Swiss Re

Swiss Re Corporate Solutions Ltd
Annual Report 2015

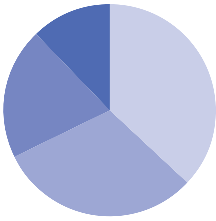
Key Information

Financial highlights
For the years ended 31 December

USD millions, unless otherwise stated	2014	2015	Change in %
Swiss Re Corporate Solutions Group			
Net income attributable to common shareholders	393	**409**	4
Gross premium written	4311	**3967**	–8
Premiums earned	3444	**3379**	–2
Combined ratio in %	89.9	**90.9**	
Return on equity[1] in %	15.6	**17.3**	

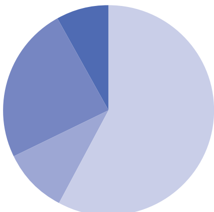
[1] Return on equity is calculated by dividing annualised net income attributable to common shareholder by average common shareholder's equity.

Net premiums earned by line of business, 2015
(Total USD 3 379 million)



37% Property
31% Casualty
20% Speciality
12% Credit

Gross premiums earned by regions, 2015
(Total USD 3 862 million)



58% North America
10% Latin America
24% Europe (including Middle East and Africa)
8% Asia-Pacific

Financial Strength Rating of Corporate Solutions Entities

	AM Best	Moody's	Standard & Poor's
Swiss Re Corporate Solutions Ltd	A+	Aa3	AA–
Swiss Re International SE	A+	Aa3	AA–
Westport Insurance Corporation	A+	Aa3	AA–
Other Corporate Solutions US entities (NAS, NAE, NAC, WIIC, FSIC)	A+	Not rated	AA–
Swiss Re Corporate Solutions Brasil Seguros	Not rated	Baa3	Not rated
Company Aseguradora de Fianzas S.A. Confianza	Not rated	Baa2	Not rated

Contents

Income statement

For the years ended 31 December

USD millions	Note	2014	2015
Revenues			
Premiums earned	3	3 444	**3 379**
Net investment income	6	89	**127**
Net realised investment gains	6	158	**141**
Other revenues			**9**
Total revenues		3 691	**3 656**
Expenses			
Claims and claim adjustment expenses	3	–2 054	**–1 955**
Acquisition costs	3	–463	**–459**
Other expenses		–579	**–658**
Interest expenses		–8	**–24**
Total expenses		–3 104	**–3 096**
Income before income tax expense		587	**560**
Income tax expense	11	–195	**–149**
Net income before attribution of non-controlling interests		392	**411**
Income/loss attributable to non-controlling interests		1	**–2**
Net income attributable to common shareholder		393	**409**

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2014	**2015**
Net income before attribution of non-controlling interests	392	**411**
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	18	**–144**
Change in foreign currency translation	–48	**–68**
Total comprehensive income before attribution of non-controlling interests	362	**199**
Comprehensive income attributable to non-controlling interests	1	**–2**
Total comprehensive income attributable to common shareholder	363	**197**

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2014 USD millions	Unrealised investment gains/losses[1]	Foreign currency translation[1,2]	Accumulated other comprehensive income
Balance as of 1 January	98	103	201
Change during the period	137	–40	97
Amounts reclassified out of accumulated other comprehensive income	–105		–105
Tax	–14	–8	–22
Balance as of period end	116	55	171

2015 USD millions	Unrealised investment gains/losses[1]	Foreign currency translation[1,2]	**Accumulated other comprehensive income**
Balance as of 1 January	116	55	**171**
Change during the period	–302	–68	**–370**
Amounts reclassified out of accumulated other comprehensive income	91		**91**
Tax	67		**67**
Balance as of period end	**–28**	**–13**	**–41**

[1] Reclassification adjustment included in net income is presented in the ''Net realised investment gains/losses'' 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.

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

Balance sheet

As of 31 December

Assets

USD millions	Note	2014	2015
Investments	6,7,8		
Fixed income securities, available-for-sale, at fair value (including 352 in 2014 and 1 056 in 2015 subject to securities lending and repurchase agreements) (amortised cost: 2014: 5 116; 2015: 5 945)		5 148	**5 888**
Equity securities, available-for-sale, at fair value (including 121 in 2014 and 166 in 2015 subject to securities lending and repurchase agreements) (cost: 2014: 586; 2015: 906)		732	**935**
Short-term investments, at fair value (including 1 088 in 2014 and 488 in 2015 subject to securities lending and repurchase agreements)		2 348	**1 256**
Other invested assets		55	**182**
Total investments		8 283	**8 261**
Cash and cash equivalents (including 20 in 2014 and 13 in 2015 subject to securities lending)		568	**504**
Accrued investment income		44	**49**
Premiums and other receivables		2 274	**2 276**
Reinsurance recoverable on unpaid claims	4	7 434	**6 182**
Funds held by ceding companies		388	**20**
Deferred acquisition costs	5	360	**387**
Goodwill		109	**106**
Income taxes recoverable		31	**6**
Deferred tax assets	11	258	**242**
Other assets		720	**693**
Total assets		20 469	**18 726**

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

Liabilities and equity

USD millions	Note	2014	2015
Liabilities			
Unpaid claims and claim adjustment expenses	4	11 721	**10 619**
Unearned premiums		2 936	**2 959**
Funds held under reinsurance treaties		1 391	**876**
Reinsurance balances payable		406	**343**
Income taxes payable		101	**33**
Deferred and other non-current tax liabilities	11	425	**375**
Accrued expenses and other liabilities		541	**599**
Long-term debt	10	496	**496**
Total liabilities		18 017	**16 300**
Equity			
Common shares, CHF 1 000 par value 2014: 100 000; 2015: 100 000 shares authorised and issued		119	**119**
Additional paid-in capital		677	**677**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		116	**–28**
Foreign currency translation, net of tax		55	**–13**
Total accumulated other comprehensive income		171	**–41**
Retained earnings		1 396	**1 605**
Shareholder's equity		2 363	**2 360**
Non-controlling interests		89	**66**
Total equity		2 452	**2 426**
Total liabilities and equity		20 469	**18 726**

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

Statement of shareholder's equity

For the years ended 31 December

USD millions	2014	2015
Common shares		
Balance as of 1 January	119	**119**
Issue of common shares		
Balance as of period end	119	**119**
Additional paid-in capital		
Balance as of 1 January	1 276	**677**
Dividends on common shares[1]	–599	
Balance as of period end	677	**677**
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	98	**116**
Changes during the period	18	**–144**
Balance as of period end	116	**–28**
Foreign currency translation, net of tax		
Balance as of 1 January	103	**55**
Changes during the period	–48	**–68**
Balance as of period end	55	**–13**
Retained earnings		
Balance as of 1 January	1 091	**1 396**
Net income attributable to common shareholder	393	**409**
Effect of change in Group structure[2]	13	
Dividends on common shares	–101	**–200**
Balance as of period end	1 396	**1 605**
Shareholder's equity	2 363	**2 360**
Non-controlling interests		
Balance as of 1 January	0	**89**
Change during the period	90	**–25**
Income attributable to non-controlling interests	–1	**2**
Balance as of period end	89	**66**
Total equity	2 452	**2 426**

[1] Dividends to the shareholder were paid in the form of a repayment of legal reserves from capital contributions.
[2] During Q3 2014, Swiss Reinsurance Company Ltd transferred the shares of Swiss Re Corporate Solutions Brasil Seguros S.A. to Swiss Re Corporate Solutions Ltd, please refer to Note 1 "Organisation and summary of significant accounting policies".

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

Statement of cash flow

For the years ended 31 December

USD millions	2014	2015
Cash flows from operating activities		
Net income attributable to common shareholder	393	**409**
Add net income attributable to non-controlling interests	–1	**2**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	70	**70**
Net realised investment gains/losses	–158	**–141**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	80	**–906**
Funds held by ceding companies and under reinsurance treaties	–111	**–148**
Reinsurance recoverable on unpaid claims and policy benefits	787	**1 127**
Other assets and liabilities, net	–24	**–22**
Income taxes payable/recoverable	129	**–16**
Trading positions, net	100	**99**
Net cash provided/used by operating activities	1 265	**474**
Cash flows from investing activities		
Fixed income securities:		
Sales	4 745	**4 095**
Maturities	452	**320**
Purchases	–5 621	**–5 386**
Net purchase/sale/maturities of short-term investments	–774	**1 052**
Equity securities:		
Sales	833	**525**
Purchases	–488	**–759**
Securities purchased/sold under agreement to resell/repurchase, net[1]	112	**–43**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net	–131	**–108**
Net purchases/sales/maturities of other investments	–13	**–23**
Net cash provided/used by investing activities	–885	**–327**
Cash flows from financing activities		
Issuance/repayment of long-term debt	496	
Dividends paid to parent	–700	**–200**
Net cash provided/used by financing activities	–204	**–200**
Total net cash provided/used	176	**–53**
Effect of foreign currency translation	–12	**–11**
Change in cash and cash equivalents	164	**–64**
Cash and cash equivalents as of 1 January	404	**568**
Cash and cash equivalents as of 31 December	568	**504**

[1] The Group reviewed the nature of certain items within the statement of cash flow. The "Securities purchased/sold under agreement to resell/repurchase, net" are reclassified from the operating cash flow to the investing cash flow.

Interest paid was nil and USD 23 million for the years ended 31 December 2014 and 2015, respectively.

Tax paid was USD 63 million and USD 155 million for the years ended 31 December 2014 and 2015, respectively.

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Corporate Solutions Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Corporate Solutions Ltd (the parent company, referred to as "SRCS") and its subsidiaries (collectively, the "Group"). The Group provides a wide range of traditional and non-traditional commercial insurance products and risk transfer solutions through a network of offices around the globe.

SRCS 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 Admin Re®. 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) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation.

During the third quarter of 2014, Swiss Re Corporate Solutions completed the acquisition of the outstanding common shares of Swiss Re Corporate Solutions Brasil Seguros S.A. ("SRCSB") from Swiss Reinsurance Company Ltd ("SRZ"). Following the acquisition, SRCSB ceased to be a subsidiary of SRZ, and therefore is no longer part of the Swiss Reinsurance Company Group (the "SRZ Group"). These financial statements were prepared as if SRCSB had been transferred to SRCS as of 1 January 2014.

