign currency translation gains and losses are recognised directly in economic net worth with no impact on the EVM income statement.

Closed book principle

EVM excludes the recognition of all potential future new business activities, including future renewals. EVM recognises all profits and losses resulting from expected cash flows from contractual rights and obligations at inception or the effective date of a business transaction. Acquisitions do not result in the recording of goodwill or intangible assets. Changes to previous assumptions and estimates are recognised as they occur.

The closed book principle does not imply that EVM is a run-off reporting framework. Capital costs and expenses are projected on a going concern basis, reflecting diversification benefits and economies of scale.

The closed book principle is largely in line with other economic valuation frameworks such as Market Consistent Embedded Value (MCEV) principles or SST.

Valuation of assets and liabilities

All traded assets and liabilities are marked to market, based on quoted prices in active markets or observable inputs. Non-traded assets and liabilities are valued on a market consistent basis. The Group's insurance liabilities are valued on a market consistent basis by replicating future best estimate expected cash flows with liquid financial market instruments. As the majority of the Group's insurance liabilities do not contain embedded financial market risks other than interest rate risk, the market consistent value of liabilities is determined by discounting estimated future cash flows using prevailing risk free interest rates. If insurance liabilities include embedded options or guarantees (e.g. variable annuities or interest sensitive life business), they are valued on a market consistent basis using stochastic models and other appropriate valuation techniques.

As of 31 December, selected risk free rates used for discounting estimated future cash flows were as follows:

	2013 (unaudited)	2014
USD		
1 year	0.2%	0.3%
5 years	1.8%	1.7%
10 years	3.2%	2.3%
15 years	3.9%	2.5%
20 years	4.1%	2.5%
30 years	4.3%	2.9%
GBP		
1 year	0.5%	0.4%
5 years	2.1%	1.2%
10 years	3.2%	1.8%
15 years	3.7%	2.2%
20 years	3.8%	2.5%
30 years	3.9%	2.7%
EUR		
1 year	0.2%	0.0%
5 years	1.1%	0.1%
10 years	2.3%	0.7%
15 years	2.9%	1.2%
20 years	3.1%	1.5%
30 years	3.2%	1.7%
CAD		
1 year	1.0%	1.0%
5 years	2.0%	1.4%
10 years	2.9%	1.9%
15 years	3.2%	2.3%
20 years	3.4%	2.4%
30 years	3.4%	2.4%

In-force business assets and liabilities

In-force business assets are assets associated with (re-)insurance contracts and include estimated future premiums and other expected cash inflows related to those contracts. They are carried at market consistent values as described above.
In-force business liabilities are liabilities associated with (re-)insurance contracts and include best estimate reserves for expected claims, commissions and expenses. They are carried at market consistent values as described above.

External retrocession assets and liabilities

External retrocessions are carried at market consistent values consistent with the methods applied to inward business.
A market consistent allowance for counterparty credit risk is applied to uncollateralised external net retrocession assets.

Investments

All investments are carried at fair value. For non-traded assets, fair values are determined using a mark-to-model approach or other market consistent techniques.

Cash and cash equivalents

Cash and cash equivalents include cash at hand, short-term deposits, certain short-term investments in money market funds, and highly liquid debt instruments with a remaining maturity at the date of acquisition of three months or less.

Tax assets and liabilities
The EVM valuation of tax assets and liabilities is determined in two steps. In step one, the portion of total EVM tax expense relevant for business steering and performance measurement is determined by applying standard tax rates to pre-tax results driven by the respective EVM cash flows. This portion of the total EVM tax expense is recognised in EVM profit. In step two, the total EVM tax expense is determined as the sum of (a) the change in US GAAP tax assets and liabilities and (b) the change in deferred tax assets and liabilities for temporary balance sheet valuation differences between US GAAP and EVM. The difference between the total EVM tax expense (step two) and the portion of the total EVM expense recognised in EVM profit (step one) is recognised in EVM income and presented in a separate line below EVM profit as "additional taxes".

Other assets
Other assets include receivables related to investing activities, real estate for own use, property, plant and equipment, accrued income, and prepaid assets. Real estate for own use is carried at fair value.

