Swiss Re

Swiss Reinsurance Company Consolidated Third Quarter 2011 Report

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Swiss Reinsurance Company Ltd
Swiss Reinsurance Company Ltd is a leading and highly diversified global reinsurer and part of the Swiss Re group of companies. The company operates through offices in more than 20 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Reinsurance Company Ltd is rated "AA–" by Standard & Poor's, "A1" by Moody's and "A" by A.M. Best.

Pending delisting of the shares of Swiss Reinsurance Company Ltd from the SIX Swiss Exchange, such shares trade under the symbol RUKN.

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Income statement (unaudited)

USD millions	Note	Three months ended 30 September 2010	2011	Nine months ended 30 September 2010	2011
Revenues					
Premiums earned	7, 10	5046	**5737**	14693	**15776**
Fee income from policyholders	7, 10	239	**212**	681	**662**
Net investment income	2, 10	1290	**1292**	4129	**4209**
Net realised investment gains/losses (total impairments for the three months ended 30 September were 111 in 2010 and 155 in 2011, of which 90 and 77, respectively, were recognised in earnings)[1]	2, 10	1655	**–1593**	2018	**–948**
Other revenues	10	24	**10**	53	**35**
Total revenues		8254	**5658**	21574	**19734**
Expenses					
Claims and claim adjustment expenses	7, 10	–1486	**–1895**	–5658	**–6751**
Life and health benefits	7, 10	–2196	**–2045**	–6244	**–6154**
Return credited to policyholders	10	–1980	**2193**	–1976	**1271**
Acquisition costs	7, 10	–933	**–1115**	–2865	**–3009**
Other expenses	10	–606	**–923**	–1778	**–2249**
Interest expenses	10	–199	**–214**	–736	**–645**
Total expenses		–7400	**–3999**	–19257	**–17537**
Income before income tax expense		854	**1659**	2317	**2197**
Income tax expense		–141	**–209**	–401	**–353**
Net income before attribution of non-controlling interests		713	**1450**	1916	**1844**
Income attributable to non-controlling interests		–26	**–94**	–126	**–217**
Net income after attribution of non-controlling interests		687	**1356**	1790	**1627**
Convertible perpetual capital instrument		–69	**0**	–202	**0**
Net income attributable to common shareholders		618	**1356**	1588	**1627**
Earnings per share in USD					
Basic	8	1.80	**3.95**	4.64	**4.74**
Diluted	8	1.45		3.79	**4.65**
Earnings per share in CHF[2]					
Basic	8	1.93	**3.47**	4.96	**4.16**
Diluted	8	1.55		4.05	**4.08**

[1] Total impairments were USD 580 million and USD 361 million for the nine months ended 30 September 2010 and 2011, respectively, of which USD 344 million and USD 200 million, respectively, were recognised in earnings.
[2] The translation from USD to CHF is shown for informational purposes only and has been calculated at the Group's average exchange rates for the three and nine months ended 30 September 2010 and 2011, respectively.

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

Balance sheet (unaudited)

Assets

USD millions	Note	31.12.2010	30.09.2011
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 5 157 in 2010 and 6 326 in 2011 subject to securities lending and repurchase agreements) (amortised cost: 2010: 79 443; 2011: 82 515)		80 950	**88 332**
Trading (including 2 187 in 2010 and 2 045 in 2011 subject to securities lending and repurchase agreements)		11 252	**13 146**
Equity securities:			
Available-for-sale, at fair value (including 0 in 2010 and 0 in 2011 subject to securities lending and repurchase agreements) (cost: 2010: 1 241; 2011: 2 002)		1 474	**1 868**
Trading		19 513	**16 317**
Policy loans, mortgages and other loans		5 630	**8 400**
Investment real estate		2 040	**2 055**
Short-term investments, at amortised cost which approximates fair value (including 1 319 in 2010 and 1 179 in 2011 subject to securities lending and repurchase agreements)		21 446	**13 499**
Other invested assets		14 642	**21 379**
Total investments		156 947	**164 996**
Cash and cash equivalents (including 4 139 in 2010 and 166 in 2011 subject to securities lending)		16 928	**12 222**
Accrued investment income		1 085	**1 085**
Premiums and other receivables		11 095	**12 096**
Reinsurance recoverable on unpaid claims and policy benefits	7	12 637	**11 885**
Funds held by ceding companies		9 346	**9 117**
Deferred acquisition costs	5, 7	3 571	**3 921**
Acquired present value of future profits	5	4 565	**4 229**
Goodwill		4 083	**4 049**
Income taxes recoverable		426	**677**
Other assets		7 720	**6 937**
Total assets		228 403	**231 214**

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

Liabilities and equity

USD millions	Note	31.12.2010	30.09.2011
Liabilities			
Unpaid claims and claim adjustment expenses	7	64 690	**65 644**
Liabilities for life and health policy benefits	3, 7	39 551	**38 904**
Policyholder account balances	7	36 478	**33 567**
Unearned premiums		6 305	**9 378**
Funds held under reinsurance treaties		4 399	**2 379**
Reinsurance balances payable		4 376	**4 435**
Income taxes payable		708	**645**
Deferred and other non-current taxes		1 716	**2 698**
Short-term debt	6	10 798	**4 456**
Accrued expenses and other liabilities		14 049	**23 200**
Long-term debt	6	18 427	**16 439**
Total liabilities		201 497	**201 745**
Equity			
Common stock, CHF 0.10 par value			
2010: 370 704 153; 2011: 370 706 931 shares authorised and issued[1]		35	**35**
Additional paid-in capital		10 530	**9 078**
Treasury shares, net of tax		–1 483	**–1 237**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		1 042	**3 565**
Other-than-temporary impairment, net of tax		–169	**–138**
Cumulative translation adjustments, net of tax		–3 742	**–3 902**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–522	**–946**
Total accumulated other comprehensive income		–3 391	**–1 421**
Retained earnings		19 651	**21 278**
Shareholders' equity		25 342	**27 733**
Non-controlling interests		1 564	**1 736**
Total equity		26 906	**29 469**
Total liabilities and equity		228 403	**231 214**

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

Statement of equity (unaudited)

For the twelve months ended 31 December 2010 and the nine months ended 30 September 2011

USD millions	2010	2011
Convertible perpetual capital instrument (CPCI)		
Balance as of 1 January	2 670	**0**
Reclassification of convertible perpetual capital instrument[1]	–2 670	
Balance as of period end	0	**0**
Common shares		
Balance as of 1 January	35	**35**
Issue of common shares		
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	10 472	**10 530**
Share-based compensation	48	**–38**
Realised gains/losses on treasury shares	10	**–350**
Sale of Swiss Re Specialised Investments Holdings (UK) Ltd[2]		**–29**
Dividends on common shares[4]		**–1 035**
Balance as of period end	10 530	**9 078**
Treasury shares, net of tax		
Balance as of 1 January	–1 477	**–1 483**
Purchase of treasury shares	–49	**–261**
Issuance of treasury shares, including share-based compensation to employees	43	**507**
Balance as of period end	–1 483	**–1 237**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	–993	**1 042**
Other changes during the period	2 070	**2 523**
Cumulative effect of adoption of ASU No. 2009-17[3]	–35	
Balance as of period end	1 042	**3 565**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–397	**–169**
Other changes during the period	228	**31**
Balance as of period end	–169	**–138**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 560	**–3 742**
Other changes during the period	–182	**–160**
Balance as of period end	–3 742	**–3 902**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–453	**–522**
Change during the period	–69	**–424**
Balance as of period end	–522	**–946**
Retained earnings		
Balance as of 1 January	19 047	**19 651**
Net income after non-controlling interests	1 980	**1 627**
Convertible perpetual capital instrument (net income)[1]	–1 117	
Dividends on common shares[4]	–319	
Cumulative effect of adoption of ASU No. 2009-17[3]	60	
Balance as of period end	19 651	**21 278**
Shareholders' equity	25 342	**27 733**
Non-controlling interests		
Balance as of 1 January	0	**1 564**
Change during the period	1 410	**–45**
Income attributable to non-controlling interests	154	**217**
Balance as of period end	1 564	**1 736**
Total equity	26 906	**29 469**

[1] The CPCI was reclassified from equity to short-term debt upon termination on 4 November 2010. The final cash settlement was made in January 2011.
[2] On 3 May 2011, Swiss Reinsurance Company Ltd sold its subsidiary Swiss Re Specialised Investments Holdings (UK) Limited to Swiss Re Ltd. As the transaction has been accounted for in a manner similar to a transaction between entities under common control, the difference between the proceeds received and the book value was accounted for as a capital transaction.
[3] The Group adopted a new accounting pronouncement, ASU No. 2009-17 (FAS167), an update to Topic 810 – Consolidation, as of 1 January 2010, which resulted in the full consolidation of certain VIEs. This resulted in a transition impact to retained earnings of USD 60 million and to net unrealised gains/losses of USD –35 million.
[4] In 2011 dividends to shareholders were paid in the form of a withholding tax exempt repayment of legal reserves from capital contributions.

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

Statement of comprehensive income (unaudited)

USD millions	Three months ended 30 September 2010	Three months ended 30 September 2011	Nine months ended 30 September 2010	Nine months ended 30 September 2011
Net income before attribution of non-controlling interests	644[1]	**1450**	1714[1]	**1844**
Other comprehensive income, net of tax:				
Change in unrealised gains/losses	1511	**2481**	3653	**2523**
Change in other-than-temporary impairment	–16	**19**	251	**31**
Change in foreign currency translation	525	**–570**	–458	**–160**
Change in adjustment for pension benefits	–231	**–428**	–220	**–424**
Total comprehensive income before attribution of non-controlling interests	2433	**2952**	4940	**3814**
Comprehensive income attributable to non-controlling interests	–26	**–94**	–126	**–217**
Total comprehensive income attributable to common shareholders	2407	**2858**	4814	**3597**

[1] After interest on convertible perpetual capital instrument.