Principles of consolidation

The Group's financial statements include the consolidated financial statements of SRCS and its subsidiaries. Voting entities which SRCS directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets.

Use of estimates in the preparation of financial statements

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

Foreign currency remeasurement and translation

Transactions denominated in foreign currencies are remeasured to the respective subsidiary's functional currency at average exchange rates. Monetary assets and liabilities are remeasured to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are remeasured to the functional currency at historical rates. Remeasurement gains and losses on monetary assets and liabilities and trading securities are reported in earnings. Remeasurement gains and losses on available-for-sale securities, investments in consolidated subsidiaries and investments accounted for using the equity method are reported in shareholder's equity.

For consolidation purposes, assets and liabilities of subsidiaries with functional currencies other than US dollars are translated from the functional currency to US dollars at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported in shareholder's equity.

Valuation of financial assets

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

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group's exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated 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 31 December 2015, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income securities, other than those investments considered to be short term investments, and equity securities are classified as available-for-sale (AFS). Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value recognised in shareholder's equity.

The cost of equity securities AFS is reduced to fair value, with a corresponding charge to realised investment losses if the decline in value, expressed in functional currency terms, is other-than-temporary. Subsequent recoveries of previously recognised impairments are not recognised in earnings.

For fixed income securities AFS that are other-than-temporary impaired and there is not an intention to sell, the impairment is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. The estimated credit loss amount is recognised in earnings, with the remainder of the loss amount recognised in other comprehensive income. In cases where there is an intention or requirement to sell, the accounting of the other-than-temporary impairment is the same as for equity securities AFS described above.

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recognised as investment income on the ex-dividend date. Realised gains and losses on sales are included in earnings and are calculated using the specific identification method.

Short-term investments are measured at fair value with changes in fair value recognised in net income. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

Other invested assets include deposits and time deposits, investments in affiliated companies, investments in equity accounted companies, investment real estate, derivative financial instruments, collateral receivables, securities purchased under agreement to resell, and investments without readily determinable fair value (including limited partnership investments). Investments in limited partnerships where the Group's interest equals or exceeds 3% are accounted for using the equity method. Investments in limited partnerships where the Group's interest is below 3% and equity investments in corporate entities which are not publicly traded are accounted for at estimated fair value with changes in fair value recognised as unrealised gains/losses in shareholder's equity.

The Group enters into securities lending arrangements under which it loans certain securities in exchange for collateral and receives securities lending fees. The Group's policy is to require collateral, consisting of cash or securities, equal to at least 102% of the carrying value of the securities loaned. In certain arrangements, the Group may accept collateral of less than 102% if the structure of the overall transaction offers an equivalent level of security. Cash received as collateral is recognised along with an obligation to return the cash. Securities received as collateral that can be sold or repledged are also recognised along with an obligation to return those securities. Securities lending fees are recognised over the term of the related loans.

Derivative financial instruments

The Group enters into various financial contracts covering risks such as weather, weather-contingent price risks and outage contingent power price risks that are accounted for as derivative financial instruments. The Group also uses derivatives to manage exposure to foreign currency risks. Derivative positions are carried at fair value, generally by obtaining quoted market prices or through the use of valuation models, with changes in fair value recorded in income. The Group currently does not apply hedge accounting.

Derivative financial instrument assets are generally included in other invested assets and derivative financial instrument liabilities are generally included in accrued expenses and other liabilities.

Cash and cash equivalents

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

Deferred acquisition costs

The Group incurs costs in connection with acquiring new and renewal reinsurance and insurance business. Some of these costs, which consist primarily of commissions, are deferred as they are directly related to the successful acquisition of such business.

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts.

Modifications of insurance and reinsurance contracts

The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. The associated deferred acquisition costs will continue to be amortised. The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially changed contract as an extinguishment of the replaced contract. The associated deferred acquisition costs are written off immediately through income and any new deferrable costs associated with the replacement contract are deferred.

Business combinations

The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. The underlying assets and liabilities acquired are subsequently accounted for according to the relevant GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of applying the acquisition method of accounting, including goodwill and other intangible assets.

Goodwill

The excess of the purchase price of acquired businesses over the estimated fair value of net assets acquired is recorded as goodwill, which is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Other assets

Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, capitalised software expenses, receivables related to investing activities, real estate for own use, equipment, accrued income, certain intangible assets and prepaid assets.

The excess of estimated liabilities for claims and claim adjustment expenses payable over consideration received in respect of retroactive reinsurance contracts is recorded as a deferred expense. The deferred expense on retroactive reinsurance contracts is amortised through earnings over the expected claims-paying period.

Real estate for own use and equipment are carried at depreciated cost. Depreciation on buildings is recognised over the estimated useful life of the asset. Land is recognised at cost and not depreciated.

Capitalised software costs

External direct costs of materials and services incurred to develop or obtain software for internal use, payroll and payroll-related costs for employees directly associated with software development and interest cost incurred while developing software for internal use are capitalised and amortised on a straight-line basis through earnings over the estimated useful life.

Income taxes

Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax asset may not be realised.

The Group recognizes the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgement occurs.

Unpaid claims and claim adjustment expenses

Liabilities for unpaid claims and claim adjustment expenses for insurance and reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. A provision is also included for claims incurred but not reported, which is developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgements made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the acquisition method of accounting.

Experience features which are directly linked to an insurance and reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Funds held assets and liabilities

On the asset side, funds held by ceding companies consist of amounts retained by the ceding company for business written on a funds withheld basis. On the liability side, funds held under reinsurance treaties consist of amounts retained from ceded business written on a funds withheld basis.

Funds withheld assets are assets that would normally be paid to the Group but are withheld by the cedent to reduce a potential credit risk or to retain control over investments. In case of funds withheld liabilities, it is the Group that withholds assets related to ceded business in order to reduce its credit risk or retain control over the investments.

Premiums

Property and casualty insurance and reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of insurance and reinsurance provided. Unearned premiums consist of the unexpired portion of insurance and reinsurance provided.

Reinstatement premiums are due where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The recognition of reinstatement premiums as written depends on individual contract features. Reinstatement premiums are either recognised as written at the time a loss event occurs or in line with the recognition pattern of premiums written of the underlying contract. The accrual of reinstatement premiums is based on actuarial estimates of ultimate losses. Reinstatement premiums are generally earned in proportion to the amount of insurance and reinsurance provided.

Insurance and reinsurance ceded

The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on insurance and reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency. Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for retrocession contracts are reported as assets in the balance sheet.

The Group provides reserves for uncollectible amounts on insurance and reinsurance balances ceded, based on management's assessment of the collectability of the outstanding balances.

Receivables

Premium and claims receivables which have been invoiced are accounted for at face value. Together with assets arising from the application of the deposit method of accounting that meet the definition of financing receivables they are regularly assessed for impairment. Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and financial difficulties of the debtor, and can be as high as the outstanding net balance.

Subsequent events

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

Recent accounting guidance

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

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

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

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

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period", an update to topic 718, "Compensation – Stock Compensation". ASU 2014-12 states that a performance target that affects vesting of a share-based payment and that could be achieved after the requisite service period is a performance condition, and therefore, the target is not reflected in the estimation of the award's grant date fair value. Compensation cost for such an award would be recognised over the required service period if it is probable that the performance condition will be achieved. The Group adopted ASU 2014-12 on 1 January 2015. The adoption did not have an effect on the Group's financial statements.

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

In May 2015, the FASB issued ASU 2015-09, "Disclosures about Short-Duration Contracts", an update to topic 944, "Financial Services — Insurance". ASU 2015-09 requires an insurance entity to provide additional information about insurance liabilities, including information on the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. Requirements include 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 claim adjustment expenses in both interim and annual periods. The Group will adopt the annual disclosure requirements for the annual reporting period ending on 31 December 2016, and the interim disclosure requirements for the quarter ending on 31 March 2017. The Group has set up a project to implement the new requirements.

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 DTA's 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.

This page is intentionally left blank.

2 Information on business segments

The Group provides innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes to customized solutions tailored to the needs of clients. The business segments are determined by the organisational structure and the way in which management reviews the operating performance of the Group.

The Group presents four core operating business segments: Property, Casualty, Specialty and Credit.

The Group does not track and manage its investment portfolio by operating segment, and therefore separate balance sheets are not maintained. Accordingly, the Group does not review and evaluate the financial results of its operating segments based upon balance sheet data.

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
The Property segment includes insurance for fire, wind, water damage and vandalism. It also provides cover for flood, earthquake, tsunami and terrorism. Business interruption insurance is complementary to property insurance. Agriculture is also covered in this segment.

Casualty
The Casualty segment includes liability, motor and non-life accident & health. The Group's general liability insurance products provide coverage against legal liability exposure of a business including product, professional, directors' and officers' (D&O) and environmental liability insurance. Non-life accident and health insurance includes workers compensation and disability coverage.

Specialty
The Specialty business segment consists of dedicated insurance offerings to specific industries on a global scale such as aviation and space, engineering and construction and marine.