Other liabilities
Other liabilities include derivative financial instrument liabilities, payables related to investing activities, provisions for employee incentive plans, pension and other post-retirement benefits, and a provision for estimated future overhead expenses.

Debt
Swiss Re's external debt, including hybrid instruments, is valued at fair value. Where available, market prices are used to determine the fair value of debt. Debt that is not publicly traded is valued using market consistent valuation techniques, which take into account, where applicable, the impact of own credit risk. In EVM, all hybrid debt instruments, including convertible instruments, are treated as liabilities, resulting in a valuation difference to US GAAP.

Provision for capital costs
Frictional capital costs provide compensation to shareholders for agency costs, costs for potential financial distress and regulatory (illiquidity) costs. Frictional capital costs include risk capital costs and funding costs. Risk capital costs are charged at 4% of eligible economic capital which consists of economic net worth and eligible hybrid debt. Funding costs are charged or credited at the legal entity level depending on the liquidity the respective legal entity uses or generates. In addition, the provision for capital costs includes an allowance for double taxation on the risk free return on capital allocated to underwriting activities.

Premiums and fees
Premiums and fees in the EVM income statement represent the present value of all estimated future premiums and fees on contracts written during the year. Changes in premium estimates on contracts written in prior years are reflected in previous years' business profit, along with changes in other underwriting cash flows relating to previous years.

Claims and benefits
Claims and benefits in the EVM income statement represent the present value of all estimated future claims and benefits on contracts written during the year. Changes in estimates of claims and benefits payable on contracts written in prior years are reflected in previous years' business profit, along with changes in other underwriting cash flows relating to previous years. For example, many property and casualty contracts written in the previous year cover losses in the current year (e.g. natural catastrophes) which are included in previous years' business profit.

EVM profit and EVM income
EVM profit is a risk adjusted measure of performance that can be compared across all business activities. EVM income is the total return generated for shareholders and includes the release of capital costs. EVM income is therefore not a risk adjusted performance measure.

EVM profit consists of profit from underwriting activities and profit from investment activities. The profit from underwriting activities in turn segregates results from new business and previous years' business. New business is defined as business with an inception date within the current reporting year. For property and casualty business performance resulting from contracts written or renewed within the reporting year is recognised as new business. This also applies to multi-year transactions. For life and health business, new business includes new individual business cessions in the year, renewals of and additions to existing group schemes, new group schemes, new Admin Re® blocks and new cessions on existing blocks still open to new business, and renewals of business that is subject to active annual renewal. Previous years' business results reflect the impact of changes in cash flow projections on contracts incepting in previous accounting periods.

Investment activities are marked to market and recognised as new business. The result from investment activities reflects the extent to which our investment management business has outperformed the liability-based benchmark returns.

EVM capital
EVM capital is the risk capital required to support uncertainty related to estimated cash flows arising from existing underwriting and investment activities.

Economic net worth
Economic net worth is defined as the difference between the market consistent value of assets and liabilities. Economic net worth is an economic measure of shareholders' equity and the starting point in determining available capital under the SST.

EVM profitability ratios
Economic return on capital employed (EROC) is the ratio of EVM income to EVM capital. This ratio is calculated for new business and investment activities only.

Profit margin is the ratio of EVM profit to EVM capital. This ratio is calculated for new business, previous years' business and investment activities.

The new business EROC and new business profit margin ratios reflect EVM capital allocated to new business over the lifetime of the business. The previous years' business profit margin ratio reflects EVM capital allocated to previous years' business in the current year. The investment EROC reflects EVM capital allocated to investment activities in the current year.

Performance segmented between underwriting and investment activities
EVM values and discloses underwriting and investment activities separately. Underwriting activities create value by writing insurance contracts at a higher price than their economic production costs including the cost of taking risk (capital costs). The performance of investment activities is assessed on a risk adjusted basis. This enables consistent comparison of underwriting and investment activities.

Performance measurement after capital costs
EVM explicitly recognises opportunity costs for shareholder capital. Capital charges cover the base cost of capital and frictional capital costs. The base cost of capital consists of the risk free return on economic net worth and market risk premiums. Market risk premiums provide a market-derived estimate of the premium required by investors for taking systematic financial market risk. Market risk premiums are charged to EVM profit as part of the capital costs to assess performance on a risk adjusted basis. The majority of the Group's market risk premiums stem from market risk embedded in the investment portfolios.