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

Statement of cash flow (unaudited)

For the nine months ended 30 September

USD millions	2010	2011
Cash flows from operating activities		
Net income attributable to common shareholders	1 588	**1 627**
Add net income attributable to non-controlling interests	126	**217**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items[1]	1 751	**2 439**
Net realised investment gains/losses	–2 018	**948**
Change in:		
Technical provisions, net[1]	–2 165	**–2 715**
Funds held by ceding companies and other reinsurance balances	–159	**–1 669**
Reinsurance recoverable on unpaid claims and policy benefits	–1 396	**241**
Other assets and liabilities, net	–1 264	**–189**
Income taxes payable/recoverable	–117	**–234**
Income from equity-accounted investees, net of dividends received	–241	**–221**
Trading positions, net	2 832	**2 810**
Securities purchased/sold under agreement to resell/repurchase, net	286	**–2 248**
Net cash provided/used by operating activities	–777	**1 006**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	108 664	**105 246**
Purchases	–98 661	**–107 007**
Net purchase/sale/maturities of short-term investments	–13 821	**7 905**
Equity securities:		
Sales	26	**2 169**
Purchases	1	**–2 993**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net		**80**
Net purchases/sales/maturities of other investments	202	**–465**
Net cash provided/used by investing activities	–3 589	**4 935**
Cash flows from financing activities		
Issuance/repayment of long-term debt	1 089	**–445**
Issuance/repayment of short-term debt		
Issuance	2 625	**105**
Repayment	–6 502	**–8 932**
Purchase/sale of treasury shares	–6	**–261**
Interest on convertible perpetual capital instrument	–166	
Dividends paid to shareholders	–319	**–1 035**
Net cash provided/used by financing activities	–3 279	**–10 568**
Total net cash provided/used	–7 645	**–4 627**
Effect of foreign currency translation	–76	**–79**
Change in cash and cash equivalents	–7 721	**–4 706**
Cash and cash equivalents as of 1 January	27 810	**16 928**
Impact of adoption of ASU No. 2009-17[2]	793	
Cash and cash equivalents as of 30 September	20 882	**12 222**

[1] From 1 January 2011, the Group presents the amortisation of deferred acquisition cost in "Depreciation, amortisation and other non-cash items". Comparatives for 2010 are presented accordingly.
[2] As of 1 January 2010, the Group adopted ASU No. 2009-17 (FAS167), an update to Topic 810 – Consolidation, which resulted in the full consolidation of certain VIEs.

Interest paid was USD 808 million and USD 870 million for the nine months ended 30 September 2010 and 2011, respectively. Tax paid was USD 369 million and USD 531 million for the nine months ended 30 September 2010 and 2011, respectively.

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

Notes to the Group financial statements (unaudited)

1 Organisation and summary of significant accounting policies

Nature of operations
The Swiss Reinsurance Company Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company Ltd (the parent company, referred to as "SRZ") and its subsidiaries (collectively, the "Swiss Reinsurance Company Group" or the "Group"). The Group provides reinsurance and other related products and services to insurance companies, direct clients and others worldwide through reinsurance brokers and a network of offices in over 20 countries.

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 inter-company transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Re Group's audited financial statements for the year ended 31 December 2010.

In the second quarter of 2011, Swiss Re established a new holding company (Swiss Re Ltd) through an exchange offer. SRZ shareholders were offered the opportunity to exchange their shares for new shares in the holding company on a one-for-one basis. As a result, effective 20 May 2011, Swiss Re Ltd became the parent company of SRZ. As of 30 September 2011, Swiss Re Ltd held more than 98% of the shares of SRZ.

During the second quarter but prior to 20 May 2011, Swiss Re Specialised Investments Holdings (UK) Limited was transferred from SRZ to Swiss Re Ltd and became a related party of the Swiss Reinsurance Company Group. As a result of the transfer, contractual relationships between the Swiss Reinsurance Company Group and SRSIH (consisting mainly of other loans granted to SRSIH of USD 2 676 million and accrued expenses and other liabilities in respect of SRSIH of USD 2 352 million) are presented as external party transactions in these financial statements.

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

Valuation of financial assets
The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange traded derivative instruments, most mortgage-backed 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. Whilst management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 30 September 2011, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 2 November 2011. This is the date on which the financial statements are available to be issued.

Recent accounting guidance
In January 2010, the FASB issued "Improving Disclosures about Fair Value Measurements" (ASU No. 2010-06), an update to Topic 820 – Fair Value Measurements and Disclosures. This new standard implements additional disclosure requirements for the three fair value levels. As required by the update, the Group adopted some of the requirements as of 1 January 2010. The remaining requirements were adopted as of 1 January 2011 and can be found in Note 3.

In December 2010, the FASB issued "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" (ASU No. 2010-28), an update to Topic 350 – Intangibles – Goodwill and Other. This update provides guidance under what circumstances a company is required to perform step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The Group adopted this guidance as of 1 January 2011. The adoption did not have an impact on the Group's financial statements.

Also in December 2010, the FASB issued "Disclosure of Supplementary Pro Forma Information for Business Combinations" (ASU No. 2010-29), an update to Topic 805 – Business Combinations. This update specifies that an entity should disclose revenue and earnings of the combined entity as though the business combinations that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The Group adopted this update as of 1 January 2011. The adoption did not have an impact on the Group's financial statements.

In April 2011, the FASB issued "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring" (ASU No. 2011-02), an update to Topic 310 – Receivables. This update provides clarifications on the determination whether a restructuring of debt constitutes a troubled debt restructuring. The Group adopted this guidance as of 1 July 2011. The adoption did not have an impact on the Group's financial statements.

2 Investments

Investment income

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

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2010	**2011**	2010	**2011**
Fixed income securities	968	963	3 026	2 951
Equity securities	106	155	398	501
Policy loans, mortgages and other loans	107	120	320	374
Investment real estate	40	56	129	158
Short-term investments	27	29	62	74
Other current investments	–35	–23	–33	–72
Share in earnings of equity-accounted investees	60	–14	315	270
Cash and cash equivalents	30	24	74	81
Deposits with ceding companies	154	129	352	363
Gross investment income	1 457	**1 439**	4 643	**4 700**
Investment expenses	–132	–121	–412	–396
Interest charged for funds held	–35	–26	–102	–95
Net investment income	1 290	**1 292**	4 129	**4 209**

Dividends received from investments accounted for using the equity method were USD 5 million and USD nil million for the three months ended 30 September 2010 and 2011, respectively, as well as USD 74 million and USD 49 million for the nine months ended 30 September 2010 and 2011, respectively.

Net investment income for the periods ended 30 September includes income on unit-linked and with-profit business, which is credited to policyholders.

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2010	**2011**	2010	**2011**
Unit-linked investment income	127	173	450	519
With-profit investment income	33	36	107	118

Realised gains and losses

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

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2010	**2011**	2010	**2011**
Fixed income securities available-for-sale:				
Gross realised gains	594	994	1 880	1 852
Gross realised losses	–67	–30	–906	–359
Equity securities available-for-sale:				
Gross realised gains	4	13	9	89
Gross realised losses	–1	–178	–1	–190
Other-than-temporary impairments	–90	–77	–344	–200
Net realised investment gains/losses on trading securities	–232	201	–27	274
Change in net unrealised investment gains/losses on trading securities	2 070	–2 253	1 625	–2 029
Other investments:				
Net realised/unrealised gains/losses	–152	–449	46	–511
Foreign exchange gains/losses	–471	186	–264	126
Net realised investment gains/losses	1 655	**–1 593**	2 018	**–948**

Proceeds from sales of fixed income securities available-for-sale amounted to USD 23 521 million and USD 31 637 million for the three months ended 30 September 2010 and 2011, respectively, and USD 98 743 million and USD 86 060 million for the nine months ended 30 September 2010 and 2011, respectively. Sales of equity securities available-for-sale were USD 4 million and USD 1 417 million for the three months ended 30 September 2010 and 2011, respectively, and USD 30 million and USD 2 170 million for the nine months ended 30 September 2010 and 2011, respectively.

Net realised investment gains/losses for the periods ended 30 September include net realised gains/losses on unit-linked and with-profit business, which are credited to policyholders.

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2010	**2011**	2010	**2011**
Unit-linked realised gains/losses	1 629	–2 473	958	–2 261
With-profit realised gains/losses	157	–80	177	–64

Impairment on fixed income securities related to credit losses

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

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

A reconciliation of the other-than-temporary impairment related to credit losses recognised in earnings for the nine months ended 30 September was as follows:

USD millions	2010	**2011**
Balance as of 1 January	1 409	829
Credit losses for which an other-than-temporary impairment was not previously recognised	128	118
Reductions for securities sold during the period	–619	–307
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	87	47
Impact of increase in cash flows expected to be collected	–48	–57
Impact of foreign exchange movements	–27	–5
Balance as of 30 September	930	**625**

Investments available-for-sale

Amortised cost or cost, fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December 2010 and 30 September 2011 were as follows:

As of 31 December 2010 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	18 868	337	–539		18 666
States of the United States and political subdivisions of the states	172	1	–7		166
United Kingdom	12 221	332	–150		12 403
Canada	3 022	384	–18		3 388
Germany	3 369	33	–28		3 374
France	2 022	32	–21		2 033
Other	5 032	242	–90		5 184
Total	44 706	1 361	–853		45 214
Corporate debt securities	19 234	1 387	–250	–12	20 359
Residential mortgage-backed securities	4 178	180	–155	–183	4 020
Commercial mortgage-backed securities	4 364	155	–178	–37	4 304
Agency securitised products	4 894	123	–22		4 995
Other asset-backed securities	2 067	79	–66	–22	2 058
Fixed income securities available-for-sale	79 443	3 285	–1 524	–254	80 950
Equity securities available-for-sale	1 241	258	–25		1 474

As of 30 September 2011 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	17 330	1 846	–4		19 172
States of the United States and political subdivisions of the states	219	25	–1		243
United Kingdom	13 596	1 246	–19		14 823
Canada	2 986	647	–5		3 628
Germany	3 765	201	–6		3 960
France	1 628	86	–2		1 712
Other	6 209	385	–46	–1	6 547
Total	45 733	4 436	–83	–1	50 085
Corporate debt securities	19 734	1 846	–266	–16	21 298
Residential mortgage-backed securities	2 813	56	–234	–112	2 523
Commercial mortgage-backed securities	3 838	168	–110	–61	3 835
Agency securitised products	7 031	166	–6		7 191
Other asset-backed securities	3 366	126	–74	–18	3 400
Fixed income securities available-for-sale	**82 515**	**6 798**	**–773**	**–208**	**88 332**
Equity securities available-for-sale	**2 002**	**137**	**–271**		**1 868**

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

Investments trading

Fixed income securities and equity securities classified as trading as of 31 December 2010 and 30 September 2011 were as follows:

USD millions	2010	2011
Debt securities issued by governments and government agencies	8 308	9 970
Corporate debt securities	2 497	2 799
Mortgage- and asset-backed securities	447	377
Fixed income securities trading	11 252	**13 146**
Equity securities trading	19 513	**16 317**

Fixed income securities and equity securities classified as trading as of 31 December 2010 and 30 September 2011 include securities held for unit-linked and with-profit business:

USD millions	2010	2011
Fixed income securities trading held for unit-linked business	2 302	2 446
Fixed income securities trading held for with-profit business	1 648	1 717
Fixed income securities trading	3 950	**4 163**
Equity securities trading held for unit-linked business	17 405	14 673
Equity securities trading held for with-profit business	1 135	891
Equity securities trading	18 540	**15 564**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and fair values of investments in fixed income securities available-for-sale by remaining maturity as of 31 December 2010 and 30 September 2011 are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2010 and 30 September 2011, USD 13 107 million and USD 11 062 million, respectively, of fixed income securities available-for-sale were callable.