Credit
The Credit segment provides innovative trade, commodity and infrastructure finance risk sharing solutions along with surety solutions and political risk insurance covers.

a) Business segments – income statement

For the years ended 31 December

2014 USD millions	Property	Casualty	Specialty	Credit	Total
Premiums earned	1 348	1 034	698	364	3 444
Expenses					
Claims and claim adjustment expenses	–636	–864	–476	–78	–2 054
Acquisition costs	–157	–95	–113	–98	–463
Other expenses	–252	–154	–97	–76	–579
Total expenses before interest expenses	–1 045	–1 113	–686	–252	–3 096
Underwriting result	303	–79	12	112	348
Net investment income					89
Net realised investment gains/losses					158
Interest expenses					–8
Income before income tax expenses					587
Claims ratio in %	47.2	83.5	68.2	21.4	59.6
Expense ratio in %	30.3	24.1	30.1	47.8	30.3
Combined ratio in %	77.5	107.6	98.3	69.2	89.9

2015 USD millions	Property	Casualty	Specialty	Credit	Total
Premiums earned	**1 240**	**1 058**	**677**	**404**	**3 379**
Expenses					
Claims and claim adjustment expenses	–500	–783	–519	–153	–1 955
Acquisition costs	–152	–104	–103	–100	–459
Other expenses	–258	–174	–139	–87	–658
Total expenses before interest expenses	**–910**	**–1 061**	**–761**	**–340**	**–3 072**
Underwriting result	**330**	**–3**	**–84**	**64**	**307**
Net investment income					127
Net realised investment gains/losses					141
Other revenues					9
Interest expenses					–24
Income before income tax expenses					**560**
Claims ratio in %	40.3	74.0	76.7	37.9	57.8
Expense ratio in %	33.1	26.3	35.7	46.3	33.1
Combined ratio in %	73.4	100.3	112.4	84.2	90.9

b) Gross premiums earned by geography

Gross premiums earned by regions for the years ended 31 December

USD millions	2014	2015
North America	2 228	2 232
Latin America	429	406
Europe (including Middle East and Africa)	1 008	933
Asia-Pacific	266	291
Total	3 931	**3 862**

Gross premiums earned by country for the years ended 31 December

USD millions	2014	2015
United States	1 876	1 875
United Kingdom	293	251
Canada	202	173
Germany	150	161
Brazil	145	138
Bermuda	101	136
Australia	138	116
France	106	92
Mexico	111	78
Columbia	36	67
Other	773	775
Total	3 931	**3 862**

Gross premiums earned are allocated by country based on the underlying contract.

3 Insurance information

For the years ended 31 December

Premiums written and premiums earned

USD millions	2014	2015
Premiums written		
Direct	2 996	2 905
Reinsurance	1 315	1 062
Ceded	–516	–473
Net premiums written	3 795	**3 494**
Premiums earned		
Direct	2 745	2 732
Reinsurance	1 186	1 130
Ceded	–487	–483
Net premiums earned	3 444	**3 379**

Claims and claim adjustment expenses

USD millions	2014	2015
Claims paid		
Gross	–2 214	–3 001
Ceded	918	1 292
Net claims paid	–1 296	**–1 709**
Change in unpaid claims and claim adjustment expenses		
Gross	–165	843
Ceded	–593	–1 089
Net unpaid claims and claim adjustment expenses	–758	**–246**
Claims and claim adjustment expenses	–2 054	**–1 955**

Acquisition costs

USD millions	2014	2015
Acquisition costs		
Gross	–562	–559
Ceded	99	100
Net acquisition costs	–463	**–459**

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2014 and 2015, the Group had a reinsurance recoverable of USD 7 434 million and USD 6 182 million, respectively. The concentration of credit risk is regularly monitored and evaluated.

The Group cedes certain re/insurance contracts to affiliated companies within the Swiss Re Group, but outside the Swiss Re Corporate Solutions Group (please refer to Note 12).

Insurance receivables

Insurance receivables as of 31 December were as follows:

USD millions	2014	2015
Premium receivables invoiced	412	402
Receivables invoiced from ceded re/insurance business	178	189
Recognised allowance	–24	–20

4 Unpaid claims and claim adjustment expenses

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

USD millions	2014	2015
Balance as of 1 January	11 364	11 721
Reinsurance recoverable	–7 836	–7 434
Net balance as of 1 January	3 528	**4 287**
Incurred related to:		
Current year	2 106	2 108
Prior year	–78	–174
Total incurred	2 028	1 934
Paid related to:		
Current year	–398	–523
Prior year	–898	–1 186
Total paid	–1 296	–1 709
Foreign exchange	–88	–114
Effect of acquisitions, disposals, new retroactive reinsurance and other items	115	39
Net balance as of 31 December	4 287	**4 437**
Reinsurance recoverable	7 434	6 182
Balance as of 31 December	11 721	**10 619**

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the purchase method of accounting.

Prior-year development
In 2015, claims development on prior years was driven by favourable experience in all lines except accident & health, engineering and credit & surety. The largest favourable experience came from property.

US asbestos and environmental claims exposure
The Business Unit's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986 as well as out of such business acquired subsequently through reinsurance arrangements to other Swiss Re Group Companies, in particular in the area of US asbestos and environmental liability.

At the end of 2015, the Business Unit Corporate Solutions carried net reserves for US asbestos and environmental liabilities equal to USD 191 million. During 2015, Corporate Solutions incurred net losses of USD 29 million and paid net against these liabilities of USD 26 million.

Note that during 2015, USD 10 million of existing reserves were reclassified as asbestos following a detailed review of historic cedent accounts by our claims department. The above mentioned incurred amount (USD 29 million) does not show this amount as incurred during 2015.

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

5 Deferred acquisition costs (DAC)

As of 31 December, the DAC were as follows:

USD millions	2014	2015
Opening balance as of 1 January	332	360
Deferred	504	486
Effect of acquisitions/disposals and retrocessions	–13	
Amortisation	–461	–459
Effect of foreign currency translation	–2	
Closing balance as of 31 December	360	**387**

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.

6 Investments

Investment income

Net investment income by source was as follows:

USD millions	2014	2015
Fixed income securities	106	133
Equity securities	15	22
Short-term investments	5	5
Other current investments	7	12
Cash and cash equivalents	2	1
Net result from deposit-accounted contracts	3	3
Deposits with ceding companies	24	20
Gross investment income	162	**196**
Investment expenses	–29	–31
Interest charged for funds held	–44	–38
Net investment income	89	**127**

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments were as follows:

USD millions	2014	2015
Fixed income securities available-for-sale:		
Gross realised gains	25	31
Gross realised losses	–13	–15
Equity securities available-for-sale:		
Gross realised gains	97	110
Gross realised losses	–7	–17
Other-than-temporary impairments	–4	–3
Net realised investment gains/losses on trading securities	1	1
Net realised/unrealised gains/losses on other investments	–5	–1
Net realised/unrealised gains/losses on insurance-related activities	46	33
Foreign exchange gains/losses	18	2
Net realised investment gains/losses	158	**141**

Investments available-for-sale

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

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	1 534	33	–5	1 562
US Agency securitised products	224		–1	223
States of the United States and political subdivisions of the states	230	5		235
Canada	310	2	–16	296
Germany	31	1	–1	31
France	11		–1	10
Other	220	3	–6	217
Total	2 560	44	–30	2 574
Corporate debt securities	2 089	24	–12	2 101
Mortgage-and asset-backed securities	467	7	–1	473
Fixed income securities available-for-sale	5 116	75	–43	5 148
Equity securities available-for-sale	586	161	–15	732

2015 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	2 209	17	–13	2 213
US Agency securitised products	176			176
States of the United States and political subdivisions of the states	330	10		340
Canada	198		–26	172
Germany	61		–4	57
France	32		–2	30
Other	251	2	–8	245
Total	3 257	29	–53	3 233
Corporate debt securities	2 291	13	–44	2 260
Mortgage- and asset-backed securities	397	1	–3	395
Fixed income securities available-for-sale	**5 945**	**43**	**–100**	**5 888**
Equity securities available-for-sale	**906**	**83**	**–54**	**935**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2014 and 2015, USD 1 376 million and USD 1 670 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2014 Amortised cost or cost	2014 Estimated fair value	2015 Amortised cost or cost	2015 Estimated fair value
Due in one year or less	544	536	546	530
Due after one year through five years	1 832	1 829	2 729	2 698
Due after five years through ten years	1 335	1 339	1 380	1 356
Due after ten years	938	971	893	909
Mortgage- and asset-backed securities with no fixed maturity	467	473	397	395
Total fixed income securities available-for-sale	5 116	5 148	**5 945**	**5 888**

Assets pledged

As of 31 December 2015, investments with a carrying value of USD 1 070 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 178 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2014 and 2015, securities of USD 1 581 million and USD 1 723 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. There were no associated liabilities.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2014 and 2015. As of 31 December 2014 and 2015, USD 13 million and USD 42 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 2 million and USD 12 million, respectively, to declines in value for more than 12 months.

2014 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	136	1	202	4	338	5
US Agency securitised products	107	1	29		136	1
States of the United States and political subdivisions of the states	63		18		81	0
Canada	104	5	87	11	191	16
Germany	20	1			20	1
France	8	1			8	1
Other	116	5	11	1	127	6
Total	554	14	347	16	901	30
Corporate debt securities	808	10	42	2	850	12
Mortgage-and asset-backed securities	115		40	1	155	1
Total	1 477	24	429	19	1 906	43

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	1 715	13	5		1 720	13
US Agency securitised products	96				96	0
States of the United States and political subdivisions of the states	22				22	0
Canada	46	4	86	22	132	26
Germany	35		17	4	52	4
France	2		7	2	9	2
Other	125	6	20	2	145	8
Total	2 041	23	135	30	2 176	53
Corporate debt securities	1 441	41	15	3	1 456	44
Mortgage-and asset-backed securities	249	3	20		269	3
Total	**3 731**	**67**	**170**	**33**	**3 901**	**100**

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. 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 2015, these adjustments were not material.

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 upon 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 includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

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

Equity securities held by the Group for proprietary investment purposes are mainly classified in levels 1 and 2. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available. Level 2 equities include equity investments fair valued pursuant to the fair value option election and certain hedge fund positions; all valued based on primarily observable inputs.

The category "Other invested assets" includes the Group's private equity funds investments which are made via ownership of funds. Substantially all of these investments are classified as level 3 due to the lack of observable prices and significant judgement required in valuation. The Group's holdings in private equity 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).

