Swiss Re

Swiss Reinsurance Company Consolidated
2015 Annual Report

Contents

Income statement

For the years ended 31 December

USD millions	Note	2014	2015
Revenues			
Premiums earned	3	26 992	**26 139**
Fee income from policyholders	3	163	**145**
Net investment income – non-participating business	7	3 187	**2 787**
Net realised investment gains/losses – non-participating business[1]	7	550	**1 028**
Net investment result – unit-linked and with-profit business	7	75	**42**
Other revenues		60	**57**
Total revenues		31 027	**30 198**
Expenses			
Claims and claim adjustment expenses	3	–8 523	**–7 893**
Life and health benefits	3	–9 602	**–8 559**
Return credited to policyholders		–450	**–386**
Acquisition costs	3	–5 920	**–5 865**
Other expenses		–2 458	**–2 593**
Interest expenses		–713	**–553**
Total expenses		–27 666	**–25 849**
Income before income tax expense		3 361	**4 349**
Income tax expense	12	–395	**–524**
Net income before attribution of non-controlling interests		2 966	**3 825**
Income attributable to non-controlling interests		–1	**–1**
Net income after attribution of non-controlling interests		2 965	**3 824**
Interest on contingent capital instruments		–69	**–68**
Net income attributable to common shareholder		2 896	**3 756**

[1] Total impairments for the years ended 31 December were USD 35 million in 2014 and USD 51 million in 2015, of which USD 35 million and USD 51 million, respectively, were recognised in earnings.

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2014	2015
Net income before attribution of non-controlling interests	2 966	**3 825**
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	2 721	**–1 843**
Change in other-than-temporary impairment	3	**–7**
Change in foreign currency translation	–734	**–876**
Change in adjustment for pension benefits	–291	**–191**
Total comprehensive income before attribution of non-controlling interests	4 665	**908**
Interest on contingent capital instruments	–69	**–68**
Comprehensive income attributable to non-controlling interests	–1	**–1**
Total comprehensive income attributable to common shareholder	4 595	**839**

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2014 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	Accumulated other comprehensive income
Balance as of 1 January	741	–6	–3 527	–471	–3 263
Change during the period	4 846	4	–498	–417	3 935
Amounts reclassified out of accumulated other comprehensive income	–1 107		–41	31	–1 117
Tax	–1 018	–1	–195	95	–1 119
Balance as of period end	3 462	–3	–4 261	–762	–1 564

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

2015 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	3 462	–3	–4 261	–762	**–1 564**
Change during the period	–1 385	–9	–727	–309	**–2 430**
Amounts reclassified out of accumulated other comprehensive income	–1 201			70	**–1 131**
Tax	743	2	–149	48	**644**
Balance as of period end	**1 619**	**–10**	**–5 137**	**–953**	**–4 481**

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

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

Balance sheet

As of 31 December

Assets

USD millions	Note	2014	2015
Investments	7, 8, 9		
Fixed income securities:			
Available-for-sale, at fair value (including 12 325 in 2014 and 10 839 in 2015 subject to securities lending and repurchase agreements) (amortised cost: 2014: 60 600; 2015: 59 137)		65 127	**61 134**
Trading (including 645 in 2014 and 1 729 in 2015 subject to securities lending and repurchase agreements)		2 219	**2 896**
Equity securities:			
Available-for-sale, at fair value (including 190 in 2014 and 439 in 2015 subject to securities lending and repurchase agreements) (cost: 2014: 1 975; 2015: 2 876)		2 396	**3 091**
Trading		65	**68**
Policy loans, mortgages and other loans		3 908	**3 832**
Investment real estate		881	**1 550**
Short-term investments, at fair value (including 2 025 in 2014 and 417 in 2015 subject to securities lending and repurchase agreements)		10 520	**4 662**
Other invested assets		7 353	**7 861**
Investments for unit-linked and with-profit business (equity securities trading: 894 in 2014 and 818 in 2015)		894	**818**
Total investments		93 363	**85 912**
Cash and cash equivalents (including 45 in 2014 and 181 in 2015 subject to securities lending)		5 855	**5 398**
Accrued investment income		721	**670**
Premiums and other receivables		10 340	**9 747**
Reinsurance recoverable on unpaid claims and policy benefits	3	5 346	**4 523**
Funds held by ceding companies		12 173	**10 668**
Deferred acquisition costs	6	4 480	**5 084**
Acquired present value of future profits	6	1 899	**1 721**
Goodwill		3 916	**3 756**
Income taxes recoverable		109	**112**
Deferred tax assets	12	5 206	**5 269**
Other assets		2 895	**2 331**
Total assets		146 303	**135 191**

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

Liabilities and equity

USD millions	Note	2014	2015
Liabilities			
Unpaid claims and claim adjustment expenses		52 177	**49 718**
Liabilities for life and health policy benefits	8	19 284	**16 779**
Policyholder account balances		6 610	**5 358**
Unearned premiums		7 825	**8 044**
Funds held under reinsurance treaties		3 083	**3 041**
Reinsurance balances payable		1 966	**1 858**
Income taxes payable		802	**272**
Deferred and other non-current tax liabilities	12	7 490	**6 771**
Short-term debt	11	4 959	**4 105**
Accrued expenses and other liabilities		8 016	**8 964**
Long-term debt	11	11 265	**9 674**
Total liabilities		123 477	**114 584**
Equity			
Contingent capital instruments	11	1 102	**1 102**
Common shares CHF 0.10 par value 2014: 344 052 565; 2015: 344 052 565 shares authorised and issued		32	**32**
Additional paid-in capital		8 823	**8 730**
Shares in Swiss Re Ltd, net of tax		–10	**–21**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		3 462	**1 619**
Other-than-temporary impairment, net of tax		–3	**–10**
Foreign currency translation, net of tax		–4 261	**–5 137**
Adjustment for pension and other post-retirement benefits, net of tax		–762	**–953**
Total accumulated other comprehensive income		–1 564	**–4 481**
Retained earnings		14 421	**15 222**
Shareholder's equity		22 804	**20 584**
Non-controlling interests		22	**23**
Total equity		22 826	**20 607**
Total liabilities and equity		146 303	**135 191**