	2010		2011	
USD millions	Amortised cost or cost	Fair value	Amortised cost or cost	Fair value
Due in one year or less	2 342	2 379	4 032	4 059
Due after one year through five years	16 601	16 891	15 615	16 089
Due after five years through ten years	14 628	15 189	14 162	15 195
Due after ten years	30 604	31 360	31 945	36 330
Mortgage- and asset-backed securities with no fixed maturity	15 268	15 131	16 761	16 659
Total fixed income securities available-for-sale	79 443	80 950	**82 515**	**88 332**

Assets pledged

As of 31 December 2010 and 30 September 2011, investments with the carrying value of USD 1 769 million and USD 1 959 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 2010 and 30 September 2011, investments (including cash and cash equivalents) with a carrying value of approximately USD 8 573 million and USD 7 946 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

As of 31 December 2010 and 30 September 2011, securities of USD 12 802 million and USD 9 716 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 1 750 million and USD 8 197 million, respectively, were recognised in accrued expenses and other liabilities.

As of 30 September 2011, a real estate portfolio with a carrying amount of USD 268 million serves as collateral for short-term senior operational debt of USD 716 million.

Collateral accepted

As of 31 December 2010 and 30 September 2011, the fair value of the government bond, corporate bond and equity securities received as collateral was USD 6 539 million and USD 6 201 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2010 and 30 September 2011 was USD nil million and USD nil million, respectively. The sources of the collateral are typically highly rated banking market counterparties.

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 2010 and 30 September 2011. As of 31 December 2010 and 30 September 2011, USD 25 million and USD 270 million, respectively, of the gross unrealised loss on equity securities available-for-sale relate to declines in value for less than 12 months, and USD nil million and USD 1 million, respectively, to declines in value for more than 12 months.

As of 31 December 2010 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	10100	454	283	85	10383	539
States of the United States and political subdivisions of the states	117	5	11	2	128	7
United Kingdom	3045	92	578	58	3623	150
Canada	483	6	76	12	559	18
Germany	1715	27	7	1	1722	28
France	862	19	7	2	869	21
Other	1760	59	165	31	1925	90
Total	18082	662	1127	191	19209	853
Corporate debt securities	3696	131	699	131	4395	262
Residential mortgage-backed securities	1134	112	1356	226	2490	338
Commercial mortgage-backed securities	371	36	1145	179	1516	215
Agency securitised products	2157	20	3	2	2160	22
Other asset-backed securities	478	1	384	87	862	88
Total	25918	962	4714	816	30632	1778

As of 30 September 2011 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	1278	4			1278	4
States of the United States and political subdivisions of the states			42	1	42	1
United Kingdom	925	14	64	5	989	19
Canada	196	4	8	1	204	5
Germany	210	5	10	1	220	6
France	74	1	7	1	81	2
Other	1165	29	185	18	1350	47
Total	3848	57	316	27	4164	84
Corporate debt securities	2940	170	579	112	3519	282
Residential mortgage-backed securities	863	158	1021	188	1884	346
Commercial mortgage-backed securities	819	114	444	57	1263	171
Agency securitised products	1449	5	9	1	1458	6
Other asset-backed securities	650	10	340	82	990	92
Total	**10569**	**514**	**2709**	**467**	**13278**	**981**

During the second quarter of 2011, the Group reviewed the categorisation of fixed income securities available-for-sale between those securities that are in an unrealised loss position for less than 12 months and more than 12 months. Based on the review, the Group determined that the split, as presented in prior-period financial statements starting in the second quarter 2010, had to be revised. The split for the 2010 year-end comparative numbers is re-presented accordingly. As a result, additional fixed income securities with a fair value of USD 4619 million and unrealised losses of USD 788 million are now shown in the unrealised loss position for more than 12 months as of 31 December 2010. These securities were presented in the unrealised loss position for less than 12 months in prior-period financial statements. The revision has no impact on net income, net equity or the balance sheet classification of the Group.

Mortgages, loans and real estate
As of 31 December 2010 and 30 September 2011, the carrying values of investments in mortgages, policy and other loans, and real estate were as follows:

USD millions	2010	2011
Policy loans	3 658	3 696
Mortgage loans	1 337	1 372
Other loans	635	3 332
Investment real estate	2 040	2 055

The fair value of the real estate as of 31 December 2010 and 30 September 2011 was USD 3 306 million and USD 3 452 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2010 and 30 September 2011, the Group's investment in mortgages and other loans included USD 270 million and USD 287 million, respectively, of loans due from employees and USD 356 million and USD 383 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2010 and 30 September 2011, investments in real estate included USD 6 million and USD 5 million, respectively, of real estate held for sale.

Depreciation expense related to income producing properties was USD 30 million and USD 30 million for the nine months ended 30 September 2010 and 2011, respectively. Accumulated depreciation on investment real estate totalled USD 528 million and USD 557 million as of 31 December 2010 and 30 September 2011, respectively.

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

3 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 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 Group does not adjust the quoted price for such instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

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 derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain Life & Health policy reserves to 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. In the third quarter of 2011, these adjustments were non-material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the level in which the fair value falls 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 a transparent and liquid market.

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

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

The category Other ABS primarily 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 MBS 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 assets mainly includes the Group's private equity and hedge fund investments, which are made directly or via ownership of funds. Substantially all these investments are classified as level 3 due to the lack of observable prices and significant judgment required in valuation. Valuation of direct private equity investments requires significant management judgment due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in the private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions).

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

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

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

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

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

The Group also holds complex structured credit contracts, such as collateralised debt securities (CDS) referencing MBS, certain types of collateralised debt obligation (CDO) transactions, and the products sensitive to correlation between two or more underlying parameters (CDO-squared); all of which are classified within level 3 of the fair value hierarchy. A CDO is a debt instrument collateralised by various debt obligations, including bonds, loans and CDS of differing credit profiles. In a CDO-squared transaction, both the primary instrument and the underlying instruments are represented by CDOs. Generally, for CDO and CDO-squared transactions, the observable inputs such as CDS spreads and recovery rates are modified to adjust for correlation between the underlying debt instruments. The correlation levels are modelled at the portfolio level and calibrated at a transaction level to liquid benchmark rates.

Assets and liabilities measured at fair value on a recurring basis
As of 31 December 2010 and 30 September 2011, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

As of 31 December 2010 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	16 043	74 278	1 881		92 202
Debt securities issued by US government and government agencies	16 043	3 041			19 084
Debt securities issued by non-US governments and government agencies		34 438			34 438
Corporate debt securities		21 108	1 748		22 856
Residential mortgage-backed securities		4 210	7		4 217
Commercial mortgage-backed securities		4 427	3		4 430
Agency securitised products		5 011			5 011
Other asset-backed securities		2 043	123		2 166
Equity securities	19 972	812	203		20 987
Equity securities backing unit-linked and with-profit life and health policies	18 495	45			18 540
Equity securities held for proprietary investment purposes	1 477	767	203		2 447
Derivative financial instruments	579	6 850	2 417	–6 560	3 286
Interest rate contracts	389	4 000	839		5 228
Foreign exchange contracts	40	1 098	162		1 300
Derivative equity contracts	142	1 170			1 312
Credit contracts		369	1 214		1 583
Other contracts	8	213	202		423
Other assets	20	–12	1 411		1 419
Total assets at fair value	36 614	81 928	5 912	–6 560	117 894
Liabilities					
Derivative financial instruments	–577	–5 649	–4 532	5 772	–4 986
Interest rate contracts	–402	–3 579	–825		–4 806
Foreign exchange contracts	–41	–1 103	–72		–1 216
Derivative equity contracts	–123	–531	–56		–710
Credit contracts		–317	–1 007		–1 324
Other contracts	–11	–119	–2 572		–2 702
Liabilities for life and health policy benefits			–271		–271
Accrued expenses and other liabilities	–398	–1 290			–1 688
Total liabilities at fair value	–975	–6 939	–4 803	5 772	–6 945

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

As of 30 September 2011 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	17 744	82 477	1 257		101 478
Debt securities issued by US government and government agencies	17 697	2 023			19 720
Debt securities issued by non-US governments and government agencies	47	40 288			40 335
Corporate debt securities		22 957	1 140		24 097
Residential mortgage-backed securities		2 679	3		2 682
Commercial mortgage-backed securities		3 926	19		3 945
Agency securitised products		7 203			7 203
Other asset-backed securities		3 401	95		3 496
Equity securities	17 443	662	80		18 185
Equity securities backing unit-linked and with-profit life and health policies	15 554	10			15 564
Equity securities held for proprietary investment purposes	1 889	652	80		2 621
Derivative financial instruments	220	7 577	2 997	–7 839	2 955
Interest rate contracts	23	4 485	1 412		5 920
Foreign exchange contracts	4	1 024	114		1 142
Derivative equity contracts	170	1 466			1 636
Credit contracts		378	1 446		1 824
Other contracts	23	224	25		272
Other assets	2 324	1 231	2 255		5 810
Total assets at fair value	**37 731**	**91 947**	**6 589**	**–7 839**	**128 428**
Liabilities					
Derivative financial instruments	–173	–5 604	–5 984	6 504	–5 257
Interest rate contracts	–58	–3 638	–1 165		–4 861
Foreign exchange contracts	–4	–915	–78		–997
Derivative equity contracts	–92	–645	–51		–788
Credit contracts		–341	–1 205		–1 546
Other contracts	–19	–65	–3 485		–3 569
Liabilities for life and health policy benefits			–366		–366
Accrued expenses and other liabilities	–2 490	–2 894	–2 337		–7 721
Total liabilities at fair value	**–2 663**	**–8 498**	**–8 687**	**6 504**	**–13 344**

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

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Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)
As of 31 December 2010 and 30 September 2011, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2010 USD millions	Debt securities issued by non-US governments and government agencies	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Other asset-backed securities
Assets					
Balance as of 1 January 2010	82	2 085	1 302	199	2 047
Cumulative effect of adoption of ASU No. 2009-17					–84
Realised/unrealised gains/losses:					
Included in net income	19	115	–4		–36
Included in other comprehensive income	–5	7	29	1	55
Purchases, issuances, and settlements	–115	–77	–73	–4	–1 430
Transfers into level 3[1]	106	87	90	44	176
Transfers out of level 3[1]	–85	–440	–1 333[2]	–238	–600
Impact of foreign exchange movements	–2	–29	–4	1	–5
Closing balance as of 31 December 2010	0	1 748	7	3	123

Liabilities	
Balance as of 1 January 2010	
Realised/unrealised gains/losses:	
Included in net income	
Included in other comprehensive income	
Purchases, issuances, and settlements	
Transfers into level 3[1]	
Transfers out of level 3[1]	
Impact of foreign exchange movements	
Closing balance as of 31 December 2010	

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.
[2] The Group has mainly transferred residential mortgage-backed securities with a maturity longer than 20 years from level 3 to level 2 as the valuation of those products is based on observable inputs.

Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
170	1 162	3	57	2 316	283	1 321	11 027
							−84
−27	−58	54	21	−788	−45	−35	−784
−2						129	214
65	−206	48	−88	−314	19	64	−2 111
	91	56	10		2	31	693
	−148				−48	−97	−2 989
−3	−2	1			−9	−2	−54
203	839	162	0	1 214	202	1 411	5 912

Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Total
−293	−948	−41	−54	−1 738	−2 257	−5 331
22	123	−31	−2	731	−95	748
					−220	−220
−271	−825	−72	−56	−1 007	−2 572	−4 803

2011 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Agency securitised products	Other asset-backed securities
Assets					
Balance as of 1 January 2011	1 748	7	3	0	123
Realised/unrealised gains/losses:					
Included in net income	–3	–4	–4		
Included in other comprehensive income	–2	3	1		–14
Purchases[2]	54		49	10	38
Issuances[2]					
Sales[2]	–633		–31		–44
Settlements[2]	–101	–3			
Transfers into level 3[1]	177	4	17		10
Transfers out of level 3[1]	–100	–3	–15	–10	–21
Impact of foreign exchange movements		–1	–1		3
Closing balance as of 30 September 2011	**1 140**	**3**	**19**	**0**	**95**
Liabilities					
Balance as of 1 January 2011					
Realised/unrealised gains/losses:					
Included in net income					
Included in other comprehensive income					
Purchases[2]					
Issuances[2]					
Sales[2]					
Settlements[2]					
Transfers into level 3[1]					
Transfers out of level 3[1]					
Impact of foreign exchange movements					
Closing balance as of 30 September 2011					

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.
[2] ASU No. 2010-06, gross presentation of activity within level 3 roll forward, presenting separately information about purchases, issuances, sales, and settlements. The standard needs to be applied prospectively.

Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
203	839	162	0	1 214	202	1 411	5 912
14	660	–57	–2	131	–87	58	706
2						109	99
21	198	96	11	147		1 033	1 657
–160	–320	–88	–1	–48	–133	–361	–1 819
	35			2	43	–1	–25
1			3			6	218
			–11				–160
–1		1					1
80	**1 412**	**114**	**0**	**1 446**	**25**	**2 255**	**6 589**

Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Accrued expenses and other liabilities	Total
–271	–825	–72	–56	–1 007	–2 572	–2 349	–7 152
–94	–372		5	–239	–766		–1 466
						1	1
		–7					–7
	31			42		–1	72
	1				–146		–145
–1		1		–1	–1	12	10
–366	**–1 165**	**–78**	**–51**	**–1 205**	**–3 485**	**–2 337**	**–8 687**

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 nine months ended 30 September 2010 and 2011 were as follows:

USD millions	2010	**2011**
Gains/losses included in net income for the period	–392	–760
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–1 091	–1 014

Other assets measured at net asset value

Other assets measured at net asset value as of 31 December 2010 and 30 September 2011 were as follows:

USD millions	2010 Fair value	**2011** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	646	704	477	non-redeemable	na
Hedge funds	332	1 107		redeemable[1]	90 – 180 days[2]
Private equity direct	232	232		non-redeemable	na
Real estate funds	168	178	104	non-redeemable[3]	na
Total	1 378	**2 221**	**581**		

[1] The redemption frequency varies from monthly to up to three years.
[2] Cash distribution can be delayed for up to three years depending on the sale of the underlyings.
[3] One exception is a real estate fund that can be redeemed annually based on a 90-day notice period. This fund was fully redeemed in the second quarter of 2011.

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

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

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

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

Fair value option

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

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

Fixed income securities trading

The Group elected the fair value option for the specific investments acquired within a transaction. These securities are classified as debt securities under the Group's accounting policies. Upon election of the fair value option the securities were classified as trading, with changes in fair value recorded in earnings. The primary reason for electing the fair value option is to mitigate volatility in earnings as a result of using different measurement attributes. In the second quarter of 2010, these fixed income securities matured.

Equity securities trading

The Group elected the fair value option for an investment previously classified as available-for-sale within other invested assets in the balance sheet. The Group economically hedges the investment with derivative instruments that offset this exposure. The changes in fair value of the derivatives are recorded in earnings. Electing the fair value option eliminates the mismatch previously caused by the economic hedging of the investment and reduces the volatility in the income statement.

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2010 and 30 September 2011 were as follows:

USD millions	2010	2011
Assets		
Fixed income securities trading	11 252	13 146
of which at fair value pursuant to the fair value option	0[1]	0
Equity securities trading	19 513	16 317
of which at fair value pursuant to the fair value option	475	458
Liabilities		
Liabilities for life and health policy benefits	–39 551	–38 904
of which at fair value pursuant to the fair value option	–271	–366

[1] These fixed income securities matured in the second quarter of 2010. Related changes in fair values are presented in the table below.

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

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the nine months ended 30 September 2010 and 2011 were as follows:

USD millions	2010	2011
Fixed income securities trading	–23	0
Equity securities trading	–16	–17
Liabilities for life and health policy benefits	–48	–95
Total	–87	**–112**

Fair value changes, interest and dividends from fixed income securities trading and equity securities trading are reported in net realised investment gains/losses. Fair value changes from liabilities for life and health policy benefits are shown in life and health benefits.

4 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2010 and 30 September 2011, the fair values and notional amounts of the derivatives outstanding were as follows:

As of 31 December 2010 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	452 349	4 646	–4 796	–150
Foreign exchange contracts	41 372	1 270	–1 201	69
Equity contracts	13 450	1 312	–710	602
Credit contracts	53 087	1 583	–1 324	259
Other contracts	28 949	423	–2 702	–2 279
Total	589 207	9 234	–10 733	–1 499
Derivatives designated as hedging instruments				
Interest rate contracts	4582	582	–10	572
Foreign exchange contracts	3 012	30	–15	15
Total	7 594	612	–25	587
Total derivative financial instruments	596 801	9 846	–10 758	–912
Amount offset				
Where a right of setoff exists		–5 437	5 437	
Due to cash collateral		–1 123	335	
Total net amount of derivative financial instruments		3 286	–4 986	–1 700

As of 30 September 2011 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	233 770	4 986	–4 857	129
Foreign exchange contracts	29 857	1 129	–984	145
Equity contracts	11 121	1 636	–788	848
Credit contracts	51 236	1 824	–1 546	278
Other contracts	26 154	272	–3 569	–3 297
Total	**352 138**	**9 847**	**–11 744**	**–1 897**
Derivatives designated as hedging instruments				
Interest rate contracts	3 068	934	–4	930
Foreign exchange contracts	2 147	13	–13	0
Total	**5 215**	**947**	**–17**	**930**
Total derivative financial instruments	**357 353**	**10 794**	**–11 761**	**–967**
Amount offset				
Where a right of setoff exists		–6 282	6 282	
Due to cash collateral		–1 557	222	
Total net amount of derivative financial instruments		**2 955**	**–5 257**	**–2 302**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in other invested assets and the fair value liabilities are included in accrued expenses and other liabilities. The fair value amounts that were not offset were nil as of 31 December 2010 and 30 September 2011, respectively.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in net realised investment gains/losses in the income statement. Gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	For the three months ended 30 September 2010	For the three months ended 30 September 2011	For the nine months ended 30 September 2010	For the nine months ended 30 September 2011
Derivatives not designated as hedging instruments				
Interest rate contracts	–57	10	–16	–96
Foreign exchange contracts	–79	438	–163	401
Equity contracts	–13	535	279	404
Credit contracts	–134	110	–143	–17
Other contracts	–55	–992	–102	–773
Total gain/loss recognised in income	–338	**101**	–145	**–81**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 30 September 2010 and 2011, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into interest rate and foreign exchange swaps to reduce the exposure to interest rate and foreign exchange volatility for certain of its issued debt positions. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in net realised investment gains/losses in the income statement. Gains and losses attributable to the hedged risks were as follows:

2010 USD millions	For the three months ended 30 September Gains/losses on derivatives	 Gains/losses on hedged items	For the nine months ended 30 September Gains/losses on derivatives	 Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	159	–168	469	–438
Foreign exchange contracts	332	–300	–27	89
Total gain/loss recognised in income	491	–468	442	–349

2011 USD millions	For the three months ended 30 September Gains/losses on derivatives	 Gains/losses on hedged items	For the nine months ended 30 September Gains/losses on derivatives	 Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	389	–391	408	–403
Foreign exchange contracts	–150	153	–1	6
Total gain/loss recognised in income	**239**	**–238**	**407**	**–397**

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2010 and the nine months ended 30 September 2011, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 171 million and a gain of USD 286 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2010 and 30 September 2011 was approximately USD 4 409 million and USD 4 512 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, net of cash collateral.

Credit risk-related contingent features

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 1 975 million and USD 1 688 million as of 31 December 2010 and 30 September 2011, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 335 million and USD 222 million as of 31 December 2010 and 30 September 2011, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 1 466 million additional collateral would have had to be posted as of 30 September 2011. The total fair value equals the amount needed to settle the instruments immediately as of 31 December 2010 and 30 September 2011.

Credit derivatives written/sold
The Group writes/sells credit derivatives, including credit default swaps, credit spread options and credit index products, and total return swaps. The total return swaps, for which the Group assumes asset risk mainly of variable interest entities, qualify as guarantees under FASB ASC Topic 460. These activities are part of the Group's overall portfolio and risk management strategies. The events that could require the Group to perform include bankruptcy, default, obligation acceleration or moratorium of the credit derivative's underlying.

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2010 and 30 September 2011, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

The fair values of the credit derivatives written/sold do not represent the Group's effective net exposure as the ISDA master agreement and the cash collateral netting are excluded.

The Group has purchased protection to manage the performance/payment risks related to credit derivatives. As of 31 December 2010 and 30 September 2011, the total purchased credit protection based on notional values was USD 30 304 million and USD 29 058 million, respectively. Thereof USD 12 025 million and USD 11 389 million, respectively, were related to identical underlyings for which the Group sold credit protection. For tranched indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

The maximum potential payout is based on notional values of the credit derivatives. The Group enters into total return swaps mainly with variable interest entities which issue insurance-linked and credit-linked securities.