Governance around level 3 fair valuation

The Asset Valuation Committee, endorsed by the Group Executive Committee, has a primary responsibility for governing and overseeing all of 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, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities held for proprietary investment purposes	1 556	3 579	13	5 148
Debt securities issued by US government and government agencies	1 556	241		1 797
US Agency securitised products		224		224
Debt securities issued by non-US governments and government agencies		553		553
Corporate debt securities		2 088	13	2 101
Mortgage asset-backed securities		473		473
Equity securities held for proprietary investment purposes	732			732
Short-term investments held for proprietary investment purposes	1 723	625		2 348
Derivative financial instruments			11	11
Other invested assets			21	21
Total assets at fair value	4 011	4 204	45	8 260
Liabilities				
Derivative financial instruments			–72	–72
Total liabilities at fair value	0	0	–72	–72

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)	Total
Assets				
Fixed income securities held for proprietary investment purposes	2 206	3 682		5 888
Debt securities issued by US government and government agencies	2 206	347		2 553
US Agency securitised products		176		176
Debt securities issued by non-US governments and government agencies		504		504
Corporate debt securities		2 260		2 260
Mortgage asset-backed securities		395		395
Equity securities held for proprietary investment purposes	935			935
Short-term investments held for proprietary investment purposes	842	414		1 256
Derivative financial instruments	3		5	8
Other invested assets			12	12
Total assets at fair value	**3 986**	**4 096**	**17**	**8 099**
Liabilities				
Derivative financial instruments	–8		–106	–114
Total liabilities at fair value	**–8**	**0**	**–106**	**–114**

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

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

2014 USD millions	Corporate debt securities	Derivative assets	Other invested assets	**Total assets**	Derivative liabilities	**Total liabilities**
Assets and liabilities						
Balance as of 1 January	40	0	21	61	0	0
Realised/unrealised gains/losses:						
Included in net income		25	–4	21	15	15
Included in other comprehensive income	–1		4	3		0
Purchases		15	1	16		0
Issuances				0	–92	–92
Sales	–3	–27	–1	–31	3	3
Settlements	–23	–2		–25	2	2
Transfers into level 3[1]				0		0
Transfers out of level 3[1]				0		0
Impact of foreign exchange movements				0		0
Closing balance as of 31 December	13	11	21	45	–72	–72

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

2015 USD millions	Corporate debt securities	Derivative assets	Other invested assets	**Total assets**	Derivative liabilities	**Total liabilities**
Assets and liabilities						
Balance as of 1 January	13	11	21	**45**	–72	**–72**
Realised/unrealised gains/losses:						
Included in net income		4		**4**	29	**29**
Included in other comprehensive income			–5	**–5**		**0**
Purchases		29		**29**		**0**
Issuances				**0**	–86	**–86**
Sales	–2	–21	–4	**–27**	16	**16**
Settlements	–11	–18		**–29**	7	**7**
Transfers into level 3[1]				**0**		**0**
Transfers out of level 3[1]				**0**		**0**
Impact of foreign exchange movements				**0**		**0**
Closing balance as of 31 December	**0**	**5**	**12**	**17**	**–106**	**–106**

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

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

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

USD millions	2014	**2015**
Gains/losses included in net income for the period	36	33
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	33	–28

Quantitative information about level 3 fair value measurements

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

USD millions	2014 Fair value	2015 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Liabilities					
Derivative financial instruments	–72	**–106**			
Weather contracts	–35	–82	Proprietary Option Model	Risk Margin	8%–11% (10%)
				Correlation	–90%–80% (21%)
				Volatility (power/gas)	28%–115% (53%)
				Volatility (temperature)	0–356 (140) HDD/CAT[2]
				Index value (temperature)	6–6032 (1969) HDD/CAT[2]
Industry loss warrants	–20	–13	Credit Default Model	Market implied probability of Nat Cat event	1%–17% (5%)

[1] Heating Degree Days (HDD); Cumulative Average Temperature (CAT)

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

The significant unobservable input used in the fair value measurement of the Group's industry loss warrants is the market implied probability of a natural catastrophe event. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

Other invested assets measured at net asset value

As of 31 December 2014 and 2015, other assets measured at net asset value were USD 21 million and USD 12 million, respectively. Additionally there were USD 5 million of unfunded commitments as of 31 December 2014 and 2015.

Private equity funds generally have limitations on the amount of redemptions from a 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.

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

As of 31 December 2014 and 2015, the subordinated financial debt issued by the Group was valued at USD 493 million and USD 491 million, respectively. The debt position is fair valued based on executable broker quotes and is classified as a level 2 measurement.

8 Derivative financial instruments

The Group enters into various financial contracts covering risks such as weather, weather-contingent price risks, outage contingent power price risks and industry loss warrants, that are accounted for as derivative financial instruments (also referred to as Environmental Commodity Markets and Weather business, or "ECM/Weather contracts/ILW"). The Group also uses derivatives to manage exposure to foreign currency risks. Derivative positions are carried at fair value, generally by obtaining quoted market prices or through the use of valuation models, with changes in fair value recorded in the income statement. The Group currently does not apply hedge accounting.

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

Fair values and notional amounts of derivative financial instruments

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

2014 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivative financial instruments				
Foreign exchange contracts				
ECM/Weather contracts/ILW	1 269	11	–72	–61
Total derivative financial instruments	**1 269**	**11**	**–72**	**–61**

2015 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivative financial instruments				
Foreign exchange contracts	–43		–1	–1
ECM/Weather contracts/ILW	1 078	8	–113	–105
Total derivative financial instruments	**1 035**	**8**	**–114**	**–106**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity and are presented without set off. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities".

Gains and losses of derivative financial instruments

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments are recorded in "Net realised investment gains/losses" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments were as follows:

USD millions	2014	**2015**
Derivative financial instruments		
Foreign exchange contracts	–6	–2
ECM/Weather contracts/ILW	47	35
Total gain/loss recognised in income	**41**	**33**

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2014 and 2015 was approximately USD 11 million and USD 8 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties.

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 55 million as of 31 December 2015, for which the Group posted collateral of nil as of 31 December 2015. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 55 million additional collateral would have had to be posted as of 31 December 2015. The total equals the amount needed to settle the instruments immediately as of 31 December 2015.

9 Acquisitions

Sun Alliance Insurance (China) Limited

On 14 May 2015, Swiss Re Corporate Solutions finalised the acquisition of 100% of Sun Alliance Insurance (China) Limited and is now licensed and operating in mainland China as Swiss Re Corporate Solutions Insurance China Ltd (SRCS China). In this market Corporate Solutions is focused on property, casualty, marine, engineering and construction risks, as well as providing customised solutions for the agriculture and energy sectors. The results of the operations of SRCS China have been included in the consolidated financial statements since 14 May 2015. This transaction supports Swiss Re Corporate Solutions' growth strategy and will enable it to expand business in Asia through local representation. Further analysis of SRCS China's acquired balances at acquisition since the second quarter identified intangible assets of USD 33 million and indicated goodwill of USD 17 million (originally estimated at USD 40 million). The goodwill is not expected to be deductible for tax purposes.

Acquisition of IHC Risk Solutions Corporation

On 31 March 2016, Swiss Re Corporate Solutions acquired 100% of the shares of IHC Risk Solutions, LLC, a leading US employer stop loss underwriter. The cost of the acquisition was USD 153 million. The transaction includes IHC Risk Solutions' operations, its team of experts and business portfolio, including in-force, new and renewal business by IHC Risk Solutions. This acquisition broadens the Group's current employer stop loss capabilities in the small- and middle-market self-funded healthcare benefits segment. Apart from immaterial transaction costs, the Group financial statements and related notes in this report are not impacted.

10 Debt

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

USD millions	2014	2015
Long-term subordinated financial debt	496	**496**
Total carrying value	496	**496**
Total fair value	493	**491**

Interest expense on long-term debt

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

USD millions	2014	2015
Subordinated financial debt	7	23
Total	7	**23**

Long-term debt

In 2014, Swiss Re Corporate Solutions Ltd issued a 30-year subordinated fixed rate resettable callable loan note with a first optional redemption date on 11 September 2024 and a scheduled maturity in 2044. The note has a face value of USD 500 million, with a fixed coupon of 4.5% per annum until the first optional redemption date.

11 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which the Group operates. The components of the income tax charge were:

USD millions	2014	2015
Current taxes	77	126
Deferred taxes	118	23
Income tax expense	195	**149**

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2014	2015
Income tax at the Swiss statutory tax rate of 20.5%	121	115
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	42	47
Impact of foreign exchange movement	23	–1
Tax exempt income/dividends received deduction	–12	–14
Other income based taxes	10	9
Other, net	11	–7
Total	195	**149**

The Group reported a tax charge of USD 149 million on a pre-tax income of USD 560 million for 2015, compared to a charge of USD 195 million on a pre-tax income of USD 587 million for 2014. This translates into an effective tax rate in the current and prior year reporting periods of 26.6% and 33.2%, respectively. The lower tax rate in the current year is mainly driven by lower tax charges from foreign exchange movements

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2014	2015
Deferred tax assets		
Deferred acquisition costs	38	40
Income accrued/deferred	23	30
Unearned premium reserve	14	57
Technical provisions	37	20
Benefit on loss carryforwards	13	12
Currency translation adjustments	34	39
Tax credits	61	
Other	38	46
Gross deferred tax assets	258	**244**
Valuation allowance		–2
Total deferred tax assets	258	**242**
Deferred tax liabilities		
Deferred acquisition costs	–36	–46
Present value of future profits	–72	–66
Property amortisation	–25	–18
Income accrued/deferred	–30	–28
Technical provisions	–75	–76
Unrealised gains on investments	–68	–18
Foreign exchange provision	–27	–27
Currency translation adjustments	–51	–56
Other	–31	–31
Total deferred tax liabilities	–415	**–366**
Liability for unrecognised tax benefits including interest and penalties	–10	–9
Total deferred and other non-current tax liabilities	–425	**–375**

As of 31 December 2015, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 374 million. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2015, the Group had USD 48 million net operating tax loss carryforwards, expiring as follows: USD 7 million in 2019, USD 2 million in 2020, USD 9 million in 2021 and beyond, and USD 30 million never expire.

The Group has no capital loss carryforwards.

Net operating tax losses of USD 11 million were utilised during the period ended 31 December 2015.

Income taxes paid in 2014 and 2015 were USD 63 million and USD 155 million, respectively.

Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2014	2015
Balance as of 1 January	12	9
Additions based on tax positions related to the current year	1	
Additions for tax positions related to the prior years	19	
Reductions for tax positions of prior years	–17	–1
Settlements	–6	
Balance as of 31 December	9	**8**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 9 million and USD 7 million at 31 December 2014 and 31 December 2015, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. The balance of gross unrecognised tax benefits as of 31 December 2015 presented in the table above excludes accrued interest and penalties (USD 1 million).

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes. However, quantification of an estimated range cannot be made at this time.

During the year certain tax positions and audits in Germany were effectively settled.