Adjustments relating to prior reporting periods

The 2014 EVM income statement reflects certain adjustments relating to prior reporting periods, which reflect primarily the impact of model conversions and updates in Life & Health Reinsurance, the inclusion of accrued interest in the valuation of debt, and a tax adjustment related to an intra-group loan.

The impact of these adjustments on the business segments and income statement line items is as follows:

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Underwriting result						
New business profit (loss)						
Previous years' business profit (loss)		–549	34	29		–486
Underwriting profit (loss)		**–549**	**34**	**29**		**–486**
Investment profit (loss)						
EVM profit (loss)		**–549**	**34**	**29**		**–486**
Change in market value of debt	–51	–84			–1	–136
Release of current year capital costs						
Additional taxes		117				117
EVM income	**–51**	**–516**	**34**	**29**	**–1**	**–505**

Change in EVM accounting principles

As of 1 January 2014, the Group implemented a revision of the funding cost framework. Prior to 1 January 2014, all Swiss Re legal entities and branches were charged frictional funding costs based on the excess of regulatory reserve and capital requirements over EVM reserve and capital requirements. However, the binding constraints for parent companies are liquidity stress requirements rather than regulatory reserve and capital requirements. Therefore, as of 1 January 2014, the frictional funding costs charged or credited to parent companies are based on the difference between liquidity stress requirements and EVM reserve and capital requirements. The treatment of regulated subsidiaries and branches is not affected by the above revision.

As parent companies generate net unencumbered liquidity above liquidity stress requirements, the revised funding cost framework increased the Group's economic net worth by USD 1.4 billion. The effect of adopting the revised funding cost framework is reflected as an adjustment to the opening balance of economic net worth of the business segments and the Group.

Prior to 1 January 2014, a liquidity premium was added to the risk free interest rates used for discounting future cash flows at the business segment level. The effect of applying the liquidity premium was reversed at the Group level. As the revised funding cost framework recognises the benefit of creating unencumbered liquidity, the previously applied liquidity premium is no longer necessary. The elimination of the liquidity premium is reflected as an adjustment to the opening balance of economic net worth of the business segments. The net impact on the Group's economic net worth is zero.

As of 1 January 2014, the EVM valuation of liabilities for pension and other post-retirement benefits and employee incentive plans was aligned to US GAAP. This change in EVM accounting principles increased the Group's economic net worth by USD 85 million and is reflected as an adjustment to the opening balance of economic net worth of the business segments and the Group.

Note 2 Information on business segments

The definition of business segments used in this report is aligned with the Group's US GAAP business segment reporting. The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Admin Re®. The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment is determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks.

Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Group's ultimate parent company, the former Legacy business in run-off, Principal Investments and certain Treasury units.

a) Business segment results – income statement

For the year ended 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	**Total**
2013 (unaudited)						
Underwriting result						
New business result						
Premiums and fees	16 061	17 137	3 462			36 660
Claims and benefits	–9 192	–11 345	–1 880			–22 417
Commissions	–3 103	–3 107	–498			–6 708
Expenses	–1 285	–907	–708	–143	–47	–3 090
Taxes	–482	–340	–105	14		–913
Capital costs	–268	–825	–112		–2	–1 207
Other	–25	–48	–5		2	–76
New business profit (loss)	**1 706**	**565**	**154**	**–129**	**–47**	**2 249**
Previous years' business profit (loss)	**918**	**–779**	**203**	**82**	**72**	**496**
Underwriting profit (loss)	**2 624**	**–214**	**357**	**–47**	**25**	**2 745**
Investment result						
Outperformance (underperformance)	1 965	410	393	742	95	3 605
Expenses	–115	–80	–26	–40	–70	–331
Taxes	–397	–74	–78	–151	–6	–706
Capital costs	–554	–357	–69	–281	–124	–1 385
Other	45	20	4	10		79
Investment profit (loss)	**944**	**–81**	**224**	**280**	**–105**	**1 262**
EVM profit (loss)	**3 568**	**–295**	**581**	**233**	**–80**	**4 007**
Change in market value of debt	–707	–277			–21	–1 005
Release of current year capital costs	960	855	195	406	132	2 548
Additional taxes	980	–902	–166	443	434	789
EVM income	**4 801**	**–619**	**610**	**1 082**	**465**	**6 339**