As of 31 December 2010 and 30 September 2011, the fair values and maximum potential payout of the written credit derivatives outstanding were as follows:

As of 31 December 2010 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0 – 5 years	5 – 10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0 – 250	29	5 223	2 416		7 639
251 – 500	–43	285		185	470
501 – 1 000	–9	301			301
Greater than 1 000	–307	85		562	647
No credit spread available		200			200
Total	–330	6 094	2 416	747	9 257
Credit Index Products					
Credit spread in basis points					
0 – 250	–273	1 436	9 061		10 497
251 – 500	29	2 814	128		2 942
501 – 1 000	43	48	29		77
Greater than 1 000	1		10		10
Total	–200	4 298	9 228	0	13 526
Total Return Swaps					
Credit spread in basis points					
No credit spread available	95	1 485	581		2 066
Total	95	1 485	581	0	2 066
Total credit derivatives written/sold	–435	11 877	12 225	747	24 849

As of 30 September 2011 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0 – 5 years	5 – 10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0 – 250	–159	6450	2447		8897
251 – 500	–45	146		138	284
501 – 1000	–30	105		38	143
Greater than 1000	–329	227	5	507	739
No credit spread available					0
Total	**–563**	**6928**	**2452**	**683**	**10063**
Credit Index Products					
Credit spread in basis points					
0 – 250	–449	4690	4560		9250
251 – 500	–49	2544	24		2568
501 – 1000					0
Greater than 1000	–161	12	285		297
Total	**–659**	**7246**	**4869**	**0**	**12115**
Total Return Swaps					
Credit spread in basis points					
No credit spread available	129	1865	132		1997
Total	**129**	**1865**	**132**	**0**	**1997**
Total credit derivatives written/sold	**–1093**	**16039**	**7453**	**683**	**24175**

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

For the twelve months ended 31 December 2010 and the nine months ended 30 September 2011, the DAC and PVFP were as follows:

2010			DAC	PVFP
USD millions	Non-Life	Life & Health	Total	
Opening balance as of 1 January 2010	869	3 025	3 894	6 054
Deferred	1 734	313	2 047	
Effect of acquisitions/disposals and retrocessions		–212	–212	–1 154
Amortisation	–1 805	–365	–2 170	–449
Interest accrued on unamortised PVFP				247
Effect of foreign currency translation	–6	18	12	–75
Effect of change in unrealised gains/losses				–58
Closing balance as of 31 December 2010	792	2 779	3 571	4 565

2011			DAC	PVFP
USD millions	Non-Life	Life & Health	Total	
Opening balance as of 1 January 2011	792	2 779	3 571	4 565
Deferred	1 874	189	2 063	
Effect of acquisitions/disposals and retrocessions	–11		–11	226
Amortisation	–1 425	–243	–1 668	–628
Interest accrued on unamortised PVFP				244
Effect of foreign currency translation	–2	–32	–34	–14
Effect of change in unrealised gains/losses				–164
Closing balance as of 30 September 2011	**1 228**	**2 693**	**3 921**	**4 229**

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

6 Debt

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of less than one year and long-term debt as having a maturity of greater than one year. Interest expense is classified accordingly.

The Group's debt as of 31 December 2010 and 30 September 2011 was as follows:

USD millions	2010	2011
Senior financial debt	33	275
Senior financial debt – convertible perpetual capital instrument	3 966	0
Senior operational debt	5 018	3 912
Subordinated financial debt	1 781	269
Short-term debt – financial and operational debt	10 798	**4 456**
Senior financial debt	2 590	2 421
Senior operational debt	6 976	5 274
Subordinated financial debt	3 634	3 592
Subordinated operational debt	5 227	5 152
Long-term debt – financial and operational debt	18 427	**16 439**
Total carrying value	29 225	**20 895**
Total fair value	28 017	**20 828**

Interest expense on long-term debt

Interest expense on long-term debt for the periods ended 30 September 2010 and 2011 was as follows:

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2010	2011	2010	2011
Senior financial debt	26	23	62	61
Senior operational debt	81	61	260	229
Subordinated financial debt	53	59	189	174
Subordinated operational debt	63	65	184	193
Total	223	**208**	695	**657**

Long-term debt issued in 2011

The Group did not issue any long-term debt in the nine months ended 30 September 2011.

7 Reinsurance information

For the three months ended 30 September

Premiums written, premiums earned and fees assessed against policyholders

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Premiums written						
Direct	502	314	816	512	294	806
Assumed	2 190	2 340	4 530	3 450	2 544	5 994
Ceded	–529	–547	–1 076	–817	–551	–1 368
Total premiums written	2 163	2 107	4 270	**3 145**	**2 287**	**5 432**
Premiums earned						
Direct	431	316	747	424	292	716
Assumed	3 310	2 379	5 689	3 952	2 597	6 549
Ceded	–842	–548	–1 390	–976	–552	–1 528
Total premiums earned	2 899	2 147	5 046	**3 400**	**2 337**	**5 737**
Fee income from policyholders						
Direct		178	178		154	154
Assumed		66	66		62	62
Ceded		–5	–5		–4	–4
Total fee income from policyholders		239	239		**212**	**212**

Claims and claim adjustment expenses

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Claims paid						
Gross	–2 534	–2 534	–5 068	–3 002	–3 004	–6 006
Retro	390	589	979	472	631	1 103
Net	–2 144	–1 945	–4 089	–2 530	–2 373	–4 903
Change in unpaid claims and claim adjustment expenses; life and health benefits						
Gross	1 023	–230	793	561	408	969
Retro	–365	–21	–386	74	–80	–6
Net	658	–251	407	635	328	963
Claims and claim adjustment expenses; life and health benefits	–1 486	–2 196	–3 682	**–1 895**	**–2 045**	**–3 940**

Acquisition costs

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Acquisition costs						
Acquisition costs, gross	–727	–516	–1 243	–788	–711	–1 499
Acquisition costs, retro	234	76	310	279	105	384
Acquisition costs, net	–493	–440	–933	**–509**	**–606**	**–1 115**

For the nine months ended 30 September

Premiums written, premiums earned and fees assessed against policyholders

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Premiums written						
Direct	1 241	890	2 131	1 362	861	2 223
Assumed	10 013	7 171	17 184	12 865	7 680	20 545
Ceded	–2 476	–1 580	–4 056	–2 982	–1 594	–4 576
Total premiums written	8 778	6 481	15 259	**11 245**	**6 947**	**18 192**
Premiums earned						
Direct	1 272	894	2 166	1 361	858	2 219
Assumed	9 217	7 125	16 342	9 935	7 630	17 565
Ceded	–2 234	–1 581	–3 815	–2 412	–1 596	–4 008
Total premiums earned	8 255	6 438	14 693	**8 884**	**6 892**	**15 776**
Fee income from policyholders						
Direct		504	504		491	491
Assumed		190	190		182	182
Ceded		–13	–13		–11	–11
Total fee income from policyholders		681	681		**662**	**662**

Claims and claim adjustment expenses

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Claims paid						
Gross	–8 665	–7 815	–16 480	–8 212	–8 569	–16 781
Retro	1 346	1 321	2 667	1 307	1 795	3 102
Net	–7 319	–6 494	–13 813	–6 905	–6 774	–13 679
Change in unpaid claims and claim adjustment expenses; life and health benefits						
Gross	2 446	–100	2 346	–553	753	200
Retro	–785	350	–435	707	–133	574
Net	1 661	250	1 911	154	620	774
Claims and claim adjustment expenses; life and health benefits	–5 658	–6 244	–11 902	**–6 751**	**–6 154**	**–12 905**

Acquisition costs

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Acquisition costs						
Acquisition costs, gross	–2 107	–1 660	–3 767	–2 190	–1 809	–3 999
Acquisition costs, retro	674	228	902	728	262	990
Acquisition costs, net	–1 433	–1 432	–2 865	**–1 462**	**–1 547**	**–3 009**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2010 and 30 September 2011 were as follows:

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Assets						
Reinsurance recoverable	5 717	6 920	12 637	6 645	5 240	11 885
Deferred acquisition costs	793	2 778	3 571	1 228	2 693	3 921
Liabilities						
Unpaid claims and claim adjustment expenses	53 345	11 345	64 690	54 639	11 005	65 644
Life and health policy benefits		39 551	39 551		38 904	38 904
Policyholder account balances		36 478	36 478		33 567	33 567

USD millions	2010	2011
Premium receivables invoiced	1 598	1 798
Receivables invoiced from ceded (re)insurance business	695	456
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	568	597
Recognised allowance	–152	–130

Sales inducements are offered to contract holders of certain universal life and annuity products. The amounts deferred equal the sum of persistency bonuses credited to the account value plus the non-interest related increase in the persistency bonus liability. These costs are amortised in constant proportion to estimated gross profits over the life of the contract, using the credited interest rates as the discount rate. The unamortised balance of sales inducements mostly included in deferred acquisition costs as of 1 January 2010 and 2011 was USD 1 035 million and USD 1 019 million, respectively. In the course of 2010 and 2011, USD 234 million and USD 190 million, respectively, of sales inducements were deferred and USD 219 million and USD 191 million, respectively, were amortised. The unamortised balance of sales inducements as of 31 December 2010 and 30 September 2011 was USD 1 019 million and USD 1 017 million, respectively.

Policyholder dividends are recognised as an element of policyholder benefits. In the nine months ended 30 September 2010 and 2011, the relative percentage of participating insurance of the life and health policy benefits was 7% and 6%, respectively. The amount of policyholder dividend expense for the three months ended 30 September 2010 and 2011 was USD 30 million and USD 7 million, respectively. For the nine months ended 30 September 2010 and 2011, the policyholder dividend expense amounted to USD 80 million and USD 48 million.

8 Earnings per share

Earnings per share for the periods ended 30 September 2010 and 2011, respectively, were as follows:

	Three months ended 30 September		Nine months ended 30 September	
USD millions (except share data)	2010	**2011**	2010	**2011**
Basic earnings per share				
Net income	713	**1 450**	1 916	**1 844**
Non-controlling interests	–26	**–94**	–126	**–217**
Interest on convertible perpetual capital instrument	–69		–202	
Net income attributable to common shareholders	618	**1 356**	1 588	**1 627**
Weighted average common shares outstanding	342 674 861	**343 124 031**	342 582 378	**343 252 192**
Net income per share in USD	1.80	**3.95**	4.64	**4.74**
Net income per share in CHF[1]	1.93	**3.47**	4.96	**4.16**
Effect of dilutive securities				
Change in income available to common shares due to convertible bonds	73		218	**16**
Change in average number of shares due to convertible bonds and employee options	134 284 926		134 467 393	**10 036 035**
Diluted earnings per share				
Net income assuming debt conversion and exercise of options	691		1 806	**1 643**
Weighted average common shares outstanding	476 959 787		477 049 771	**353 288 227**
Net income per share in USD	1.45		3.79	**4.65**
Net income per share in CHF[1]	1.55		4.05	**4.08**

[1] The translation from USD to CHF is shown for informational purposes only and has been calculated at the Group's average exchange rates for the three months ended 30 September 2010 and 2011, respectively, and for the nine months ended 30 September 2010 and 2011, respectively.