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

Statement of shareholder's equity

For the years ended 31 December

USD millions	2014	2015
Contingent capital instruments		
Balance as of 1 January	1 102	**1 102**
Issued		
Balance as of period end	1 102	**1 102**
Common shares		
Balance as of 1 January	32	**32**
Issue of common shares		
Balance as of period end	32	**32**
Additional paid-in capital		
Balance as of 1 January	8 853	**8 823**
Share-based compensation	–35	**16**
Realised gains/losses on treasury shares	5	**–109**
Balance as of period end	8 823	**8 730**
Shares in Swiss Re Ltd, net of tax		
Balance as of 1 January	–148	**–10**
Change of shares in Swiss Re Ltd	138	**–11**
Balance as of period end	–10	**–21**
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	741	**3 462**
Changes during the period	2 721	**–1 843**
Balance as of period end	3 462	**1 619**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–6	**–3**
Changes during the period	3	**–7**
Balance as of period end	–3	**–10**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 527	**–4 261**
Changes during the period	–734	**–876**
Balance as of period end	–4 261	**–5 137**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–471	**–762**
Changes during the period	–291	**–191**
Balance as of period end	–762	**–953**
Retained earnings		
Balance as of 1 January	14 660	**14 421**
Net income after attribution of non-controlling interests	2 965	**3 824**
Interest on contingent capital instruments, net of tax	–69	**–68**
Dividends on common shares and dividends-in-kind	–3 135	**–2 955**
Balance as of period end	14 421	**15 222**
Shareholder's equity	22 804	**20 584**
Non-controlling interests		
Balance as of 1 January	25	**22**
Change during the period	–4	
Income attributable to non-controlling interests	1	**1**
Balance as of period end	22	**23**
Total equity	22 826	**20 607**

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

Statement of cash flow

For the years ended 31 December

USD millions	2014	2015
Cash flows from operating activities		
Net income attributable to common shareholder	2 896	**3 756**
Add net income attributable to non-controlling interests	1	**1**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	322	**455**
Net realised investment gains/losses	–588	**–1 032**
Income from equity-accounted investees, net of dividends received	1	**70**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net[1]	–1 092	**–200**
Funds held by ceding companies and under reinsurance treaties	557	**927**
Reinsurance recoverable on unpaid claims and policy benefits	972	**654**
Other assets and liabilities, net	–218	**–152**
Income taxes payable/recoverable	–58	**–478**
Trading positions, net[1,2]	–8	**319**
Net cash provided/used by operating activities	2 785	**4 320**
Cash flows from investing activities		
Fixed income securities:		
Sales	48 287	**39 166**
Maturities	3 384	**3 721**
Purchases	–59 378	**–47 708**
Net purchases/sales/maturities of short-term investments	6 545	**5 106**
Equity securities:		
Sales	5 985	**1 256**
Purchases	–2 428	**–2 010**
Securities purchased/sold under agreement to resell/repurchase, net[1]	219	**–2 046**
Cash paid/received for acquisitions/disposal and reinsurance transactions, net	39	**177**
Net purchases/sales/maturities of other investments[1,2]	–572	**2 623**
Net purchases/sales/maturities of investments held for unit-linked and with-profit business[2]	76	**32**
Net cash provided/used by investing activities	2 157	**317**
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business:[2]		
Deposits	6	**21**
Withdrawals	–121	**–93**
Issuance/repayment of long-term debt	37	**200**
Issuance/repayment of short-term debt	–1 501	**–1 945**
Purchase/sale of shares in Swiss Re Ltd	32	**–2**
Dividends paid to parent	–3 120	**–2 961**
Net cash provided/used by financing activities	–4 667	**–4 780**
Total net cash provided/used	275	**–143**
Effect of foreign currency translation	–303	**–314**
Change in cash and cash equivalents	–28	**–457**
Cash and cash equivalents as of 1 January	5 883	**5 855**
Cash and cash equivalents as of 31 December	5 855	**5 398**

[1] The Group reviewed the nature of certain items within the statement of cash flow. "Securities purchased/sold under agreement to resell/repurchase, net" were reclassified from the operating cash flow to the investing cash flow, and certain investment related cash flows were reclassified from "Trading positions, net" in the operating cash flow to "Net purchases/sales/maturities of other investments" in the investing cash flow. Comparatives are adjusted accordingly.
[2] The Group changed the presentation of its investments related to unit-linked and with-profit business, and related deposits and withdrawals were reclassified from "Technical provisions, net" in the operating cash flow to "Policyholder account balances, unit-linked and with-profit business" in the financing cash flow. Comparatives are adjusted accordingly.

Interest paid was USD 891 million and USD 652 million for years ended 31 December 2014 and 2015, respectively.
Tax paid was USD 444 million and USD 981 million for the years ended 31 December 2014 and 2015, respectively.
The accompanying notes are an integral part of the Group financial statements.

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations
Swiss Reinsurance Company Ltd ("SRZ") and its subsidiaries (collectively, the "Group") are a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies and public sector clients.

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

Basis of presentation
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation.

Principles of consolidation
The Group's financial statements include the consolidated financial statements of SRZ and its subsidiaries. Voting entities which SRZ directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Variable interest entities (VIEs) are consolidated when the Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE's economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Group's share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group's accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

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

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

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

Valuation of financial assets

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2015, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income and equity securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value being recognised in shareholder's equity. Trading fixed income and equity securities are carried at fair value with unrealised gains and losses being recognised in earnings. A trading classification is used for securities that are bought and held principally for the purpose of selling them in the near term or for securities where the Group has decided to apply the fair value option.

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

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

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

Policy loans, mortgages and other loans are carried at amortised cost. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life of the asset. Land is recognised at cost and not depreciated. Impairment in value is recognised if the sum of the estimated future undiscounted cash flows from the use of the real estate is lower than its carrying value. Impairment in value, depreciation and other related charges or credits are included in net investment income. Investment in real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in realised investment losses.

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

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

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

Derivative financial instruments and hedge accounting

The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. Changes in fair value on derivatives that are not designated as hedging instruments are recorded in income.

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

The Group recognises separately derivatives that are embedded within other host instruments if the economic characteristics and risks are not clearly and closely related to the economic characteristics and risks of the host instrument and if it meets the definition of a derivative if it were a free-standing contract.