The following table summarises jurisdictions and tax years that remain subject to examination:

Australia	2010–2015
Brazil	2011–2015
Canada	2010–2015
China	2013–2015
Columbia	1999, 2009, 2013–2015
Denmark	2010–2015
France	2013–2015
Germany	2010–2015
Italy	2011–2015
Japan	2009–2015
Luxembourg	2011–2015
Netherlands	2011–2015
Singapore	2013–2015
Switzerland	2013–2015
United Kingdom	2012–2015
United States	2009–2015

12 Related parties

The Group assumes and cedes certain re/insurance contracts from/to affiliated companies within the Swiss Re Group, but outside the Group. The Group also conducts various investing activities, including derivatives, with affiliated companies in the Swiss Re Group. In addition, the Group enters into various arrangements with affiliated companies in the Swiss Re Group for the provision of services. These activities result in the following related party transactions on the income statement and balance sheet:

USD millions	2014	**2015**
Premiums earned	157	–61
Net investment income – non-participating	–50	–46
Net realised investment income – non-participating	34	16
Total revenues	141	**–91**
Claims and claim adjustment expenses	33	–198
Acquisition costs	–24	6
Other expenses	–496	–498
Total expenses	–487	**–690**

USD millions	2014	**2015**
Other invested assets		1
Premiums and other receivables	220	204
Reinsurance recoverable on unpaid claims	5 835	4 730
Funds held by ceding companies		1
Deferred acquisition costs	–3	–3
Other assets	223	225
Total assets	6 275	**5 158**
Unpaid claims and claim adjustment expenses	488	391
Unearned premiums	203	161
Funds held under reinsurance treaties	1 337	816
Reinsurance balances payable	115	94
Accrued expenses and other liabilities	120	102
Total liabilities	2 263	**1 564**

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Corporate Solutions Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditors, we have audited the accompanying consolidated financial statements of Swiss Re Corporate Solutions Ltd and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of 31 December 2015, and the related consolidated income statement, statement of comprehensive income, statement of shareholder's equity, statement of cash flow and notes (pages 2 to 39) for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at 31 December 2015, the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zürich, 28 April 2016

Annual Report Swiss Re Corporate Solutions Ltd

The management report follows the regulations as outlined in article 961c of the Swiss Code of Obligations.

Reinsurance and sub-holding company

Swiss Re Corporate Solutions Ltd (the Company), domiciled in Zurich, Switzerland, performs a dual role within the Swiss Re Group as both a reinsurance company and a sub-holding company for the Corporate Solutions Business Unit. The Company is a wholly-owned subsidiary of Swiss Re Ltd, the ultimate parent company domiciled in Zurich, Switzerland. In 2015, the Company directly employed worldwide staff at an average of 8 full-time equivalents. Since the inception of the Company, Corporate Solutions staff in Switzerland have been employed by Swiss Reinsurance Company Ltd, and their costs recharged to the Company. Effective 1 January 2016, the staff will be directly employed by the Company.

Financial year 2015

Net income for the financial year 2015 amounted to CHF 178 million, compared to CHF 288 million in the prior year.

The financial year under review was marked by a 14% improvement of the reinsurance result and the positive effect of foreign exchange movements. The reduction of net income was related to lower dividend income from a subsidiary, retained to fund an acquisition.

The Company paid an ordinary dividend in cash of CHF 194 million.

Reinsurance result

Reinsurance result amounted to CHF 219 million in 2015, compared to CHF 192 million in 2014.

Premiums earned increased 1% to CHF 2 481 million in 2015 mainly due to positive foreign exchange movements. Excluding the effects of foreign exchange movements, premiums earned decreased by 2%.

Claims and claim adjustment expenses remained flat at CHF 1 422 million in 2015 (2014: CHF 1 420 million). The slight increase mainly reflected foreign exchange movements and several man-made losses, partly offset by absence of natural catastrophe losses. Excluding the effects of foreign exchange movements, claims and claims adjustment expenses decreased by 2%.

In 2015, the Company increased the equalisation provision by CHF 44 million, compared to CHF 79 million in 2014.

Operating costs also remained flat at CHF 191 million, representing mainly cost recharges from the Swiss Re Group companies for administration and other services rendered to the Company.

Investment result

Net investment result amounted to CHF 20 million, compared to CHF 141 million in the prior year.

The decrease to investment income in 2015 was driven by lower dividend income from a subsidiary, retained to fund an acquisition, partly offset by higher realised gains on the sale of investments compared to prior year.

Result from other income and expenses

The result from other income and expenses was in line with the prior year and driven by foreign exchange gains in 2015, mainly due to the strengthening of the US dollar against the Swiss franc.

Assets
Total assets increased by 8% to CHF 7 200 million at 31 December 2015, compared to 31 December 2014. Excluding the effects of foreign exchange movements, total assets increased by 9%.

Total investments increased from CHF 4 567 million at 31 December 2014 to CHF 5 060 million at 31 December 2015, driven by higher reinsurance business volume, partly offset by the dividend to Swiss Re Ltd.

Liabilities
Total liabilities increased by 11% to CHF 5 432 million at 31 December 2015, compared to 31 December 2014. Excluding the effects of foreign exchange movements, total liabilities increased by 12%.

Technical provisions gross increased from CHF 4 270 million at 31 December 2014 to CHF 4 818 million at 31 December 2015, mainly reflecting increased business volume and increased equalisation provision of CHF 44 million.

Provision for currency fluctuation decreased by CHF 33 million due to recognised foreign exchange gains.

Shareholder's equity
Shareholder's equity decreased from CHF 1 784 million at 31 December 2014 to CHF 1 768 million at 31 December 2015.

The decrease resulted from the ordinary cash dividend of CHF 194 million, partly offset by net income for 2015 of CHF 178 million.

The nominal share capital of the Company remained unchanged at CHF 100 million at 31 December 2015.

Future prospects and business development

Structural changes

Transfer of employees from Swiss Reinsurance Company Ltd

Together with related assets and liabilities, Corporate Solutions employees in Switzerland employed by the Swiss Reinsurance Company Ltd were transferred to Swiss Re Corporate Solutions Ltd. This change of employing legal entities was effective as of 1 January 2016 and will not affect or alter the way Swiss Re conducts business or the way in which it operates with its clients.

Addition of new entities

The establishment of new entities is planned for 2016 in Hong Kong (branch of Swiss Re International SE) and in Mexico (separate legal entities).

Corporate Solutions has announced the acquisition of IHC Risk Solutions, LLC and the direct employer stop loss (ESL) business of Independence Holding Company in 2016 through Westport Insurance Corporation. This transaction has been approved by the US regulator.

Macroeconomic environment

The global economy is still expected to improve modestly in 2016 and 2017, with slightly higher growth in many regions, including the US, the UK and the Eurozone. Downside risks have increased along with market volatility. The main challenges are the tightening of monetary policy in the US, China's transition from an investment- to a consumption-driven economy, low commodity prices and a plethora of political issues such as Middle East turmoil and associated refugee crisis, Ukraine and a possible Brexit. The biggest risks are a hard landing in China, followed by an emerging market crisis and a stagnation in Europe as a consequence of political paralysis.

The industry experienced in 2015 a fourth year of strong underwriting results, which benefited from reserve releases and below average natural catastrophe losses. However, reinsurance prices in property have been softening since mid-2013 and this trend has recently spilled over into other lines of business. In general, rates in casualty have been more stable than in property.

Reinsurance business

Strategy and priorities

The Company conducts the commercial insurance business of the Swiss Re Group and is committed to deliver long-term profitability and economic growth. Through our network of subsidiaries, future growth aspirations are focused on selected areas, with dedicated strategic initiatives to expanding into Primary Lead and further broadening of the footprint. Corporate Solutions offers customised, innovative and multi-line, multi-year risk transfer solutions, taking into account the unique needs of local markets and specialty industries.

Outlook

The 2016 renewals are expected to be conducted under soft market conditions, characterised by abundant capacity and continued price erosion in most lines of business.

Investments

Strategy and priorities

Financial investments are managed in accordance with Swiss Re's asset management policy and the Company's investment guidelines, which are intended to ensure compliance with regulatory requirements. The general principle governing investment management in the Company is the creation of economic value on the basis of returns relative to the liability benchmark, while adhering to the investment guidelines and the general prudence principle. The liability benchmark is determined by approximating an investable benchmark from projected liability cash flows. A cash benchmark is used for the economic surplus.

Outlook

Our economic outlook is that the moderate global growth environment will continue in 2016, led by the US economy. The cyclical Eurozone recovery is also expected to continue, but remain modest. Meanwhile, growth in China is set to slow further in 2016 amid the country's difficult transition to a more consumer-driven economy.

Regarding the investment outlook for 2016, government bond yields are forecast to rise moderately. The preference remains for high-quality corporate credit and shares in investment funds. Due to various downside risks, asset price volatility is also expected to increase in 2016.

Risk Assessment

The bodies and committees mentioned below belong to the Swiss Re Group as the identification, assessment and control of risk exposures of Swiss Re Corporate Solutions Ltd on a stand-alone basis is integrated in and covered by the Group risk management organisation and processes of the Swiss Re Group.

The Board of Directors of Swiss Re Corporate Solutions Ltd is responsible for the company's overall risk tolerance. In this role they are advised by the Board of Directors of the Swiss Re Group, which is ultimately responsible for the Group's governance principles and policies, including approval of the Group's overall risk tolerance. It mainly performs risk oversight and governance through three committees:

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

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

The Group CRO, who is a member of the Group EC, reports directly to the Group CEO, and advises the Group EC, the Chairman or the respective Group Board Committees, in particular the Finance and Risk Committee, on significant matters arising in their area of responsibility. The Group CRO leads the Group Risk Management function, which is responsible for risk oversight and control across Swiss Re. The Group Risk Management function is comprised of central risk management units providing shared services, along with dedicated teams for the Reinsurance, Corporate Solutions, and Admin Re® (Life Capital since 1 January 2016) Business Units.

The three Business Unit risk teams are led by dedicated Chief Risk Officers, who report directly to the Group CRO and have a secondary reporting line to their respective Business Unit CEO. The Business Unit CROs are responsible for risk oversight in their respective Business Unit, as well as for establishing proper risk governance to ensure efficient risk identification, assessment and control. They are supported by functional, regional and legal entity CROs, who are responsible for overseeing risk management issues that arise in their respective area.