The number of common shares used for the calculation of diluted earnings per share for the first nine months of 2011 was higher than the weighted average number for the third quarter. The difference reflects 9.2 million shares representing the impact of potential dilution from a convertible bond that was redeemed on 1 July 2011.

9 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full actuarial valuation is prepared at least every three years.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

Components of net periodic benefit cost

The components of pension and post-retirement cost for the nine months ended 30 September 2010 and 2011 were as follows:

2010 USD millions	Swiss plans	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	60	9	4	73
Interest cost	62	76	10	148
Expected return on assets	–92	–79		–171
Amortisation of:				
Net gain/loss	7	11	–8	10
Prior service cost	5		–8	–3
Effect of settlement, curtailment and termination	2			2
Net periodic benefit cost	44	17	–2	59

2011 USD millions	Swiss plans	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	85	8	4	97
Interest cost	69	77	10	156
Expected return on assets	–97	–80		–177
Amortisation of:				
Net gain/loss	27	13	–8	32
Prior service cost	5		–8	–3
Effect of settlement, curtailment and termination				0
Net periodic benefit cost	**89**	**18**	**–2**	**105**

Employer's contributions for 2011

As of 30 September 2011, the Group contributed USD 121 million to its defined benefit pension plans and USD 12 million to other post-retirement plans, compared to USD 100 million and USD 11 million, respectively, in the same period of 2010.

The expected 2011 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 September 2011 for latest information, amount to USD 148 million (30 September 2010: USD 123 million) and USD 16 million (30 September 2010: USD 14 million), respectively.

10 Information on business segments

The Group provides reinsurance, insurance and capital market solutions for clients that complement its (re)insurance offering throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating result of the Group.

The Group presents three operating business segments: Property & Casualty, Life & Health and Asset Management. Items not allocated to these three business segments are included in the "Group items" column.

The Property & Casualty segment consists of the following sub-segments: Property traditional, Casualty traditional, Specialty traditional and Non-traditional business. The Property & Casualty business segment includes Property & Casualty insurance-linked securities, Environmental & Commodity Markets business and, in the Specialty traditional sub-segment, Credit Reinsurance, Bank Trade Finance, and Credit securitisations.

The Life & Health segment consists of the following sub-segments: Life traditional, Health traditional and Admin Re®. The Life & Health business segment includes variable annuity business and Life & Health insurance-linked securities.

The Asset Management business segment includes two separate sub-segments, Credit & Rates and Equity & Alternative Investments, resulting from the aggregation of Asset Management Risk Stripes. The Asset Management business segment includes proprietary returns on the Group's invested fixed income securities, equity securities and alternative investments.

Group items include certain costs of Corporate Centre functions not allocated to the business segments, certain foreign exchange items, interest expenses on operating and financial debt and other items not considered for the performance of the operating segments. From 1 January 2011, non-core activities which are largely in run-off (formerly presented in the business segment Legacy) are being reported within Group items. 2010 comparatives are presented accordingly.

Certain investment results, including investment income and realised gains on unit-linked business, with-profit business and reinsurance derivatives, are excluded from the performance of the Asset Management business segment and directly allocated to the Property & Casualty and Life & Health business segments.

The allocation of investment result to Property & Casualty and Life & Health is determined based on US GAAP (re)insurance liabilities. The allocation methodology applies a risk-free return to the nominal net reserves at the end of the prior quarter. The risk-free interest rate applied to the reserves is determined by currency and duration of the underlying Property & Casualty and Life & Health reserves. The "Allocation" column eliminates the calculated investment result allocated to either the Property & Casualty or the Life & Health business segments.

The accounting policies of the business segments are in line with those described in the summary of significant accounting policies (see Note 1 to the Group's annual consolidated financial statements).

a) Business segment results

For the three months ended 30 September

2010 USD millions	Property & Casualty	Life & Health	Asset Management	Group items	Allocation	Total
Revenues						
Premiums earned	2881	2147		18		5046
Fee income from policyholders		239				239
Net investment income/loss	418	762	871	48	–809	1290
Net realised investment gains/losses	30	1780	297	–452		1655
Other revenues			4	20		24
Total revenues	3329	4928	1172	–366	–809	8254
Expenses						
Claims and claim adjustment expenses; life and health benefits	–1475	–2196		–11		–3682
Return credited to policyholders		–1980				–1980
Acquisition costs	–492	–440		–1		–933
Other expenses	–273	–193		–140		–606
Interest expenses				–199		–199
Total expenses	–2240	–4809	0	–351	0	–7400
Operating income/loss	1089	119	1172	–717	–809	854

2011 USD millions	Property & Casualty	Life & Health	Asset Management	Group items	Allocation	Total
Revenues						
Premiums earned	3399	2337		1		5737
Fee income from policyholders		212				212
Net investment income/loss	375	799	840	57	–779	1292
Net realised investment gains/losses	12	–2445	354	486		–1593
Other revenues			6	4		10
Total revenues	**3786**	**903**	**1200**	**548**	**–779**	**5658**
Expenses						
Claims and claim adjustment expenses; life and health benefits	–1892	–2045		–3		–3940
Return credited to policyholders		2193				2193
Acquisition costs	–509	–606				–1115
Other expenses	–372	–298		–253		–923
Interest expenses				–214		–214
Total expenses	**–2773**	**–756**	**0**	**–470**	**0**	**–3999**
Operating income/loss	**1013**	**147**	**1200**	**78**	**–779**	**1659**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the three months ended 30 September 2010 and 2011 as follows:

USD millions, for the three months ended 30 September 2010	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	384	425	0	–809

USD millions, for the three months ended 30 September 2011	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	344	435	0	–779

Business segment results

For the nine months ended 30 September

2010 USD millions	Property & Casualty	Life & Health	Asset Management	Group items	Allocation	Total
Revenues						
Premiums earned	8 242	6 438		13		14 693
Fee income from policyholders		681				681
Net investment income/loss	1 325	2 295	2 789	254	–2 534	4 129
Net realised investment gains/losses	138	1 315	531	34		2 018
Other revenues	–2		18	37		53
Total revenues	9 703	10 729	3 338	338	–2 534	21 574
Expenses						
Claims and claim adjustment expenses; life and health benefits	–5 648	–6 244		–10		–11 902
Return credited to policyholders		–1 976				–1 976
Acquisition costs	–1 437	–1 432		4		–2 865
Other expenses	–815	–571		–392		–1 778
Interest expenses				–736		–736
Total expenses	–7 900	–10 223	0	–1 134	0	–19 257
Operating income/loss	1 803	506	3 338	–796	–2 534	2 317

2011 USD millions	Property & Casualty	Life & Health	Asset Management	Group items	Allocation	Total
Revenues						
Premiums earned	8 855	6 892		29		15 776
Fee income from policyholders		662				662
Net investment income/loss	1 090	2 328	2 894	184	–2 287	4 209
Net realised investment gains/losses	47	–2 245	839	411		–948
Other revenues	1		20	14		35
Total revenues	**9 993**	**7 637**	**3 753**	**638**	**–2 287**	**19 734**
Expenses						
Claims and claim adjustment expenses; life and health benefits	–6 754	–6 154		3		–12 905
Return credited to policyholders		1 271				1 271
Acquisition costs	–1 455	–1 547		–7		–3 009
Other expenses	–1 011	–755		–483		–2 249
Interest expenses				–645		–645
Total expenses	**–9 220**	**–7 185**	**0**	**–1 132**	**0**	**–17 537**
Operating income/loss	**773**	**452**	**3 753**	**–494**	**–2 287**	**2 197**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the nine months ended 30 September 2010 and 2011 as follows:

USD millions, for the nine months ended 30 September 2010	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1 222	1 312	0	–2 534

USD millions, for the nine months ended 30 September 2011	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	994	1 293	0	–2 287

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

For the three months ended 30 September

2010 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 345	786	655	2 786	95	2 881
Net investment income	31	290	62	383	35	418
Net realised investment gains/losses	–11		9	–2	32	30
Other revenues						
Total revenues	1 365	1 076	726	3 167	162	3 329
Expenses						
Claims and claim adjustment expenses	–543	–571	–282	–1 396	–79	–1 475
Acquisition costs	–156	–158	–159	–473	–19	–492
Other expenses	–109	–102	–48	–259	–14	–273
Total expenses	–808	–831	–489	–2 128	–112	–2 240
Operating income	557	245	237	1 039	50	1 089
Claims ratio in %	40.4	72.6	43.1	50.1		
Expense ratio in %	19.7	33.1	31.6	26.3		
Combined ratio in %	60.1	105.7	74.7	76.4		

2011 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 662	1 015	618	3 295	104	3 399
Net investment income	27	249	46	322	53	375
Net realised investment gains/losses	–24		12	–12	24	12
Other revenues						
Total revenues	**1 665**	**1 264**	**676**	**3 605**	**181**	**3 786**
Expenses						
Claims and claim adjustment expenses	–933	–738	–154	–1 825	–67	–1 892
Acquisition costs	–169	–202	–110	–481	–28	–509
Other expenses	–142	–124	–89	–355	–17	–372
Total expenses	**–1 244**	**–1 064**	**–353**	**–2 661**	**–112**	**–2 773**
Operating income	**421**	**200**	**323**	**944**	**69**	**1 013**
Claims ratio in %	56.1	72.7	24.9	55.4		
Expense ratio in %	18.7	32.1	32.2	25.4		
Combined ratio in %	74.8	104.8	57.1	80.8		

Property & Casualty business segment – by line of business
For the nine months ended 30 September

2010 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	3 443	2 472	2 037	7 952	290	8 242
Net investment income	98	911	199	1 208	117	1 325
Net realised investment gains/losses	–16		44	28	110	138
Other revenues	–1			–1	–1	–2
Total revenues	3 524	3 383	2 280	9 187	516	9 703
Expenses						
Claims and claim adjustment expenses	–2 316	–2 039	–1 074	–5 429	–219	–5 648
Acquisition costs	–448	–510	–434	–1 392	–45	–1 437
Other expenses	–342	–287	–149	–778	–37	–815
Total expenses	–3 106	–2 836	–1 657	–7 599	–301	–7 900
Operating income/loss	418	547	623	1 588	215	1 803
Claims ratio in %	67.3	82.5	52.7	68.3		
Expense ratio in %	22.9	32.2	28.6	27.3		
Combined ratio in %	90.2	114.7	81.3	95.6		