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

The Group also designates non-derivative and derivative monetary financial instruments as a hedge of the foreign currency exposure of its net investment in certain foreign operations. From the inception of the hedging relationship, remeasurement gains and losses on the designated non-derivative and derivative monetary financial instruments and translation gains and losses on the hedged net investment are reported as translation gains and losses in shareholder's equity.

Cash and cash equivalents

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

Deferred acquisition costs

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

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts. Deferred acquisition costs for long-duration contracts are amortised over the life of underlying contracts. Deferred acquisition costs for universal-life and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

Modifications of insurance and reinsurance contracts

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

Business combinations

The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition.

The underlying assets and liabilities acquired are subsequently accounted for according to the relevant GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of the acquisition method of accounting, including present value of future profits, goodwill and other intangible assets.

Acquired present value of future profits

The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and/or health business. The initial value is determined actuarially by discounting estimated future gross profits as a measure of the value of business acquired. The resulting asset is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. The earned rate corresponds to either the current earned rate or the original earned rate depending on the business written. The rate is consistently applied for the entire life of the applicable business. For universal-life and similar products, PVFP is amortised in line with estimated gross profits, and estimated gross profits are updated quarterly. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings during the period in which the determination of impairment is made or in other comprehensive income for shadow loss recognition.

Goodwill

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

Other assets

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

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

Real estate for own use as well as other classes of property, plant and equipment are carried at depreciated cost. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life of the asset. Land is recognised at cost and not depreciated.

Capitalised software costs

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

Income taxes

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

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

Unpaid claims and claim adjustment expenses

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

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the acquisition method of accounting. The Group does not discount life and health claim reserves except for disability income claims in payment which are recognised at the estimated present value of the remaining ultimate net costs of the incurred claims.

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

Liabilities for life and health policy benefits

Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest rate assumptions for life and health (re)insurance benefit liabilities are based on estimates of expected investment yields. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

Liabilities for life and health policy benefits are increased with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held at available for sale these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

Policyholder account balances

Policyholder account balances relate to universal life-type contracts and investment contracts.

Universal life-type contracts are long-duration insurance contracts, providing either death or annuity benefits, with terms that are not fixed and guaranteed.

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, i.e. there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses except for unit-linked and with-profit business which is presented in a separate line item on the face of the income statement.

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 7.

Funds held assets and liabilities

On the asset side, funds held by ceding companies consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. In addition, the account also includes amounts arising from the application of the deposit method of accounting to ceded retrocession or reinsurance contracts.

On the liability side, funds held under reinsurance treaties consist mainly of amounts arising from the application of the deposit method of accounting to inward insurance and reinsurance contracts. In addition, the account also includes amounts retained from ceded business written on a funds withheld basis.

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

The deposit method of accounting is applied to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Funds withheld balances are presented together with assets and liabilities arising from the application of the deposit method because of their common deposit type character.

Shadow adjustments

Shadow adjustments are recognized in other comprehensive income reflecting the offset of adjustments to deferred acquisition costs and PVFP, typically related to universal life-type contracts, and policyholder liabilities. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholder's equity will ultimately accrue to policyholders and not the shareholder.

Shadow loss recognition testing becomes relevant in low interest rate environments. The test considers whether the hypothetical sale of AFS securities and the reinvestment of proceeds at lower yields would lead to negative operational earnings in future periods, thereby causing a loss recognition event. For shadow loss recognition testing, the Group uses current market yields to determine best estimate GAAP reserves rather than using locked in or current book yields. If the unlocked best estimate GAAP reserves based on current market rates are in excess of reserves based on locked in or current book yields, a shadow loss recognition reserve is set up. These reserves are recognised in other comprehensive income and do not impact net income.
In addition, shadow loss recognition reserves can reverse up to the amount of losses recognised due to past loss events.

Premiums
Property and casualty reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided. Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts.

Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

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

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

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

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

Pensions and other post-retirement benefits
The Group accounts for its pension and other post-retirement benefit costs using the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Share-based payment transactions
As of 31 December 2015, the Group had a Leadership Performance Plan, stock option plans, restricted shares, an Employee Participation Plan, and a Global Share Participation Plan. These plans are described in more detail in Note 14. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

For share-based compensation plans which are settled in cash, compensation costs are recognised as liabilities, whereas for equity-settled plans, compensation costs are recognised as an accrual to additional paid-in capital within shareholder's equity.

Shares in Swiss Re Ltd
Shares in Swiss Re Ltd are reported at cost in shareholder's equity. Shareholder's equity also includes stand-alone derivative instruments indexed to the Swiss Re Ltd shares held by the Group that meet the requirements for classification in shareholder's equity.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 15 March 2016. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

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

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

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

In June 2014, the FASB issued ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures", an update to topic 860, "Transfers and Servicing". ASU 2014-11 requires entities to account for repurchase-to-maturity transactions as secured borrowings rather than as sales with forward repurchase agreements and eliminates previously issued accounting guidance on linked repurchase financing transactions. The ASU includes new disclosure requirements for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These requirements of ASU 2014-11 were adopted on 1 January 2015 and the adoption did not have an effect on the Group's financial statements. In addition, for transactions accounted for as secured borrowings, including repurchase agreements and securities lending transactions, the ASU requires entities to provide disclosures that disaggregate the related gross obligation by class of collateral pledged, disclose the remaining contractual maturity of the agreements and to provide information on the potential risks of these arrangements and related collateral pledged. In line with the specific effective date provided in the ASU, the Group adopted the new disclosure requirements for the interim period ending 30 June 2015 and applicable portions of the new disclosure requirements are provided in Note 7.

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

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

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

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

2 Information on business segments

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

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

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

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance
Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance business operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include insurance companies and mutual as well as public sector and governmental entities. As well as traditional reinsurance solutions, the business unit offers insurance linked securities and other insurance related capital market products in both Property & Casualty and Life & Health.

Property & Casualty includes the business lines property, casualty (including motor), and specialty. Life & Health includes the life and health lines of business.