Key ratios

2013 (unaudited)						
Profit margin						
New business	17.5%	4.9%	7.6%	n/a	n/a	9.6%
Previous years' business	20.3%	–16.4%	35.7%	14.1%	n/a	4.8%
Investment	17.5%	–1.9%	29.0%	9.2%	n/a	8.6%
Economic return on capital employed						
New business	20.9%	12.7%	13.7%	n/a	n/a	15.3%
Investment	27.9%	6.9%	38.1%	18.7%	n/a	18.2%

Business segment results – income statement

For the year ended 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
2014						
Underwriting result						
New business result						
Premiums and fees	16 908	14 692	3 764	505		35 869
Claims and benefits	–9 072	–10 915	–2 024	–14		–22 025
Commissions	–3 711	–1 463	–536			–5 710
Expenses	–1 388	–859	–797	–366	–58	–3 468
Taxes	–666	–284	–135	–32		–1 117
Capital costs	–550	–596	–158	–129	–140	–1 573
Other	26	–56	–15	209	14	178
New business profit (loss)	**1 547**	**519**	**99**	**173**	**–184**	**2 154**
Previous years' business profit (loss)	**484**	**–441**	**9**	**–33**	**–14**	**5**
Underwriting profit (loss)	**2 031**	**78**	**108**	**140**	**–198**	**2 159**
Investment result						
Outperformance (underperformance)	–373	627	58	131	296	739
Expenses	–107	–82	–23	–36	–53	–301
Taxes	111	–144	–12	–28	–61	–134
Capital costs	–481	–330	–55	–179	–159	–1 204
Other	38	19	5	15		77
Investment profit (loss)	**–812**	**90**	**–27**	**–97**	**23**	**–823**
EVM profit (loss)	**1 219**	**168**	**81**	**43**	**–175**	**1 336**
Change in market value of debt	–149	–242	15	–5	–23	–404
Release of current year capital costs	1 203	781	195	302	320	2 801
Additional taxes	94	1 327	66	–36	5	1 456
EVM income	**2 367**	**2 034**	**357**	**304**	**127**	**5 189**

Key ratios

	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
2014						
Profit margin						
New business	11.8%	6.7%	2.9%	4.6%	n/a	7.7%
Previous years' business	12.4%	–12.3%	3.6%	–1.5%	n/a	0.1%
Investment	–24.1%	1.9%	–5.3%	–9.8%	1.2%	–7.2%
Economic return on capital employed						
New business	16.4%	14.7%	8.1%	8.4%	n/a	13.7%
Investment	–9.5%	9.2%	7.5%	8.3%	11.0%	3.8%

b) Business segment results – balance sheet

As of 31 December 2013

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	**Total**
2013 (unaudited)							
Assets							
Investments	54 073	40 732	7 370	55 980	7 691	–4 836	161 010
Cash and cash equivalents	5 288	165	562	1 759	309		8 083
In-force business assets	11 386	162 281	2 213	10 849	2	–9 478	177 253
External retrocession assets	6 207	26 688	5 865	8 642		–13 629	33 773
Other assets	4 216	1 401	310	475	115	–3 769	2 748
Total assets	**81 170**	**231 267**	**16 320**	**77 705**	**8 117**	**–31 712**	**382 867**
Liabilities							
In-force business liabilities	47 243	163 872	11 130	61 256	529	–11 538	272 492
External retrocession liabilities	1 699	27 379	279	9 271		–9 478	29 150
Provision for capital costs	910	5 844	191	799	1	376	8 121
Future income tax liability	1 295	3 110	455	608	–163		5 305
Debt	6 077	16 278		660	1 284	–3 264	21 035
Other liabilities	6 737	5 839	405	299	1 637	–5 341	9 576
Total liabilities	**63 961**	**222 322**	**12 460**	**72 893**	**3 288**	**–29 245**	**345 679**
Economic net worth	**17 209**	**8 945**	**3 860**	**4 812**	**4 829**	**–2 467**	**37 188**