2011 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	3 888	2 774	1 908	8 570	285	8 855
Net investment income	49	780	143	972	118	1 090
Net realised investment gains/losses	–34		5	–29	76	47
Other revenues					1	1
Total revenues	**3 903**	**3 554**	**2 056**	**9 513**	**480**	**9 993**
Expenses						
Claims and claim adjustment expenses	–4 121	–1 740	–735	–6 596	–158	–6 754
Acquisition costs	–467	–535	–392	–1 394	–61	–1 455
Other expenses	–398	–350	–220	–968	–43	–1 011
Total expenses	**–4 986**	**–2 625**	**–1 347**	**–8 958**	**–262**	**–9 220**
Operating income/loss	**–1 083**	**929**	**709**	**555**	**218**	**773**
Claims ratio in %	106.0	62.7	38.5	77.0		
Expense ratio in %	22.2	31.9	32.1	27.5		
Combined ratio in %	128.2	94.6	70.6	104.5		

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

For the three months ended 30 September

2010 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	1 387	558	202	2 147
Fee income from policyholders	15		224	239
Net investment income	186	79	497	762
Net realised investment gains/losses	39	–2	1 743	1 780
Other revenues				
Total revenues	1 627	635	2 666	4 928
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1 122	–401	–673	–2 196
Return credited to policyholders	–60		–1 920	–1 980
Acquisition costs	–313	–91	–36	–440
Other expenses	–85	–37	–71	–193
Total expenses	–1 580	–529	–2 700	–4 809
Operating income	47	106	–34	119
Net investment income – unit-linked	4		123	127
Net investment income – with-profit business			33	33
Net investment income – non-participating	182	79	341	602
Net realised investment gains/losses – unit-linked	42		1 587	1 629
Net realised investment gains/losses – with-profit business			157	157
Net realised investment gains/losses – non-participating	–3	–2	–1	–6
Operating revenues[1]	1 584	637	767	2 988
Management expense ratio in %	5.4	5.8	9.3	6.5
Benefit ratio[2] in %				93.3

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Life & Health business segment – by line of business
For the three months ended 30 September

2011 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	1 525	616	196	2 337
Fee income from policyholders	17		195	212
Net investment income	183	73	543	799
Net realised investment gains/losses	8	–11	–2 442	–2 445
Other revenues				
Total revenues	**1 733**	**678**	**–1 508**	**903**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1 383	–387	–275	–2 045
Return credited to policyholders	85		2 108	2 193
Acquisition costs	–315	–95	–196	–606
Other expenses	–115	–45	–138	–298
Total expenses	**–1 728**	**–527**	**1 499**	**–756**
Operating income/loss	**5**	**151**	**–9**	**147**
Net investment income – unit-linked	12		161	173
Net investment income – with-profit business			36	36
Net investment income – non-participating	171	73	346	590
Net realised investment gains/losses – unit-linked	–101		–2 372	–2 473
Net realised investment gains/losses – with-profit business			–80	–80
Net realised investment gains/losses – non-participating	109	–11	10	108
Operating revenues[1]	**1 713**	**689**	**737**	**3 139**
Management expense ratio in %	6.7	6.5	18.7	9.5
Benefit ratio[2] in %				83.6

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Life & Health business segment – by line of business
For the nine months ended 30 September

2010 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	4 273	1 558	607	6 438
Fee income from policyholders	47		634	681
Net investment income	497	235	1 563	2 295
Net realised investment gains/losses	153	–9	1 171	1 315
Other revenues				
Total revenues	4 970	1 784	3 975	10 729
Expenses				
Claims and claim adjustment expenses; life and health benefits	–3 396	–1 181	–1 667	–6 244
Return credited to policyholders	–39		–1 937	–1 976
Acquisition costs	–935	–281	–216	–1 432
Other expenses	–253	–105	–213	–571
Total expenses	–4 623	–1 567	–4 033	–10 223
Operating income/loss	347	217	–58	506
Net investment income – unit-linked	27		423	450
Net investment income – with-profit business			107	107
Net investment income – non-participating	470	235	1 033	1 738
Net realised investment gains/losses – unit-linked	–24		982	958
Net realised investment gains/losses – with-profit business			177	177
Net realised investment gains/losses – non-participating	177	–9	12	180
Operating revenues[1]	4 790	1 793	2 274	8 857
Management expense ratio in %	5.3	5.9	9.4	6.4
Benefit ratio[2] in %				90.2

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Life & Health business segment – by line of business

For the nine months ended 30 September

2011 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	4 563	1 748	581	6 892
Fee income from policyholders	50		612	662
Net investment income	501	210	1 617	2 328
Net realised investment gains/losses	14	–8	–2 251	–2 245
Other revenues				
Total revenues	**5 128**	**1 950**	**559**	**7 637**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–3 764	–1 179	–1 211	–6 154
Return credited to policyholders	45		1 226	1 271
Acquisition costs	–939	–304	–304	–1 547
Other expenses	–299	–116	–340	–755
Total expenses	**–4 957**	**–1 599**	**–629**	**–7 185**
Operating income/loss	**171**	**351**	**–70**	**452**
Net investment income – unit-linked	20		499	519
Net investment income – with-profit business			118	118
Net investment income – non-participating	481	210	1 000	1 691
Net realised investment gains/losses – unit-linked	–83		–2 178	–2 261
Net realised investment gains/losses – with-profit business			–64	–64
Net realised investment gains/losses – non-participating	97	–8	–9	80
Operating revenues[1]	**5 094**	**1 958**	**2 193**	**9 245**
Management expense ratio in %	5.9	5.9	15.5	8.2
Benefit ratio[2] in %				86.6

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

d) Asset Management

For the three months ended 30 September

2010 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	812	59	871
Net realised investment gains/losses	304	–7	297
Other revenues	–2	6	4
Total revenues	1 114	58	1 172
Operating income	1 114	58	1 172

2011 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	850	–10	840
Net realised investment gains/losses	463	–109	354
Other revenues	1	5	6
Total revenues	**1 314**	**–114**	**1 200**
Operating income	**1 314**	**–114**	**1 200**

For the nine months ended 30 September

2010 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	2 481	308	2 789
Net realised investment gains/losses	538	–7	531
Other revenues		18	18
Total revenues	3 019	319	3 338
Operating income	3 019	319	3 338

2011 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	2 561	333	2 894
Net realised investment gains/losses	797	42	839
Other revenues	1	19	20
Total revenues	**3 359**	**394**	**3 753**
Operating income	**3 359**	**394**	**3 753**

11 Variable interest entities

The Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring, and managing the VIEs. The variable interests held by the Group arise as a result of the Group's involvement in a modified coinsurance agreement, certain insurance-linked and credit-linked securitisations, swaps in trusts, debt financing and other entities which meet the definition of a VIE.

When analysing the status of an entity, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations, and (3) the holders of the voting rights substantively participate in the gains and losses of the entity. When one of these criteria is not met, the entity is considered a VIE and needs to be assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:
- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

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

Whenever facts and circumstances change, a review is undertaken of the impact these changes could have on the consolidation assessment previously performed. When the assessment might be impacted, a reassessment to determine the primary beneficiary is performed.

Modified coinsurance agreement
The Group assumes insurance risk via a modified coinsurance agreement from a direct insurer which qualifies as a VIE. The Group assumes the majority of the mortality and investment risk in the VIE. In addition, the Group has the power over the investment management and policyholder administration. As these are the activities that most significantly impact the entity's economic performance, the Group qualifies as the primary beneficiary and consolidates the entity. The Group will incur losses if mortality risk or the investment returns of the entity develop unfavourably.

The total assets of the modified coinsurance vehicles in which the Group is the primary beneficiary were USD 3 498 million as of 30 September 2011.

Insurance-linked and credit-linked securitisations
The insurance-linked and credit-linked securitisations transfer pre-existing insurance or credit risk to the capital markets through the issuance of insurance-linked or credit-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk through insurance or derivative contracts. In credit-linked securitisations, the securitisation vehicle assumes the credit risk through credit default swaps. The securitisation vehicle generally retains the issuance proceeds as collateral. The collateral held predominantly consists of investment-grade securities.

Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, or through protection provided under a total return swap for the principal of the collateral held by the securitisation vehicle.

Generally, the activities of a securitisation vehicle are pre-determined at formation. There are substantially no ongoing activities during the life of the VIE that could significantly impact the economic performance of the vehicle. Consequently, the main focus to identify the primary beneficiary is on the activities performed and decisions made when the VIE was designed. Typically, the Group is considered the primary beneficiary of a securitisation vehicle when the Group acts as a sponsor of risk passed to the VIE and enters at the same time in a total return swap with the VIE to protect the VIE's assets from market risk. Under the total return swap, the Group would incur losses when some or all of the securities held as collateral in the securitisation vehicle decline in value or default. Therefore, the Group's maximum exposure to loss equals the principal amount of the collateral protected under the total return swap.

As of 30 September 2011, the total assets of the insurance-linked and credit-linked securitisation vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 3 548 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 724 million.

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

Debt financing vehicles
Debt financing vehicles issue preference shares or loan notes to provide the Group with funding. The Group is partially exposed to the asset risk by holding equity rights or by protecting some of the assets held by the VIEs via guarantees or derivative contracts. The assets held by the VIEs consist of investment-grade securities, structured products, hedge fund units, derivatives and others.

The Group consolidates certain debt financing vehicles as it has power over the investment management in the vehicles, which is considered to be the activity that most significantly impacts the entities' economic performance. In addition, the Group absorbs the variability of the investment return so that both criteria for a controlling financial interest are met.

The total assets of the debt financing vehicles in which the Group is the primary beneficiary were USD 6 741 million as of 30 September 2011.

Other

The VIEs in this category were created for various purposes. Generally, the Group is exposed to the asset risk of the VIEs by holding an equity stake in the VIE or by guaranteeing a part or the entire asset value to third-party investors. A significant portion of the Group's exposure is either retroceded or hedged. The assets held by the VIEs consist mainly of private equity investments, residential real estate and other.

As of 30 September 2011, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 3 530 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 728 million.

The Group did not provide financial or other support to any VIEs during 2011 that it was not previously contractually required to provide.

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December 2010 and 30 September 2011:

USD millions	2010 Carrying value	2010 Whereof restricted:	**2011** Carrying value	**2011** Whereof restricted:
Fixed income securities:				
Available-for-sale	8 842	8 842	9 635	9 635
Policy loans, mortgages and other loans	596	203	193	193
Short-term investments	1 329	1 329	982	982
Other invested assets	2 045	195	197	197
Cash and cash equivalents	968	966	357	357
Accrued investment income	82	82	79	79
Premiums and other receivables	10	10	8	8
Reinsurance recoverable on unpaid claims and policy benefits	11	11	8	8
Funds held by ceding companies	6	6	5	5
Income taxes recoverable	19	19	4	4
Acquired present value of future profits	36	36	15	15
Other assets	63	63	208	208
Total assets	14 007	11 762	**11 691**	**11 691**

	Carrying value	Whereof limited recourse:	Carrying value	Whereof limited recourse:
Unpaid claims and claim adjustment expenses	23	23	16	16
Liabilities for life and health policy benefits	1 182	1 182	1 159	1 159
Policyholder account balances	1 440	1 440	1 337	1 337
Funds held under reinsurance treaties	133	133	135	135
Reinsurance balances payable	8	8	67	67
Deferred and other non-current taxes	76	76	173	173
Short-term debt	3 200	1 485	973	973
Accrued expenses and other liabilities	530	136	614	614
Long-term debt	5 938	5 938	5 200	5 200
Total liabilities	12 530	10 421	**9 674**	**9 674**

As of 30 September 2011, the consolidation of the VIEs resulted in non-controlling interests in the balance sheet of USD 409 million (31 December 2010: USD 402 million). The net non-controlling interests in income were USD 2 million and USD 7 million net of tax for the nine months ended 30 September 2010 and 2011, respectively.