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

Consolidation
Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. In the periods presented, significant intra-group transactions related to intra-group reinsurance arrangements and certain treasury-related activities are included.

a) Business segments – income statement

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	15 598	11 212	182		26 992
Fee income from policyholders		53	110		163
Net investment income – non-participating business	1 076	1 544	545	22	3 187
Net realised investment gains/losses – non-participating business	699	–255	106		550
Net investment result – unit-linked and with-profit business		75			75
Other revenues	69		15	–24	60
Total revenues	17 442	12 629	958	–2	31 027
Expenses					
Claims and claim adjustment expenses	–8 493		–32	2	–8 523
Life and health benefits		–9 194	–406	–2	–9 602
Return credited to policyholders		–99	–351		–450
Acquisition costs	–3 382	–2 489	–49		–5 920
Other expenses	–1 175	–885	–398		–2 458
Interest expenses	–255	–438	–22	2	–713
Total expenses	–13 305	–13 105	–1 258	2	–27 666
Income/loss before income tax expense	4 137	–476	–300	0	3 361
Income tax expense/benefit	–552	63	94		–395
Net income/loss before attribution of non-controlling interests	3 585	–413	–206	0	2 966
Income attributable to non-controlling interests	–1				–1
Net income/loss after attribution of non-controlling interests	3 584	–413	–206	0	2 965
Interest on contingent capital instruments	–20	–49			–69
Net income/loss attributable to common shareholder	3 564	–462	–206	0	2 896
Claims ratio in %	54.5				
Expense ratio in %	29.2				
Combined ratio in %	83.7				
Management expense ratio in %		6.9			
Operating margin in %		2.6			

Business segments – income statement

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	15 090	10 914	135		26 139
Fee income from policyholders		49	96		145
Net investment income – non-participating business	1 097	1 331	359		2 787
Net realised investment gains/losses – non-participating business	445	310	273		1 028
Net investment result – unit-linked and with-profit business		42			42
Other revenues	45	5	13	–6	57
Total revenues	**16 677**	**12 651**	**876**	**–6**	**30 198**
Expenses					
Claims and claim adjustment expenses	–7 892		–1		–7 893
Life and health benefits		–8 290	–269		–8 559
Return credited to policyholders		–60	–326		–386
Acquisition costs	–3 836	–1 986	–43		–5 865
Other expenses	–1 247	–903	–443		–2 593
Interest expenses	–262	–278	–19	6	–553
Total expenses	**–13 237**	**–11 517**	**–1 101**	**6**	**–25 849**
Income/loss before income tax expense	**3 440**	**1 134**	**–225**	**0**	**4 349**
Income tax expense/benefit	–443	–146	65		–524
Net income/loss before attribution of non-controlling interests	**2 997**	**988**	**–160**	**0**	**3 825**
Income attributable to non-controlling interests	–1				–1
Net income/loss after attribution of non-controlling interests	**2 996**	**988**	**–160**	**0**	**3 824**
Interest on contingent capital instruments	–19	–49			–68
Net income/loss attributable to common shareholder	**2 977**	**939**	**–160**	**0**	**3 756**
Claims ratio in %	52.3				
Expense ratio in %	33.7				
Combined ratio in %	86.0				
Management expense ratio in %		7.3			
Operating margin in %		9.9			

Business segments – balance sheet
As of 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets	80 745	57 121	15 595	–7 158	146 303

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets	78 176	55 703	11 897	–10 585	135 191

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

For the year ended 31 December

2014 USD millions	Property	Casualty	Specialty	Total
Premiums earned	6 783	6 437	2 378	15 598
Expenses				
Claims and claim adjustment expenses	–3 013	–4 513	–967	–8 493
Acquisition costs	–1 049	–1 831	–502	–3 382
Other expenses	–669	–355	–151	–1 175
Total expenses before interest expenses	–4 731	–6 699	–1 620	–13 050
Underwriting result	2 052	–262	758	2 548
Net investment income				1 076
Net realised investment gains/losses				699
Other revenues				69
Interest expenses				–255
Income before income tax expense				4 137
Claims ratio in %	44.4	70.1	40.6	54.5
Expense ratio in %	25.3	34.0	27.5	29.2
Combined ratio in %	69.7	104.1	68.1	83.7

Property & Casualty Reinsurance business segment – by line of business
For the year ended 31 December

2015 USD millions	Property	Casualty	Specialty	Total
Premiums earned	**6 092**	**6 602**	**2 396**	**15 090**
Expenses				
Claims and claim adjustment expenses	–2 567	–4 139	–1 186	–7 892
Acquisition costs	–1 198	–2 053	–585	–3 836
Other expenses	–689	–401	–157	–1 247
Total expenses before interest expenses	**–4 454**	**–6 593**	**–1 928**	**–12 975**
Underwriting result	**1 638**	**9**	**468**	**2 115**
Net investment income				1 097
Net realised investment gains/losses				445
Other revenues				45
Interest expenses				–262
Income before income tax expense				**3 440**
Claims ratio in %	42.1	62.7	49.5	52.3
Expense ratio in %	31.0	37.2	31.0	33.7
Combined ratio in %	73.1	99.9	80.5	86.0

c) Life & Health Reinsurance business segment – by line of business
For the year ended 31 December

2014 USD millions	Life	Health	Total
Revenues			
Premiums earned	7 166	4 046	11 212
Fee income from policyholders	53		53
Net investment income – non-participating	944	600	1 544
Net investment income – unit-linked and with-profit	37		37
Net realised investment gains/losses – unit-linked and with-profit	38		38
Net realised investment gains/losses – insurance-related derivatives	121	–7	114
Total revenues before non-participating realised gains/losses	8 359	4 639	12 998
Expenses			
Life and health benefits	–5 890	–3 304	–9 194
Return credited to policyholders	–99		–99
Acquisition costs	–1 808	–681	–2 489
Other expenses	–628	–257	–885
Total expenses before interest expenses	–8 425	–4 242	–12 667
Operating income/loss	–66	397	331
Net realised investment gains/losses – non-participating business and excluding insurance-related derivatives			–369
Interest expenses			–438
Loss before income tax benefit			–476
Management expense ratio in %	7.7	5.5	6.9
Operating margin[1] in %	–0.8	8.6	2.6