Business segment results – balance sheet

As of 31 December 2014

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	**Total**
2014							
Assets							
Investments	50527	38103	8202	55901	8289	–6083	154939
Cash and cash equivalents	5069	574	730	1029	64		7466
In-force business assets	13191	177458	2475	11424	–1	–10292	194255
External retrocession assets	4199	23183	6224	9034		–14166	28474
Other assets	5046	1047	118	688	362	–4063	3198
Total assets	**78032**	**240365**	**17749**	**78076**	**8714**	**–34604**	**388332**
Liabilities							
In-force business liabilities	47698	180381	12062	62355	518	–14166	288848
External retrocession liabilities	838	23304	1177	9349		–10292	24376
Provision for capital costs	–367	5916	175	1036	–1		6759
Future income tax liability	2029	2812	466	658	–100		5865
Debt	5712	13637	500	862	545	–3886	17370
Other liabilities	5477	4773	354	523	1882	–6260	6749
Total liabilities	**61387**	**230823**	**14734**	**74783**	**2844**	**–34604**	**349967**
Economic net worth	**16645**	**9542**	**3015**	**3293**	**5870**	**0**	**38365**

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	**Total**
2014							
Economic net worth as of 1 January	17209	8945	3860	4812	4829	–2467	37188
Changes in EVM accounting principles (Note 1)	370	–14	–91	–1254	–8	2467	1470
Restated economic net worth as of 1 January	**17579**	**8931**	**3769**	**3558**	**4821**		**38658**
EVM income	2367	2034	357	304	127		5189
Dividends	–3120		–700	–407	1098		–3129
Other, including foreign exchange on economic net worth	–181	–1423	–411	–162	–176		–2353
Economic net worth as of 31 December	**16645**	**9542**	**3015**	**3293**	**5870**	**0**	**38365**

Note 3 Disposals

Disposal of Aurora National Life Assurance Company
In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA).

The preliminary purchase price includes a cash payment of USD 183 million, subject to finalisation at closing. An EVM profit of USD 209 million on the disposal of the net assets was recognised in the fourth quarter of 2014. The sale will only be effective upon the receipt of all required regulatory approvals, which is expected in the second quarter of 2015. The definitive purchase price will be adjusted at closing of the transaction based upon the difference in yields of the transferred investments and a representative basket of investments.

Aurora primarily consists of bonds and policyholder liabilities. The expected profit on the disposal of the net assets has been reflected in the underwriting new business result in the 2014 income statement of the Admin Re® segment. The profit will be adjusted mainly for the definitive purchase price to be determined as of transaction closing.

Note 4 Reconciliation to US GAAP

USD billions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	**Total**
2013 (unaudited)							
US GAAP shareholders' equity	**13.3**	**6.2**	**2.8**	**5.8**	**4.9**	**0.0**	**33.0**
Discounting	6.0	1.3	0.5	–1.1	0.0	–2.4	4.3
Investments and debt	1.6	–1.8	0.0	0.0	0.4	0.0	0.2
Reserving basis							
GAAP margins	0.0	12.4	0.0	1.1	0.0	0.0	13.5
Other	0.8	0.1	0.9	–0.8	–0.5	0.0	0.5
Recognition differences	–0.2	0.2	0.0	0.4	0.0	0.0	0.4
Goodwill and other intangibles	–2.2	–2.0	–0.1	0.0	–0.2	0.0	–4.5
Taxes	–1.2	–1.5	–0.3	0.2	0.1	0.0	–2.7
Capital costs	–0.5	–6.1	–0.1	–0.8	0.0	0.0	–7.5
Other	–0.4	0.1	0.2	0.0	0.1	0.0	0.0
Total EVM valuation adjustments	**3.9**	**2.7**	**1.1**	**–1.0**	**–0.1**	**–2.4**	**4.2**
Economic net worth	**17.2**	**8.9**	**3.9**	**4.8**	**4.8**	**–2.4**	**37.2**
2014							
US GAAP shareholders' equity	**14.2**	**6.9**	**2.3**	**6.4**	**6.1**	**0.0**	**35.9**
Discounting	3.7	–0.5	0.0	–3.6	0.0	0.0	–0.4
Investments and debt	1.2	–2.2	0.0	0.0	0.5	0.0	–0.5
Reserving basis							
GAAP margins	0.0	13.4	0.0	1.6	0.0	0.0	15.0
Other	0.4	0.1	0.9	–0.5	–0.5	0.0	0.4
Recognition differences	0.1	0.3	0.1	–0.1	0.0	0.0	0.4
Goodwill and other intangibles	–2.1	–2.0	–0.2	0.0	–0.4	0.0	–4.7
Taxes	–1.4	–0.8	–0.2	0.5	0.1	0.0	–1.8
Capital costs	0.9	–5.8	0.0	–1.0	0.0	0.0	–5.9
Other	–0.4	0.1	0.1	0.0	0.1	0.0	0.0
Total EVM valuation adjustments	**2.4**	**2.6**	**0.7**	**–3.1**	**–0.2**	**0.0**	**2.5**
Economic net worth	**16.6**	**9.5**	**3.0**	**3.3**	**5.9**	**0.0**	**38.4**