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group holds a variable interest but is not the primary beneficiary as of 31 December 2010 and 30 September 2011:

USD millions	2010	**2011**
Fixed income securities:		
Available-for-sale	60	65
Trading	9	16
Other invested assets	1 406	701
Premiums and other receivables	2	
Reinsurance recoverables	1 631	
Deferred acquisition costs	2	
Total assets	3 110	**782**
Funds held under reinsurance treaties	1 614	
Short-term debt	406	406
Accrued expenses and other liabilities	885	578
Total liabilities	2 905	**984**

The following table shows the Group's assets, liabilities and maximum exposure to loss as of 31 December 2010 and 30 September 2011 which are related to VIEs in which the Group holds a variable interest but is not the primary beneficiary:

				2010				**2011**
USD millions	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities
Insurance-linked/Credit-linked securitisations	1 890	1 665	2 197	532	241		2 145	2 145
Swaps in trusts	423	643	–[1]	–	216	374	–[1]	–
Debt financing	468		126	126				
Other	329	597	1 184	587	325	610	1 174	564
Total	3 110	2 905	–[1]	–	**782**	**984**	**–[1]**	**–**

[1] The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

In the third quarter of 2011, one insurance-linked securitisation vehicle in which the Group held a variable interest but was not the primary beneficiary was restructured in order to unwind the related structure by the end of 2011. Due to the restructuring, the vehicle did not qualify as a VIE anymore but was consolidated as a voting interest entity. Therefore the vehicle was excluded from the VIE disclosures as of 30 September 2011.

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

Liabilities are recognised for certain debt financing VIEs when losses occur. To date the respective debt financing VIEs have not incurred any losses. Liabilities of USD 610 million recognised for the "Other" category relate mainly to collateral received.

12 Subsequent event

The floods in Thailand are expected to have a severe impact on industrial businesses that have established manufacturing facilities locally. As the flooding is still ongoing, it is currently not possible to evaluate damage, repair times and supply chain interruptions. As a result, a reliable claims estimate cannot be determined at this time.

Note on risk factors

General impact of adverse market conditions
Since 2007, the global financial markets have experienced extreme volatility and disruption, due in large part to turmoil affecting the liquidity of the banking system and the market reaction thereto. The impact of the turmoil in the financial markets was exacerbated by adverse macroeconomic trends affecting a number of the principal economies. Volatility and disruption reached unprecedented levels in 2008 to 2009. Market volatility has continued in 2011, driven in part by concerns over the sovereign debt of Greece, Ireland, Portugal, Spain and Italy, the downgrade by Standard & Poor's of the long-term credit rating of US Treasury debt to AA+ and concerns over the general pace of economic recovery. It is difficult to predict what the impact would be on Swiss Reinsurance Company Ltd ("Swiss Re") and its subsidiaries (collectively, the "SRZ Group") from a general business or financial reporting perspective, or from a capital or liquidity perspective, were conditions in the financial markets to deteriorate again, were austerity or stimulus measures adopted by governments in response to budget deficits and adverse economic conditions to be unsuccessful or counterproductive or were there to be further adverse developments affecting economies, financial systems or markets by reason of the occurrence, or threat, of write-downs of, or defaults or other credit events relating to, the sovereign debt of one or more countries.

Regulatory changes
Entities within the SRZ Group are regulated in a number of jurisdictions in which they conduct business. New legislation as well as changes to existing legislation have been proposed and/or recently adopted in a number of jurisdictions that are expected to alter, in a variety of ways, the manner in which the financial services industry is regulated. Although it is difficult to predict which proposals will become law and when and how new legislation ultimately will be implemented by regulators (including in respect of the extraterritorial effect of reforms), it is likely that significant aspects of existing regulatory regimes governing financial services will change. These may include changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, enhanced governmental authority to take control over operations of financial institutions, restrictions on the conduct of certain lines of business, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness and financial strength of financial institutions.

Legislative initiatives directly impacting our industry include the establishment of a pan-European regulator for insurance companies, the European Insurance and Occupational Pension Authority, which gained its regulatory powers on 1 January 2011 and will be able to overrule national regulators in certain circumstances. In addition, the Swiss Solvency Test came into force effective 1 January 2011 and Solvency II is currently expected to enter into force beginning in January 2013. In the US, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury.

Other changes are focused principally on banking institutions, but some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on the SRZ Group. Changes are particularly likely to impact financial institutions designated as "systemically important", which designation is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms. Although, to date, the focus of reforms in respect of systemically important financial institutions principally has been on banks, there is an emerging focus on insurance companies as well. Swiss Re could be designated as a global systemically important financial institution. In addition, there appears to be a trend towards a more coordinated, centralised and stricter approach to insurance regulation specifically, in both the EU and the US.

Regulatory changes may also occur in areas of broader application, such as competition policy and tax laws. Any number of these changes could apply to the SRZ Group and its operations. These changes 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 SRZ 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 SRZ Group's financial condition, results of operations, liquidity and capital position. The SRZ Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the SRZ Group's investment portfolio can increase, as could other-than-temporary impairments. With respect to equity prices, the SRZ 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 SRZ Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the SRZ Group has discontinued writing new variable annuity business and has an extensive hedging programme covering its existing variable annuity business, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the SRZ Group's results of operations and financial condition. The SRZ 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 SRZ 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. The SRZ Group has reduced risk to the portfolio by repositioning the components of the portfolio and, as a result, profitability could potentially be impacted and, unless offset by underwriting returns, reduced.

Credit risk

Although the SRZ Group has taken significant steps to de-risk its portfolio and reposition its assets, if the credit markets were again to deteriorate and further asset classes were to be impacted, the SRZ 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 SRZ Group could also face further write-downs in other areas of its portfolio, including other structured instruments, and the SRZ 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 counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

Liquidity risks
The SRZ Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its reinsurance 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 or reinsurance coverage obligations. The SRZ Group's uses of funds include obligations arising in its reinsurance business (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The SRZ Group also enters into contracts or trading arrangements that could give rise to significant short-term funding obligations and, in connection with the SRZ 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 SRZ 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 SRZ 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 insurance events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the SRZ 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 and changes in interest rates, foreign exchange rates and credit spreads, or by perceptions among market participants of the extent of the SRZ Group's liquidity needs.

The SRZ 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 SRZ 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-SRZ Group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. 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 SRZ Group is a party) at a time when the SRZ Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks
The SRZ Group's general exposure to counterparty risk was heightened during the credit crisis, and this risk could still be exacerbated to the extent defaults, or concerns about possible defaults, by certain market participants trigger more systemic concerns about liquidity. Losses due to defaults by counterparties, including issuers of investment securities (which include structured securities) or derivative instrument counterparties, could adversely affect the SRZ Group. In addition, 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 also have a material adverse impact on the SRZ Group.

The SRZ Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its reinsurance operations. Moreover, the SRZ Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the SRZ Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated. The SRZ Group's most significant single counterparty risk is in respect of Berkshire Hathaway Inc., with which it has a quota share arrangement, an adverse development cover and a retrocession arrangement in respect of a closed block of US individual life reinsurance business.

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

The SRZ 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 SRZ Group's ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the SRZ Group, could make it more difficult for the SRZ Group to achieve improved ratings which it would otherwise have expected.

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the SRZ Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurers with certain ratings. A decline in ratings could also impact the availability of unsecured financing and obligate the SRZ Group to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements. Any rating downgrades could also have a material adverse impact on the SRZ Group's costs of borrowing and limit its access to the capital markets. Further negative ratings action could also impact reinsurance contracts.

Legal and regulatory risks
The SRZ Group has been named, from time to time, as a defendant in various legal actions in connection with its operations. The SRZ Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, 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 such as market abuse regulations, anti-bribery legislation, anti-money laundering legislation and trade sanctions legislation. The SRZ 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 SRZ Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm its business.

Insurance, operational and other risks

As part of the SRZ Group's ordinary course operations, the SRZ 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, industrial accidents, explosions, industrial actions, fires and pandemics) may expose the SRZ Group to unexpected large losses, competitive conditions, cyclicality of the industry, risks related to emerging claims and coverage issues, risks arising from the SRZ Group's dependence on policies, procedures and expertise of ceding companies, risks related to investments in emerging markets, and risks related to the failure of operational systems and infrastructure. In addition, the occurrence of future risks that the SRZ Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the SRZ Group. Any of the foregoing, as well as other concerns in respect of the SRZ Group's business, could also give rise to reputational risk.

Use of models; accounting matters

The SRZ 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 SRZ Group's financial statements, including assumed and ceded business. For example, the SRZ Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. 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 SRZ Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. The SRZ Group's results may also be impacted if regulatory authorities take issue with any conclusions the SRZ 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 SRZ Group uses non-GAAP financial measures in its external reporting, including in this report. 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 realignment of the Swiss Re corporate structure

As Swiss Re Ltd moves to fully implement the realignment of its corporate structure in 2012 by separating the Corporate Solutions business unit and the Admin Re® business unit from the Reinsurance business unit, the Reinsurance business unit (comprised of Swiss Re and the legal entities remaining in the SRZ Group following the separation) could face operational risks relating to the implementation of the new structure. Following full implementation, with a changed legal entity profile, the Reinsurance business unit and its constituent subsidiaries will be impacted differently than would have been the case under Swiss Re's historical structure, including, without limitation, in respect of legal and regulatory requirements (including as to capital and liquidity), ratings considerations, and lender and other counterparty considerations. Among other things, the realigned SRZ Group's asset base will change, and capital, funding, reserve and cost allocations will be adjusted across the three business units, as a result of which the realigned SRZ Group's liquidity and capital profiles will likely change and Swiss Re's SST risk ratio may change.

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re's actual results, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Such factors include, among others:

- 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;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls under derivative contracts due to actual or perceived deterioration of Swiss Re's financial strength;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re's hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of Swiss Re companies, and developments adversely affecting Swiss Re's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality and morbidity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies;
- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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

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Corporate calendar and contact information

Corporate calendar
23 February 2012
2011 annual results

13 April 2012
148th Annual General Meeting

4 May 2012
First quarter 2012 results

9 August 2012
Second quarter 2012 results

8 November 2012
Third quarter 2012 results

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