[1] Operating margin is calculated as operating income divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2015 USD millions	Life	Health	Total
Revenues			
Premiums earned	7 114	3 800	10 914
Fee income from policyholders	49		49
Net investment income – non-participating	866	465	1 331
Net investment income – unit-linked and with-profit	38		38
Net realised investment gains/losses – unit-linked and with-profit	4		4
Net realised investment gains/losses – insurance-related derivatives	90	42	132
Other revenues	3	2	5
Total revenues before non-participating realised gains/losses	**8 164**	**4 309**	**12 473**
Expenses			
Life and health benefits	–5 563	–2 727	–8 290
Return credited to policyholders	–60		–60
Acquisition costs	–1 258	–728	–1 986
Other expenses	–642	–261	–903
Total expenses before interest expenses	**–7 523**	**–3 716**	**–11 239**
Operating income	**641**	**593**	**1 234**
Net realised investment gains/losses – non-participating business and excluding insurance-related derivatives			178
Interest expenses			–278
Income before income tax expense			**1 134**
Management expense ratio in %	8.0	6.1	7.3
Operating margin[1] in %	7.9	13.8	9.9

[1] Operating margin is calculated as operating income divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

d) Gross premiums earned and fee income from policyholders by geography

Gross premiums earned and fee income from policyholders by regions for the years ended 31 December

USD millions	2014	2015
Americas	11865	12748
Europe (including Middle East and Africa)	9952	9049
Asia-Pacific	7556	6437
Total	29373	**28234**

Gross premiums earned and fee income from policyholders by country for the years ended 31 December

USD millions	2014	2015
United States	9253	10020
United Kingdom	2746	2773
China	3053	2504
Australia	2014	1544
Germany	1294	1070
Canada	1213	1053
Japan	1051	967
Switzerland	770	791
Ireland	894	767
France	857	672
Republic of Korea	430	456
Other	5798	5617
Total	29373	**28234**

Gross premiums earned and fee income from policyholders are allocated by country based on the underlying contract.

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3 Insurance information

Premiums earned and fees assessed against policyholders

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		758	36	794
Reinsurance	16 556	11 703	156	28 415
Ceded	–958	–1 249	–10	–2 217
Net premiums earned	15 598	11 212	182	26 992
Fee income from policyholders, thereof:				
Direct			20	20
Reinsurance		54	90	144
Ceded		–1		–1
Net fee income	0	53	110	163

Claims and claim adjustment expenses

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross	–10 749	–9 357	–501	–20 607
Ceded	1 168	1 161	12	2 341
Net claims paid	–9 581	–8 196	–489	–18 266
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross	2 030	–962	52	1 120
Ceded	–942	–36	–1	–979
Net unpaid claims and claim adjustment expenses; life and health benefits	1 088	–998	51	141
Claims and claim adjustment expenses; life and health benefits	–8 493	–9 194	–438	–18 125

Acquisition costs

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross	–3 588	–2 682	–49	–6 319
Ceded	206	193		399
Net acquisition costs	–3 382	–2 489	–49	–5 920

Premiums earned and fees assessed against policyholders

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		736	2	738
Reinsurance	15 614	11 598	138	27 350
Ceded	–524	–1 420	–5	–1 949
Net premiums earned	**15 090**	**10 914**	**135**	**26 139**
Fee income from policyholders, thereof:				
Direct			5	5
Reinsurance		50	91	141
Ceded		–1		–1
Net fee income	**0**	**49**	**96**	**145**

Claims and claim adjustment expenses

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross	–9 665	–9 629	–378	–19 672
Ceded	815	1 168	6	1 989
Net claims paid	**–8 850**	**–8 461**	**–372**	**–17 683**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross	1 601	145	104	1 850
Ceded	–643	26	–2	–619
Net unpaid claims and claim adjustment expenses; life and health benefits	**958**	**171**	**102**	**1 231**
Claims and claim adjustment expenses; life and health benefits	**–7 892**	**–8 290**	**–270**	**–16 452**

Acquisition costs

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross	–3 969	–2 230	–43	–6 242
Ceded	133	244		377
Net acquisition costs	**–3 836**	**–1 986**	**–43**	**–5 865**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December were as follows:

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable on unpaid claims and policy benefits	3 648	1 689	25	–16	5 346
Deferred acquisition costs	1 756	2 723	1		4 480
Liabilities					
Unpaid claims and claim adjustment expenses	41 233	10 177	784	–17	52 177
Liabilities for life and health policy benefits		16 442	2 842		19 284
Policyholder account balances		1 473	5 137		6 610

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable on unpaid claims and policy benefits	2 872	1 652	14	–15	4 523
Deferred acquisition costs	2 051	3 032	1		5 084
Liabilities					
Unpaid claims and claim adjustment expenses	39 366	9 653	715	–16	49 718
Liabilities for life and health policy benefits		15 472	1 307		16 779
Policyholder account balances		1 368	3 990		5 358

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2014 and 2015, the Group had a reinsurance recoverable of USD 5 346 million and USD 4 523 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 70% of the Group's reinsurance recoverable as of year-end 2014 and 69% as of year-end 2015.

The Group cedes certain re/insurance contracts to affiliated companies within the Swiss Re Group, but outside the Swiss Reinsurance Company Ltd and its subsidiaries (please refer to Note 15).

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2014	**2015**
Premium receivables invoiced	1 031	1 103
Receivables invoiced from ceded re/insurance business	265	126
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	777	169
Recognised allowance	–61	–36

4 Premiums written

For the years ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Gross premiums written, thereof:				
Direct		768	36	804
Reinsurance	16 678	11 666	156	28 500
Ceded	–537	–1 243	–10	–1 790
Net premiums written	16 141	11 191	182	27 514

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Gross premiums written, thereof:				
Direct		748	2	750
Reinsurance	16 121	11 547	138	27 806
Ceded	–418	–1 413	–5	–1 836
Net premiums written	**15 703**	**10 882**	**135**	**26 720**

5 Unpaid claims and claim adjustment expenses

The liability for unpaid claims and claim adjustment expenses as of 31 December is analysed as follows:

USD millions	2014	**2015**
Non-Life	41 270	39 366
Life & Health	10 907	10 352
Total	52 177	**49 718**

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

USD millions	2014	**2015**
Balance as of 1 January	45 756	41 270
Reinsurance recoverable	–4 873	–3 632
Deferred expense on retroactive reinsurance	–56	–14
Net balance as of 1 January	40 827	**37 624**
Incurred related to:		
Current year	9 189	9 019
Prior year	–759	–1 222
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	17	27
Total incurred	8 447	7 824
Paid related to:		
Current year	–1 796	–1 723
Prior year	–7 797	–7 167
Total paid	–9 593	–8 890
Foreign exchange	–2 142	–1 766
Effect of acquisitions, disposals, new retroactive reinsurance and other items	85	1 377
Net balance as of 31 December	37 624	**36 169**
Reinsurance recoverable	3 632	2 857
Deferred expense on retroactive reinsurance	14	340
Balance as of 31 December	41 270	**39 366**

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

Prior-year development
In 2015, claims development on prior years was driven by favourable experience on most lines of business. For property, there was positive development across all regions. Similarly, within casualty, liability showed a consistent level of releases across all regions. Favourable development on more recent accident years more than offset increases for asbestos and environmental losses. Following large commutations and positive claims experience, accident and health claims developed favourably. Adverse experience in motor was driven by unfavourable trends in the US and revisions to motor reserving models in Europe. For specialty, there was positive development across all lines of business.