While the risk management organisation is closely aligned to the business organisation in order to ensure effective risk oversight, all embedded teams and CROs remain part of the Group Risk Management function under the Group CRO. This ensures their independence as well as a consistent Group-wide approach to overseeing and controlling risks. The central risk management units support the CROs at Group, Business Unit and lower levels in discharging their oversight responsibilities. They do so by providing services such as:

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

The central risk management units also oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re.

Group Risk Management is also in charge of actuarial reserving and monitoring of the reserve holdings of the Corporate Solutions and Admin Re® Business Units, whereas in Reinsurance the setting of the reserves is performed by valuation actuaries within the P&C and L&H Business Management units.

Risk management activities are supported by the Group Internal Audit and Compliance units. Group Internal Audit performs independent, objective assessments of adequacy and effectiveness of internal control systems. It evaluates the execution of processes, including those within Risk Management. The Compliance function oversees Swiss Re's compliance with applicable laws, regulations, rules, and the Group's Code of Conduct. In addition, it assists the Board of Directors, the Group EC and management in identifying, mitigating and managing compliance risks.

This page is intentionally left blank.

Income statement Swiss Re Corporate Solutions Ltd

For the years ended 31 December

CHF millions	Notes	2014	2015
Reinsurance			
Premiums written gross		*2 907*	***2 671***
Premiums written retroceded		*–103*	***–98***
Premiums written net		2 804	**2 573**
Change in unearned premiums gross		*–343*	***–91***
Change in unearned premiums retroceded		*3*	***–1***
Change in unearned premiums net		–340	**–92**
Premiums earned		2 464	**2 481**
Other reinsurance revenues		3	**3**
Allocated investment return		33	**36**
Total revenues from reinsurance business		2 500	**2 520**
Claims paid and claim adjustment expenses gross		*–676*	***–994***
Claims paid and claim adjustment expenses retroceded		*45*	***–5***
Claims paid and claim adjustment expenses net		–631	**–999**
Change in unpaid claims gross		*–787*	***–437***
Change in unpaid claims retroceded		*–2*	***14***
Change in unpaid claims net		–789	**–423**
Claims and claim adjustment expenses		–1 420	**–1 422**
Change in equalisation provision		–79	**–44**
Claims incurred		–1 499	**–1 466**
Acquisition costs gross		*–615*	***–644***
Acquisition costs retroceded		*–*	***–***
Acquisition costs net		–615	**–644**
Operating costs		–194	**–191**
Acquisition and operating costs		–809	**–835**
Other reinsurance expenses		0	**0**
Total expenses from reinsurance business		–2 308	**–2 301**
Reinsurance result		192	**219**
Investments	2		
Investment income		198	**112**
Investment expenses		–24	**–56**
Allocated investment return		–33	**–36**
Investment result		141	**20**
Other financial income		1	**0**
Other financial expenses		–31	**–42**
Operating result		303	**197**
Interest expenses on subordinated liabilities		0	**0**
Other income		37	**32**
Other expenses		–8	**–7**
Income before income tax expense		332	**222**
Income tax expense		–44	**–44**
Net income		288	**178**

The accompanying notes are an integral part of Swiss Re Corporate Solutions Ltd's financial statements.

Balance sheet Swiss Re Corporate Solutions Ltd

As of 31 December

Assets

CHF millions	Notes	2014	2015
Investments			
Investments in subsidiaries and affiliated companies		1 435	**1 435**
Fixed income securities		879	**724**
Loans		944	**851**
Shares in investment funds		*40*	***1 106***
Short-term investments		*1 269*	***944***
Other investments		1 309	**2 050**
Total investments		4 567	**5 060**
Financial and reinsurance assets			
Funds held by ceding companies		486	**449**
Cash and cash equivalents		33	**44**
Reinsurance recoverable from unpaid claims	*3*	*4*	***20***
Reinsurance recoverable from unearned premiums	*3*	*11*	***9***
Reinsurance recoverable on technical provisions retroceded		15	**29**
Tangible assets		–	**0**
Deferred acquisition costs	3	336	**367**
Intangible assets		–	**10**
Premiums and other receivables from reinsurance	3	1 233	**1 217**
Other receivables		10	**14**
Other assets		–	**4**
Accrued income		9	**6**
Total financial and reinsurance assets		2 122	**2 140**
Total assets		6 689	**7 200**

The accompanying notes are an integral part of Swiss Re Corporate Solutions Ltd's financial statements.

Liabilities and shareholder's equity

CHF millions	Notes	2014	2015
Liabilities			
Technical provisions gross			
Unpaid claims gross	3	2 401	**2 820**
Unearned premiums gross	3	1 723	**1 794**
Provisions for profit commissions gross	3	7	**21**
Equalisation provision gross	3	139	**183**
Total technical provisions gross		4 270	**4 818**
Non-technical provisions			
Tax provisions		30	**27**
Provision for currency fluctuation		72	**39**
Other provisions		4	**–4**
Total non-technical provisions		106	**62**
Liabilities from derivative financial instruments		–	**1**
Reinsurance balances payable	3	21	**34**
Other liabilities		3	**6**
Accrued expenses		8	**11**
Subordinated liabilities		497	**500**
Total liabilities		4 905	**5 432**
Shareholder's equity	4		
Share capital		100	**100**
Legal reserves from capital contributions		*1 342*	***1 342***
Other legal capital reserves		*52*	***52***
Legal capital reserves		1 394	**1 394**
Legal profit reserves		–	**–**
Voluntary profit reserves		–	**16**
Retained earnings brought forward		2	**80**
Net income for the financial year		288	**178**
Total shareholder's equity		1 784	**1 768**
Total liabilities and shareholder's equity		6 689	**7 200**

The accompanying notes are an integral part of Swiss Re Corporate Solutions Ltd's financial statements.

Notes
Swiss Re Corporate Solutions Ltd

Reinsurance and sub-holding company

Swiss Re Corporate Solutions Ltd (the Company), domiciled in Zurich, Switzerland, performs a dual role within the Swiss Re Group as both a reinsurance company and a sub-holding company for the Corporate Solutions Business Unit. The Company is a wholly-owned subsidiary of Swiss Re Ltd, the ultimate parent company domiciled in Zurich, Switzerland.

1 Significant accounting principles

Basis of presentation

On 1 January 2013, new Swiss accounting and financial reporting legislation entered into force based on partial revisions of the Swiss Code of Obligations which required implementation in 2015. Swiss Re Corporate Solutions Ltd adopted the new regulation for the financial statements 2015 and chose to adapt the presentation of the 2014 financial statements to be comparable with 2015.

As a reinsurance company and based on Art. 111b of the Ordinance on the supervision of private insurance companies (AVO), the Company is also required to follow the Insurance Supervisory Ordinance-FINMA (AVO-FINMA) that took effect on 15 December 2015. The AVO-FINMA contains specific guidance for presentation of the balance sheet, income statement and notes of insurance companies and override the general guidance of the Swiss Code of Obligations.

With the first time application of the new regulation set in the Swiss Code of Obligations as well as in the AVO-FINMA some of the prior year's information were amended in order to have the same aggregation level and sorting order for comparison reasons. There was no restatement of prior year figures and as such the net income as well as the total shareholder's equity remained unchanged.

Time period

The financial year 2015 comprises the accounting period from 1 January 2015 to 31 December 2015.

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses as well as the related disclosures. Actual results could differ significantly from these estimates.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses in foreign currencies are converted into Swiss francs at average exchange rates for the reporting year.

The following table shows the main foreign currencies in which the Company operated:

Currency exchange rates in CHF per 100 units of foreign currency		2014 Closing rate	2014 Average rate	2015 Closing rate	2015 Average rate
Australian dollar	AUD	81.35	82.63	**72.80**	**72.44**
British pound	GBP	154.91	150.57	**147.50**	**147.14**
Canadian dollar	CAD	85.77	82.80	**72.03**	**75.59**
Chinese yuan renminbi	CNY	16.01	14.81	**15.41**	**15.33**
Euro	EUR	120.23	121.52	**108.74**	**106.82**
Japanese yen	JPY	0.83	0.87	**0.83**	**0.79**
US dollar	USD	99.35	91.22	**100.06**	**96.19**

Investments
The following assets are carried at cost, less necessary and legally permissible depreciation:
- Investments in subsidiaries and affiliated companies
- Fixed income securities (other than zero-coupon bonds)
- Shares in investment funds

Subsequent recoveries of previously recorded downward value adjustments may be recognised up to the lower of cost or market value at the balance sheet date. The valuation rules prescribed by the Swiss Financial Market Supervisory Authority FINMA are observed.

The group valuation method is applied for the investments in subsidiaries and affiliated companies, which are economically linked to each other or to the Company.

Zero-coupon bonds reported under fixed income securities are measured at their amortised cost values.

Loans are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Short-term investments contain investments with original duration between three months and one year. Such investments are generally held until maturity and are maintained at their amortised cost values.

Funds held by ceding companies
Funds held by ceding companies consist mainly of assets that belong to the Company but are withheld by the cedant due to regulatory or legal requirements, or to retain control over investments and reduce a potential credit risk. Assets are initially measured based on the consideration received. Subsequently the funds held by ceding companies are measured at the consideration received or market value of the underlying assets.

Cash and cash equivalents
Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money-market funds with original maturity of three months or less. Such current assets are held at nominal value.

Reinsurance recoverable on technical provisions retroceded
Reinsurance recoverable on technical provisions represents the retroceded part of the technical provisions. The respective accounting principle per technical provision category is described further under "Technical provisions gross".

Tangible assets
Tangible assets are carried at cost, less individually scheduled straight-line depreciation over their useful lives. Items of minor value are not capitalised.

Deferred acquisition costs
Deferred acquisition costs consist principally of commissions and are related to the generation of new reinsurance business. Property and casualty deferred acquisition costs are generally amortised in proportion to premiums earned. The amortisation schedule can also be calculated to be in line with the expected profits of the business, so no statutory profits are shown until the deferred acquisition costs are fully amortised.

Intangible assets
Intangible assets, consisting of capitalised development costs for software for internal use, are measured at cost less straight-line amortisation over the estimated useful life of the software.