Discounting: For EVM, all future expected cash flows are discounted using risk free interest rates. Under US GAAP, most property and casualty reserves are undiscounted (except for purchase GAAP adjustments), whereas life and health reserves are usually discounted based on locked-in interest rate assumptions.

Investments and debt: For EVM, all investments and debt positions are carried at fair value. Under US GAAP, real estate and debt are carried at depreciated and amortised cost, respectively.

Reserving basis: For EVM, best estimate current assumptions are used for all insurance/reinsurance reserves. Under US GAAP, life and health assumptions are usually locked-in and can include a provision for adverse deviation.

Recognition differences: EVM considers counterparty credit risk in the valuation of insurance-related assets.

Goodwill and other intangibles: EVM excludes the recognition of potential future new business activities as well as potential renewals. As a result, no goodwill or intangible assets are carried on the EVM balance sheet. Goodwill and acquired intangibles are written off as of the acquisition date.

Taxes: For EVM, deferred tax assets and liabilities are recognised for temporary differences between US GAAP and EVM.

Capital costs: EVM recognises opportunity costs for shareholder capital. The present value of capital costs allocated to existing contracts is recognised in the EVM balance sheet. US GAAP does not usually recognise a capital cost reserve (with the exception of purchase GAAP adjustments).

Independent Assurance Report

To the Board of Directors of Swiss Re Ltd on the Group Economic Value Management financial statements as of 31 December 2014

We have been engaged to perform a reasonable assurance engagement on the Economic Value Management ("EVM") financial statements of Swiss Re Group ("Swiss Re") for the year ended 31 December 2014 ("the Group EVM financial statements") as set out on pages 19 to 33.

All other information included in Swiss Re's EVM Annual Report 2014 was not subject to assurance procedures and, accordingly, we do not report on this information.

Criteria
The reporting criteria used by Swiss Re are described in Note 1 'Organisation and summary of significant EVM principles' to the Group EVM financial statements (hereafter referred to as "EVM principles").

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

Our responsibility
Our responsibility is to express an opinion on the Group EVM financial statements based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standards on Assurance Engagements 3000 'Assurance engagements other than audits or reviews of historical financial information' issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform this engagement to obtain reasonable assurance about the conclusions.

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 of the Swiss Code of Obligations and art. 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

This report does not extend to any other financial statements of Swiss Re Ltd.

Opinion

In our opinion, the Group EVM financial statements of Swiss Re Group for the year ended 31 December 2014 are prepared, in all material respects, in accordance with Swiss Re's EVM principles applied as explained in Note 1 to the Group EVM financial statements.

PricewaterhouseCoopers Ltd.

Alex Finn
Audit expert

Bret Griffin

Zurich, 17 March 2015

Sensitivities

Estimated sensitivities of EVM on new business profit and ENW to changes in key EVM assumptions are as follows:

	Property & Casualty Reinsurance	
USD billions	Change in 2014 EVM new business profit	Change in Economic net worth as of 31.12.2014
Change in frictional capital costs:		
Increase by 100bps (from 4% to 5%)	–0.2	–0.2
Financial market shocks:		
10% decrease in equity/property values	–0.8	–0.8
Change in reference rates (yield curve):[1]		
Increase by 100bps	n/a	0.6
Decrease by 100bps	n/a	–0.6
Inclusion of a liquidity premium in the valuation of EVM net insurance liabilities:		
Set reference rates equal to government rates plus 10bps	n/a	0.2
Set reference rates equal to government rates plus 50bps	n/a	1.0
Set reference rates equal to government rates plus 100bps	n/a	1.9
Reduce lapse rates by 10% (e.g. from 8.0% to 7.2%)	n/a	n/a
Mortality and morbidity rates reduced by 5%:[2]		
Mortality	n/a	n/a
Longevity	n/a	n/a
Morbidity	n/a	n/a
Remove all allowance for future mortality improvement:[3]		
Mortality	n/a	n/a
Longevity	n/a	n/a
Mortality/Longevity trend rates:[4]		
Set future mortality improvement assumption at 100bps p.a. (mortality business)	n/a	n/a
Increase future mortality improvement assumption by 100bps p.a. (longevity business)	n/a	n/a
Change in weighted average term to settlement:		
Increase by 10%	0.1	0.5
Decrease by 10%	–0.1	–0.5
Projected future claims cost:		
Increase new business claims by 10% (e.g. increase loss ratio from 60% to 66%)	–0.7	–0.7

[1] This sensitivity illustrates the impact of parallel shifts in risk free interest rates on the balance sheet. The business volume is assumed to be constant.
[2] The assumption is that future mortality/morbidity rates are lower than those assumed in the base calculations by a uniform 5% in all future years. The related impact on profit share agreements and changes in premium rates have been reflected.
[3] The base calculations reflect gradual future improvements in mortality rates. The impact of excluding such future improvements is illustrated here. The related impact on profit share agreements and changes in premium rates have been reflected.
[4] For the mortality business this sensitivity illustrates the impact of setting the improvement in mortality rates equal to 100bps for all ages throughout the projections in place of the allowance made in the base calculations. For the longevity business this sensitivity illustrates the impact of increasing the improvement in mortality rates by 100bps for all ages throughout the projections. In both cases, the related impact on profit share agreements and changes in premium rates have been reflected.
All sensitivities exclude the impact on additional taxes. The impact of changes in implied volatilities are immaterial for Swiss Re and hence the corresponding sensitivities are not provided anymore.

Life & Health Reinsurance		Corporate Solutions		Admin Re®		Swiss Re Group	
Change in 2014 EVM new business profit	Change in Economic net worth as of 31.12.2014	Change in 2014 EVM new business profit	Change in Economic net worth as of 31.12.2014	Change in 2014 EVM new business profit	Change in Economic net worth as of 31.12.2014	Change in 2014 EVM new business profit	Change in Economic net worth as of 31.12.2014
–0.1	–0.7	0.0	0.0	0.0	–0.2	–0.5	–1.1
–0.2	–0.2	–0.1	–0.1	–0.2	–0.2	–1.4	–1.4
n/a	–0.2	n/a	0.0	n/a	0.0	n/a	0.4
n/a	0.3	n/a	0.0	n/a	–0.1	n/a	–0.5
n/a	0.2	n/a	0.0	n/a	0.2	n/a	0.6
n/a	0.7	n/a	0.1	n/a	0.9	n/a	2.8
n/a	1.4	n/a	0.3	n/a	1.8	n/a	5.3
0.0	0.9	n/a	n/a	0.0	0.1	0.0	1.0
0.1	2.2	n/a	n/a	0.0	0.1	0.1	2.3
0.0	–0.3	n/a	n/a	0.0	–0.1	0.0	–0.4
0.1	0.4	n/a	n/a	0.0	0.0	0.1	0.5
–0.3	–7.4	n/a	n/a	0.0	–0.2	–0.3	–7.5
0.1	0.8	n/a	n/a	0.0	0.3	0.1	1.1
0.0	0.6	n/a	n/a	0.0	0.0	0.0	0.7
–0.1	–0.7	n/a	n/a	0.0	–0.2	–0.1	–0.9
n/a	n/a	0.0	0.0	n/a	n/a	0.1	0.5
n/a	n/a	0.0	0.0	n/a	n/a	–0.1	–0.5
n/a	n/a	–0.2	–0.2	n/a	n/a	–0.9	–0.9

Cautionary note on forward-looking statements

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

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

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re's ability to achieve improved ratings;
- the 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 Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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

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

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