A summary of prior year claims development by lines of business is shown below:

USD millions	2014	2015
Line of business:		
Property	–139	–455
Casualty	–158	–544
Specialty	–462	–223
Total	–759	**–1 222**

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

At the end of 2015 the Business Unit Reinsurance carried net reserves for US asbestos and environmental liabilities equal to USD 1 903 million. During 2015, the business unit incurred net losses of USD 98 million and paid net against these liabilities of USD 147 million.

Note that during 2015, USD 66 million of existing reserves were reclassified as asbestos following a detailed review of historic cedent accounts by our claims department. The above mentioned incurred amount (USD 98 million) does not show this amount as incurred during 2015.

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

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

As of 31 December, the DAC were as follows:

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January	1 591	2 845	–12	4 424
Deferred	3 563	490	49	4 102
Effect of acquisitions/disposals and retrocessions		–28	13	–15
Amortisation	–3 332	–448	–49	–3 829
Effect of foreign currency translation	–66	–136		–202
Closing balance as of 31 December	1 756	2 723	1	4 480

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January	1 756	2 723	1	4 480
Deferred	4 132	1 053		5 185
Effect of acquisitions/disposals and retrocessions	7	2		9
Amortisation	–3 793	–594		–4 387
Effect of foreign currency translation	–51	–152		–203
Closing balance as of 31 December	**2 051**	**3 032**	**1**	**5 084**

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

As of 31 December, the PVFP was as follows:

			2014			**2015**
USD millions	Life & Health Reinsurance	Other	Total	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January	1 451	634	2 085	1 294	605	1 899
Amortisation	–156	–33	–189	–159	–28	–187
Interest accrued on unamortised PVFP	44	4	48	40	1	41
Effect of foreign currency translation	–45		–45	–41		–41
Effect of change in unrealised gains/losses					9	9
Closing balance as of 31 December	1 294	605	1 899	**1 134**	**587**	**1 721**

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

The percentage of PVFP which is expected to be amortised in each of the next five years is 10%, 10%, 9%, 9% and 8%.

7 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) was as follows:

USD millions	2014	2015
Fixed income securities	2 098	1 926
Equity securities	74	77
Policy loans, mortgages and other loans	158	147
Investment real estate	144	158
Short-term investments	102	68
Other current investments	47	67
Share in earnings of equity-accounted investees	170	106
Cash and cash equivalents	36	32
Net result from deposit-accounted contracts	108	66
Deposits with ceding companies	591	478
Gross investment income	3 528	**3 125**
Investment expenses	–331	–328
Interest charged for funds held	–10	–10
Net investment income – non-participating business	3 187	**2 787**

Dividends received from investments accounted for using the equity method were USD 171 million and USD 176 million for 2014 and 2015, respectively,

Realised gains and losses

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

USD millions	2014	2015
Fixed income securities available-for-sale:		
Gross realised gains	602	611
Gross realised losses	–210	–270
Equity securities available-for-sale:		
Gross realised gains	564	262
Gross realised losses	–77	–51
Other-than-temporary impairments	–35	–51
Net realised investment gains/losses on trading securities	45	62
Change in net unrealised investment gains/losses on trading securities	120	–31
Net realised/unrealised gains/losses other investments	–314	116
Net realised/unrealised gains/losses on insurance-related activities	–360	99
Gain/loss related to sale of Aurora National Life Assurance Company	–247	9
Foreign exchange gains/losses	462	272
Net realised investment gains/losses – non-participating business	**550**	**1 028**

Investment result – unit-linked and with-profit business

The net investment result on unit-linked and with-profit business credited to policyholders amounted to gains of USD 75 million and USD 42 million for 2014 and 2015, respectively, mainly originating from gains/losses on equity securities.

Impairment on fixed income securities related to credit losses

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

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

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings was as follows:

USD millions	2014	**2015**
Balance as of 1 January	218	131
Credit losses for which an other-than-temporary impairment was not previously recognised	9	27
Reductions for securities sold during the period	–75	–22
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		7
Impact of increase in cash flows expected to be collected	–21	–10
Impact of foreign exchange movements		–4
Balance as of 31 December	131	**129**

Investments available-for-sale

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

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	9 994	904	–4		10 894
US Agency securitised products	2 989	46	–23		3 012
States of the United States and political subdivisions of the states	825	68	–2		891
United Kingdom	4 750	743	–1		5 492
Canada	2 619	621	–1		3 239
Germany	4 314	358	–29		4 643
France	2 654	311	–18		2 947
Other	7 014	320	–108		7 226
Total	35 159	3 371	–186		38 344
Corporate debt securities	20 489	1 335	–139	–2	21 683
Mortgage- and asset-backed securities	4 952	170	–20	–2	5 100
Fixed income securities available-for-sale	60 600	4 876	–345	–4	65 127
Equity securities available-for-sale	1 975	472	–51		2 396

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

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

Investments trading

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

USD millions	2014	2015
Debt securities issued by governments and government agencies	1 997	2 710
Corporate debt securities	60	52
Mortgage- and asset-backed securities	162	134
Fixed income securities trading – non-participating	2 219	**2 896**
Equity securities trading – non-participating	65	**68**

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked business consist of equity securities trading. As of 31 December 2014 and 2015, these amounted to USD 894 million and USD 818 million, respectively.

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2014 and 2015, USD 9 781 million and USD 10 893 million, respectively, of fixed income securities available-for-sale were callable.