Premiums and other receivables from reinsurance
Premiums and other receivables from reinsurance are carried at nominal value after deduction of known credit risks if applicable. The position mainly consists of receivables from insurance companies and brokers.

Other assets
Other assets include deferred expenses on retroactive reinsurance policies, which are amortised through earnings over the expected claims-paying period, as well as rights in connection with securities lending collateral and reverse repurchase transactions, which are carried at nominal value.

Technical provisions gross
Unpaid claims are recognised based on information provided by clients and own estimates of expected claims experience, which are drawn from empirical statistics. These include provisions for claims incurred but not reported. Unpaid insurance obligations are set aside at the full expected amount of future payment.

Premiums written relating to future periods are stated as unearned premiums and are normally calculated by statistical methods. The accrual of commissions is determined proportionally and is reported under "Deferred acquisition costs".

Provisions for profit commissions are based on contractual agreements with clients and depend on the results of reinsurance treaties.

Equalisation provision is established to achieve a protection of the balance sheet and to break peaks of incurred claims in individual financial years with an exceptionally high claims burden by releasing appropriate amounts from the provision.

The shares of technical provisions pertaining to retroceded business are determined or estimated according to the contractual agreement and the underlying gross business data per treaty.

Liabilities assumed and consideration provided in connection with portfolio transactions are established through the respective lines in the income statement. The initial recognition of assumed outstanding claims is recorded as change in unpaid claims, with the consideration being recognised as negative claims paid. The assumption of the provision for unearned premiums is recorded through the change in unearned premiums, with the respective consideration accounted as premiums written. The initial set up of assets and liabilities in respect of retroactive treaties with external counterparties is accounted as a balance sheet transaction.

For transfers of retroactive treaties with external counterparties, the initial set up of assets and liabilities is accounted as a balance sheet transaction.

Non-technical provisions
The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the yearly revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a time period of up to three years, based on the average duration of the technical provisions. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

Other provisions are determined according to business principles and are based on estimated needs. The tax provision is in accordance with tax regulations.

Reinsurance balances payable
Reinsurance balances payable are held at redemption value. The position mainly consists of payables to insurance companies and brokers.

Other liabilities
Other liabilities include rights in connection with repurchase agreements and securities lending transactions, which are held at redemption value.

Subordinated liabilities
Subordinated liabilities are held at redemption values.

Deposit arrangements
Contracts which do not meet risk transfer requirements, defined as transferring a reasonable probability of a significant loss to the reinsurer, are accounted as deposit arrangements. Deposit amounts are adjusted for payments received and made, as well as for amortisation or accretion of interest.

Allocated investment return
The allocated investment return contains the calculated interest generated on the investments covering the technical provisions. The interest rate reflects the currency-weighted, five-year average yield on five-year government bonds.

Foreign exchange transaction gains and losses
Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported net in other expenses or other income, respectively.

Capital and indirect taxes
Capital and indirect taxes related to the financial year are included in other expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense
The income tax expense relates to the financial year under report.

2 Investment result

CHF millions	Income	Value readjustment	Realised gains	2015 Total
Investment income				
Investments in subsidiaries and affiliated companies	3	–	–	**3**
Fixed income securities	18	1	56	**75**
Loans	16	–	–	**16**
Shares in investment funds	*5*	*9*	–	***14***
Short-term investments	*2*	–	–	***2***
Other investments	7	9	–	**16**
Income from investment services	2	–	–	**2**
Investment income	**46**	**10**	**56**	**112**

CHF millions	Expenses	Value adjustments	Realised losses	2015 Total
Investment expenses				
Investments in subsidiaries and affiliated companies	–	–	–	**–**
Fixed income securities	–	–8	–2	**–10**
Loans	–	–	–	**–**
Shares in investment funds	–	*–17*	–	***–17***
Short-term investments	–	–	*0*	***0***
Other investments	–	–17	0	**–17**
Investment management expenses	–29	–	–	**–29**
Investment expenses	**–29**	**–25**	**–2**	**–56**
Allocated investment return				**–36**
Investment result				**20**

CHF millions	Income	Value readjustment	Realised gains	2014 Total
Investment income				
Investments in subsidiaries and affiliated companies	122	–	–	122
Fixed income securities	20	–	16	36
Loans	16	–	–	16
Shares in investment funds	*1*	–	*20*	*21*
Short-term investments	*1*	–	*1*	*2*
Other investments	2	–	21	23
Income from investment services	1	–	–	1
Investment income	161	–	37	198

CHF millions	Expenses	Value adjustments	Realised losses	2014 Total
Investment expenses				
Investments in subsidiaries and affiliated companies	–	–	–	–
Fixed income securities	–	–5	–1	–6
Loans	–	–	–	–
Shares in investment funds	–	–	–	–
Short-term investments	–	–	*0*	*0*
Other investments	–	–	0	0
Investment management expenses	–18	–	–	–18
Investment expenses	–18	–5	–1	–24

Allocated investment return	–33
Investment result	141

3 Assets and liabilities from reinsurance

CHF millions	Gross	Retro	2014 Net	Gross	Retro	2015 Net
Deferred acquisition costs	336	0	336	**367**	**0**	**367**
Premiums and other receivables from reinsurance	1 231	2	1 233	**1 217**	**0**	**1 217**
Unpaid claims	2 401	–4[1]	2 397	**2 820**	**–20[1]**	**2 800**
Unearned premiums	1 723	–11[1]	1 712	**1 794**	**–9[1]**	**1 785**
Provisions for profit commissions	7	–	7	**21**	**–**	**21**
Equalisation provision	139	–	139	**183**	**–**	**183**
Reinsurance balances payable	–12	–9	-21	**–18**	**–16**	**-34**

[1] Reported under Reinsurance recoverable on technical provisions retroceded on page 48.

4 Change in shareholder's equity

CHF millions	Share Capital	Legal capital reserves	Other reserves	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Total Shareholder's equity
Shareholder's equity 1.1. 2014	100	1962	–	–	2	90	2154
Allocation to other reserves			90			–90	–
Reclassification of reserves		–568	568				–
Dividend for the financial year 2013			–265				–265
Extraordinary cash dividend			–393				–393
Net income for the year						288	288
Shareholder's equity 31.12.2014	100	1394	–	–	2	288	1784
Shareholder's equity 1.1. 2015	100	1394	–	–	2	288	1784
Allocation to voluntary profit reserves				210		–210	–
Allocation to retained earnings					78	–78	–
Dividend for the financial year 2014				–194			–194
Net income for the year						178	178
Shareholder's equity 31.12.2015	**100**	**1394**	**–**	**16**	**80**	**178**	**1768**

5 Share capital and major shareholder

The nominal share capital of the Company amounted to CHF 100 million. It is divided into 100 000 shares, each with a nominal value of CHF 1 000. The shares were fully paid-in and held directly by Swiss Re Ltd. As of 31 December 2015 and 2014, the Company was a fully owned subsidiary of Swiss Re Ltd.

6 Contingent liabilities

As of 31 December 2015, the Company has issued a limited guarantee of CHF 673 million (2014: CHF 242 million) to a subsidiary in support of its business activities or specific transactions.

7 Securities lending

As of 31 December 2015, securities of CHF 866 million (2014: CHF 999 million) were lent to Swiss Reinsurance Company Ltd under securities lending agreements. As of 31 December 2015 and 2014, there were no securities lent to third parties.

CHF millions	2014	2015
Fair value of securities transferred to third parties	–	–
Fair value of securities transferred to affiliated companies	999	**866**
Total	999	**866**

8 Security deposits

To secure the technical provisions at the 2015 balance sheet date, securities with a value of CHF 431 million (2014: CHF 432 million) were deposited in favour of ceding companies. There were no security deposits to external third parties in 2015. In 2014 CHF 20 million referred to external parties and CHF 412 million to Swiss Re Group companies.

9 Public placed debentures

As of 31 December 2015, the following public placed debentures were outstanding:

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity/ First call in	Book value CHF millions
Subordinated bond	2014	USD	500	4.500%	2024	500

10 Deposit arrangements

The following balances were related to deposit accounted reinsurance contracts:

CHF millions	2014	2015
Other reinsurance revenues	2	**2**
Premiums and other receivables from reinsurance	1	**2**
Reinsurance balances payable	2	**2**

11 Claims on and obligations towards affiliated companies

CHF millions	2014	2015
Loans	944	**851**
Funds held by ceding companies	486	**449**
Premiums and other receivables from reinsurance	1 089	**1 019**
Other receivables	4	**12**
Reinsurance balances payable	2	**13**
Other liabilities	3	**5**

12 Release of undisclosed reserves

In the year under report, no net undisclosed reserves on investments or on provisions were released (2014: no net release).