		2014		2015
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	3 221	3 233	3 261	3 309
Due after one year through five years	13 972	14 327	14 508	14 695
Due after five years through ten years	13 843	14 562	13 039	13 364
Due after ten years	24 787	28 081	24 246	25 631
Mortgage- and asset-backed securities with no fixed maturity	4 777	4 924	4 083	4 135
Total fixed income securities available-for-sale	60 600	65 127	**59 137**	**61 134**

Assets pledged

As of 31 December 2015, investments with a carrying value of USD 5 844 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 8 377 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2014 and 2015, securities of USD 15 230 million and USD 13 605 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 951 million and USD 995 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 December 2015, a real estate portfolio with a carrying value of USD 224 million serves as collateral for short-term senior operational debt of USD 250 million.

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

As of 31 December 2014 and 2015, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 7 165 million and USD 10 732 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2014 and 2015 was USD 3 738 million and USD 6 125 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December was as follows:

2014 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - assets	4 420	–3 530	890	–188	702
Reverse repurchase agreements	3 254	–1 303	1 951	–1 951	0
Securities borrowing	87		87	–87	0
Total	7 761	–4 833	2 928	–2 226	702

2014 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - liabilities	–3 840	2 969	–871	141	–730
Repurchase agreements	–1 353	1 003	–350	350	0
Securities lending	–1 901	300	–1 601	1 475	–126
Total	–7 094	4 272	–2 822	1 966	–856

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

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

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

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

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

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

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

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2014 and 2015. As of 31 December 2014 and 2015, USD 39 million and USD 126 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 12 million and USD 34 million, respectively, to declines in value for more than 12 months.

2014 USD millions	Less than 12 months Fair value	Less than 12 months Unrealised losses	12 months or more Fair value	12 months or more Unrealised losses	Total Fair value	Total Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	1 501	3	63	1	1 564	4
US Agency securitised products	965	12	462	11	1 427	23
States of the United States and political subdivisions of the states	66	1	16	1	82	2
United Kingdom	53	1			53	1
Canada	254	1	2		256	1
Germany	816	26	67	3	883	29
France	308	17	15	1	323	18
Other	1 263	71	826	37	2 089	108
Total	5 226	132	1 451	54	6 677	186
Corporate debt securities	3 273	88	985	53	4 258	141
Mortgage- and asset-backed securities	1 356	11	276	11	1 632	22
Total	9 855	231	2 712	118	12 567	349

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

Mortgages, loans and real estate

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

USD millions	2014	2015
Policy loans	241	80
Mortgage loans	1 248	1 389
Other loans	2 419	2 363
Investment real estate	881	1 550

The fair value of the real estate as of 31 December 2014 and 2015 was USD 2 475 million and USD 3 205 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 26 million and USD 36 million for 2014 and 2015, respectively. Accumulated depreciation on investment real estate totalled USD 539 million and USD 504 million as of 31 December 2014 and 2015, respectively.

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

8 Fair value disclosures

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

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

Level 1 inputs are 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 (e.g. 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 (e.g. interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For 2015, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Other.

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

Valuation techniques

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

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

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. For both residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements, and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgements may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in valuation of CMBS include borrower-specific statistics in a specific region, such as debt service coverage and loan-to-value ratios, as well as the type of commercial property. Mortgage- and asset-backed securities also includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

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

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

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Substantially all of these investments are classified as level 3 due to the lack of observable prices and significant judgement required in valuation. Valuation of direct private equity investments requires significant management judgement due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in 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 judgements and assumptions).

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

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

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

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

Governance around level 3 fair valuation

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

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

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	10 974	55 984	388		67 346
Debt securities issued by US government and government agencies	10 974	1 419			12 393
US Agency securitised products		3 028			3 028
Debt securities issued by non-US governments and government agencies		24 920			24 920
Corporate debt securities		21 368	375		21 743
Mortgage- and asset-backed securities		5 249	13		5 262
Equity securities held for proprietary investment purposes	2 457		4		2 461
Equity securities backing unit-linked and with-profit business	894				894
Short-term investments held for proprietary investment purposes	4 484	6 036			10 520
Derivative financial instruments	40	3 843	537	–3 530	890
Interest rate contracts		2 625			2 625
Foreign exchange contracts		272			272
Equity contracts	40	889	396		1 325
Credit contracts		1			1
Other contracts		56	141		197
Other invested assets	907	562	1 289		2 758
Funds held by ceding companies[2]		273			273
Total assets at fair value	19 756	66 698	2 218	–3 530	85 142
Liabilities					
Derivative financial instruments	–13	–3 110	–717	2 969	–871
Interest rate contracts	–5	–2 117			–2 122
Foreign exchange contracts		–407			–407
Equity contracts	–8	–561	–130		–699
Credit contracts		–2	–10		–12
Other contracts		–23	–577		–600
Liabilities for life and health policy benefits			–187		–187
Accrued expenses and other liabilities	–1 035	–864	–1 559		–3 458
Total liabilities at fair value	–1 048	–3 974	–2 463	2 969	–4 516

[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.

[2] The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

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

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.
[2] The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

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

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

2014 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Accrued expenses and other liabilities	Total liabilities
Assets and liabilities									
Balance as of 1 January	619	11	505	1 791	2 926	–994	–145	–1 656	–2 795
Realised/unrealised gains/losses:									
Included in net income	1	2		125	128	302	–39		263
Included in other comprehensive income	7	–1		–29	–23				0
Purchases	10		44	76	130				0
Issuances			28		28	–91			–91
Sales	–21	–3	–58	–523	–605	97			97
Settlements	–227		–24	–2	–253	–31			–31
Transfers into level 3[1]			42	32	74				0
Transfers out of level 3[1]	–1	–4		–130	–135				0
Impact of foreign exchange movements		–1		–51	–52		–3	97	94
Closing balance as of 31 December	388	4	537	1 289	2 218	–717	–187	–1 559	–2 463

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

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

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

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

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

USD millions	2014	**2015**
Gains/losses included in net income for the period	391	216
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	90	47