13 Investments in subsidiaries

As of 31 December 2015 and 2014, Swiss Re Corporate Solutions Ltd held the following direct and indirect investments in subsidiaries and affiliated companies:

As of 31 December 2015	Country	City	% Equity interest	% Voting interest
The Palantine Insurance Company Ltd	United Kingdom	London	100%	100%
Swiss Re Specialty Insurance (UK) Ltd	United Kingdom	London	100%	100%
Swiss Re International SE	Luxembourg	Luxembourg	100%	100%
Swiss Re Corporate Solutions Insurance China Ltd	China	Shanghai	100%	100%
SR Corporate Solutions America Holding Corporation	United States	Wilmington	100%	100%
Swiss Re Corporate Solutions Global Markets Inc	United States	New York	100%	100%
Flint Hills Insurance Agency, LLC	United States	Overland Park	100%	100%
Westport Insurance Corporation	United States	Jefferson City	100%	100%
First Specialty Insurance Corporation	United States	Jefferson City	100%	100%
North American Capacity Insurance Company	United States	Manchester	100%	100%
North American Elite Insurance Company	United States	Manchester	100%	100%
North American Specialty Insurance Company	United States	Manchester	100%	100%
Washington International Insurance Company	United States	Manchester	100%	100%
Swiss Re Frankona Maria-Theresia-Straße GbR	Germany	München	6%	6%
Swiss Re Corporate Solutions Brasil Seguros S.A.	Brazil	São Paulo	100%	100%
Compania Aseguradora de Fianzas S.A. Confianza	Colombia	Bogotá	51%	51%
Swiss Re Corporate Solutions Advisors South Africa (Pty) Ltd	South Africa	Johannesburg	100%	100%
Swiss Re Corporate Solutions Services Ltd	United Kingdom	London	100%	100%
Swiss Re Serviços de Consultoria em Seguros e Resseguros Ltda	Brazil	São Paulo	100%	100%

As of 31 December 2014	Country	City	% Equity interest	% Voting interest
The Palantine Insurance Company Ltd	United Kingdom	London	100%	100%
Swiss Re Specialty Insurance (UK) Ltd	United Kingdom	London	100%	100%
Swiss Re International SE	Luxembourg	Luxembourg	100%	100%
SR Corporate Solutions America Holding Corporation	United States	Wilmington	100%	100%
Swiss Re Corporate Solutions Global Markets Inc	United States	New York	100%	100%
Flint Hills Insurance Agency, LLC	United States	Overland Park	100%	100%
Westport Insurance Corporation	United States	Jefferson City	100%	100%
First Specialty Insurance Corporation	United States	Jefferson City	100%	100%
North American Capacity Insurance Company	United States	Manchester	100%	100%
North American Elite Insurance Company	United States	Manchester	100%	100%
North American Specialty Insurance Company	United States	Manchester	100%	100%
Washington International Insurance Company	United States	Manchester	100%	100%
Swiss Re Frankona Maria-Theresia-Straße GbR	Germany	München	6%	6%
Swiss Re Corporate Solutions Brasil Seguros S.A.	Brazil	São Paulo	100%	100%
Compania Aseguradora de Fianzas S.A. Confianza	Colombia	Bogotá	51%	51%

14 Personnel information and administrative expenses

In general, Swiss Re Corporate Solutions Ltd is managed by certain employees of Swiss Reinsurance Company Ltd. As of 31 December 2015, the Company directly employed a worldwide staff at an average of 8 (2014: 9) full time equivalents.

Total administrative expenses for the 2015 financial year, including charges by affiliates, amounted to CHF 228 million (2014: CHF 210 million).

15 Auditor's fees

In 2015, the Swiss Re Group incurred total auditor's fees of CHF 35 million and additional fees of CHF 5 million, of which CHF 0.5 million (2014: CHF 0.5 million) were accounted for at the Company level solely relating to auditor's fees.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting of the Company, to be held on 28 April 2016, to approve the following allocations and payment of an cash dividend of USD 250 million, which must not exceed CHF 280 million, translated into CHF at spot rate on the settlement date. The cash dividend is paid to its sole shareholder Swiss Re Ltd out of voluntary profit reserves.

In order to comply with the Swiss Code of Obligations, dividends paid in foreign currencies must meet the capital protection requirements in CHF. In addition, maximum amounts in CHF must be approved by the Annual General Meeting. The Board of Directors proposes to set this maximum amount to CHF 280 million, which shall be funded by CHF 250 million from disposable profit and by maximum CHF 30 million from the legal reserves from capital contributions as in the tables below.

As such the effective cash dividend amount, translated into CHF at spot rate on the settlement date, must not exceed CHF 280 million. This threshold of CHF 280 million is presented in the below table and reflects the maximum amount in CHF to be paid.

Retained earnings

CHF millions	2014	**2015**
Retained earnings brought forward	2	**80**
Net income for the financial year	288	**178**
Disposable profit	290	**258**
Allocation to voluntary profit reserves	–210	**–250**
Retained earnings after allocation	80	**8**

Legal reserves from capital contributions

CHF millions	2014	**2015**
Legal reserves from capital contributions brought forward	1 342	**1 342**
Proposed allocation to voluntary profit reserves in connection with the cash dividend	–	**–30[1]**
Legal reserves from capital contributions after proposed allocation to voluntary profit reserves	1 342	**1 312**

[1] The translation into CHF at spot rate on the settlement date may result in a lower reclassification of legal reserves from capital contributions to voluntary profit reserves by a respective amount on the settlement date.

Voluntary profit reserves

CHF millions	2014	**2015**
Voluntary profit reserves brought forward	–	**16**
Allocation from retained earnings	210	**250**
Voluntary profit reserves before proposed allocation of legal reserves from capital contributions and cash dividend	210	**266**
Proposed allocation from legal reserves from capital contributions	–	**30[1]**
Proposed cash dividend (maximal amount in CHF of the proposed dividend in USD translated into CHF)	-194[2]	**–280[1]**
Voluntary profit reserves after proposed allocation of legal reserves from capital contributions and cash dividend	16	**16**

[1] The translation into CHF at spot rate on the settlement date may result in a lower reclassification of legal reserves from capital contributions to voluntary profit reserves and a lower cash dividend by a respective amount on the settlement date.
[2] The 2014 figures were recalculated based on the final ordinary cash dividend converted into CHF at spot rate on the settlement date.

Zurich, 28 April 2016

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Corporate Solutions Ltd
Zurich

Report of the statutory auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Re Corporate Solutions Ltd (the "Company"), which comprise the income statement, balance sheet and notes (pages 47 to 59), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the Company's Articles of Association.

Report on other legal requirements

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn   Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zürich, 28 April 2016

Cautionary note on forward-looking statements

Certain statements contained herein are forward-looking. These statements (including as to plans, objectives, targets and trends) 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 that may cause our actual results of operations, financial condition, liquidity position or prospects to be materially different from any future results of operations, financial condition, liquidity position or prospects expressed or implied by such statements. Among the key factors that have a direct bearing on our results of operations, financial condition, liquidity position or prospects are:

- further instability affecting the global financial system and developments related thereto, including as a result of concerns over, or adverse developments relating to, sovereign debt of eurozone countries;
- further deterioration in global economic conditions;
- our ability to maintain sufficient liquidity and access to capital;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of interest rates, credit spreads, equity prices, currency values and other market indices, on our investment assets;
- changes in our investment result as a result of changes in our investment policy or the changed composition of our investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- possible inability to realise amounts on sales of securities on our balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- mortality, morbidity and longevity rates;
- policy renewal and lapse rates;
- uncertainties in estimating reserves;

- extraordinary events affecting our counterparties;
- current, pending and future legislation and regulation affecting us, and interpretations of legislation or regulations by regulators, particularly in respect of minimum capital requirements;
- 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. We operate in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake 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 Re Corporate Solutions Ltd 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.

Despite signs of moderate increase in global growth forecasts and positive macro-economic trends in the United States, growth forecasts among the principal global economies remain uneven and uncertain, and that uncertainty has been compounded by significant volatility in equity, currency and commodities markets. Slower growth rates in China, together with the actions taken on its currency, and drastic reductions in the price of oil, together with volatility in foreign currency and investment markets caused by interest rate action in the United States; 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; concerns over a possible exit of the United Kingdom from the European Union; 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 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, have contributed to downward pressure on the capital markets and in turn on market capitalisation of many listed companies, call into question the likelihood of continued recovery of the global economies and are beginning to raise the spectre of another global recession.

With 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 our ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to us and could adversely affect the confidence of the ultimate buyers of insurance. 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 portfolio and/or make it difficult to acquire suitable investments to meet the Group's risk and return criteria.

Regulatory changes

The Group's activities are regulated in a number of jurisdictions in which the Group conducts business. In addition, the Group could be affected by regulatory changes or developments affecting the overall Swiss Re group, 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 organised 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.

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

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

Market risk

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

With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

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

Credit risk

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

The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in with the Group participates and potential default by borrowers.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its insurance obligations, and that this would continue to be the case following the occurrence of any event or series of events, including extreme catastrophes, that would trigger insurance coverage obligations. The Group's uses of funds include obligations arising in its insurance business, 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 enters into contracts or trading arrangements that could give rise to significant short-term funding obligations and, in connection with the Group's trading operations, it could be subject to unexpected calls to deliver collateral or unwind trading positions at a net cost to it. 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.

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

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

Counterparty risks

The Group is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Securities trading counterparties, counterparties under swaps and other derivative contracts, and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could have a material adverse effect on the Group. The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated.

Risks relating to credit rating downgrades

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

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

As claims paying and financial strength ratings are key factors in establishing the competitive position of insurers, a decline in ratings alone could make insurance provided by the Group less attractive to clients relative to insurance 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 insurance only from insurers with certain ratings. A decline in ratings could also impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its insurance 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

The Group could be named, from time to time, as a defendant in legal actions in connection with its operations. 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 our 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 could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions and fires) may expose the Group to unexpected large losses, competitive conditions, cyclicality of the industry, risks related to emerging claims and coverage issues, risks related to investments in emerging markets, and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group. Any of the foregoing 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. 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. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters. Changes in accounting standards could impact future reported results or require restatement of past reported results.

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

Risks related to the Swiss Re structure

Corporate Solutions is a wholly owned subsidiary of Swiss Re Ltd ("SRL"), and the Group represents one of the four operating segments of the Swiss Re Group. While a significant portion of the Corporate Solutions business was transferred to the Group as part of the formation of the Group as a separate business unit, for regulatory reasons certain of our operations are conducted by legal entities that continue to be owned by other members of the Swiss Re Group. In addition, a substantial portion of the Group's historical loss reserves remain with other members of the Swiss Re Group.

The Group does not currently operate on a standalone basis. It is dependent on other members of the Swiss Re Group for a range of asset management services, corporate services (including general management services, human resources, logistics, IT support, finance, treasury and accounting services and auditing services) and technical services (including actuarial services support, underwriting services support and claims operations support). In addition, it derives a range of significant operational and other benefits from its status as a part of the Swiss Re Group, including its ability to market its products on a worldwide basis under the "Swiss Re Corporate Solutions" brand name. As a result, factors affecting the Swiss Re Group, whether involving developments or events unique to Swiss Re or events or developments applicable more broadly, could have a material adverse effect on the Group's ability to conduct its business, even if such factors do not directly impact the commercial insurance business.

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 U.S. GAAP and Economic Value Management metrics. Decisions at the Swiss Re Group level in respect of the broader 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, capital and liquidity considerations.

While further changes to the 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. The process of optimising the structure as between the Swiss Re Group and its operating segments will continue to evolve over time.

Swiss Re Corporate Solutions Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

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