Quantitative information about level 3 fair value measurements

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

USD millions	2014 Fair value	**2015 Fair value**	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	375	**325**			
Private placement corporate debt	304	241	Corporate Spread Matrix	Illiquidity premium	5 bps–186 bps (49 bps)
Private placement credit tenant leases	71	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (132 bps)
Infrastructure loan		32	Discounted Cash Flow Model	Valuation spread	176 bps (n.a.)
Derivative equity contracts	396	**334**			
OTC equity option referencing correlated equity indices	396	334	Proprietary Option Model	Correlation	–60%–100% (20%)[1]
Liabilities					
Derivative equity contracts	–130	**–38**			
OTC equity option referencing correlated equity indices	–46	–38	Proprietary Option Model	Correlation	–60%–100% (20%)[1]
Other derivative contracts and liabilities for life and health policy benefits	–764	**–605**			
Variable annuity and fair valued GMDB contracts	–639	–567	Discounted Cash Flow Model	Risk margin	4% (n.a.)
				Volatility	4%–42%
				Lapse	0.5%–33%
				Mortality adjustment	–10%–0%
				Withdrawal rate	0%–90%

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

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

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

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

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December, respectively, were as follows:

USD millions	2014 Fair value	2015 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	657	550	103	non-redeemable	n.a.
Hedge funds	344	135		redeemable[1]	45-95 days[2]
Private equity direct	33	31		non-redeemable	n.a.
Real estate funds	203	203	57	non-redeemable	n.a.
Total	1 237	**919**	**160**		

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

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

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

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

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

Fair value option

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

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

Other invested assets

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

Funds held by ceding companies

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

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December were as follows:

USD millions	2014	2015
Assets		
Other invested assets	7 353	7 861
of which at fair value pursuant to the fair value option	50	92
Funds held by ceding companies	12 173	10 668
of which at fair value pursuant to the fair value option[1]	273	245
Liabilities		
Liabilities for life and health policy benefits	–19 284	–16 779
of which at fair value pursuant to the fair value option	–187	–165

[1] The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

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

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the years ended 31 December were as follows:

USD millions	2014	2015
Other invested assets	2	4
Funds held by ceding companies[1]	1	7
Liabilities for life and health policy benefits	–41	21
Total	–38	**32**

[1] The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

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

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

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

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		241	241
Mortgage loans		1 248	1 248
Other loans		2 419	2 419
Investment real estate		2 475	2 475
Total assets	0	6 383	6 383
Liabilities			
Debt	–9 441	–8 694	–18 135
Total liabilities	–9 441	–8 694	–18 135

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

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. Some of these positions need to be assessed in conjunction with the corresponding insurance business. Considering these circumstances, the Group presents the carrying amount as an approximation for the fair value.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

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

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9 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

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

2014 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	83 942	2 625	–2 122	503
Foreign exchange contracts	12 924	223	–400	–177
Equity contracts	20 173	1 325	–699	626
Credit contracts	450	1	–12	–11
Other contracts	21 491	197	–600	–403
Total	139 980	4 371	–3 833	538
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 770	49	–7	42
Total	2 770	49	–7	42
Total derivative financial instruments	141 750	4 420	–3 840	580
Amount offset				
Where a right of set-off exists		–2 554	2 554	
Due to cash collateral		–976	415	
Total net amount of derivative financial instruments		890	–871	19

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

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 2014 and 2015.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2014	2015
Derivatives not designated as hedging instruments		
Interest rate contracts	–207	68
Foreign exchange contracts	49	433
Equity contracts	–172	–191
Credit contracts	9	–5
Other contracts	–358	212
Total gain/loss recognised in income	–679	**517**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2014 and 2015, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

		2014		2015
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	122	–120	119	–119
Total gain/loss recognised in income	122	–120	**119**	**–119**

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2014 and 2015, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 525 million and a gain of USD 1 075 million, respectively, in shareholder's equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2014 and 2015 was approximately USD 1 866 million and USD 1 590 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 112 million and USD 51 million as of 31 December 2014 and 2015, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 6 million and nil as of 31 December 2014 and 2015, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 51 million additional collateral would have had to be posted as of 31 December 2015. The total equals the amount needed to settle the instruments immediately as of 31 December 2015.

10 Disposals

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). Aurora primarily consists of bonds and policyholder liabilities. An expected pre-tax loss of USD 247 million (including the impact of net unrealised gains and shadow loss reserve that will be reclassified from equity into the income statement) on the disposition of the net assets was recognised in the fourth quarter of 2014.

In the second quarter of 2015, the Group completed the sale following the receipt of all necessary regulatory approvals. The purchase price included a cash payment of USD 184 million. The Group adjusted the initial loss on the transaction by a pre-tax gain of USD 9 million on a year to date basis. The gain was reflected in the "Net realised investment gains / losses – non-participating" in the income statement of the "Other" segment.

The major classes of assets and liabilities held for sale as of 31 December 2014 and disposed in the second quarter of 2015 were as follows:

USD millions	2014	**2015**
Assets		
Fixed income securities available-for-sale	3 456	3 496
Policy loans, mortgages and other loans	157	154
Short-term investments	6	1
Cash and cash equivalents	23	19
Accrued investment income	37	33
Premiums and other receivables	6	9
Reinsurance recoverable on unpaid claims and policy benefits	7	8
Other assets	1	1
Total assets	3 693	**3 721**
Liabilities		
Unpaid claims and claim adjustment expenses	15	22
Liabilities for life and health policy benefits	1 494	1 479
Policyholder account balances	1 151	1 130
Accrued expenses and other liabilities	292	315
Total liabilities	2 952	**2 946**

11 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. For subordinated debt positions, maturity is defined as the first optional redemption date (notwithstanding that optional redemption could be subject to regulatory consent). Interest expense is classified accordingly.

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

USD millions	2014	2015
Senior financial debt	3 925	2 285
Senior operational debt	1 034	751
Subordinated financial debt		1 069
Short-term debt – financial and operational debt	4 959	**4 105**
Senior financial debt	2 659	2 880
Senior operational debt	713	467
Subordinated financial debt	4 990	3 607
Subordinated operational debt	2 903	2 720
Long-term debt – financial and operational debt	11 265	**9 674**
Total carrying value	16 224	**13 779**
Total fair value	18 135	**15 327**

Maturity of long-term debt

As of 31 December, long-term debt as reported above had the following maturities:

USD millions	2014	2015
Due in 2016	1 984	0[1]
Due in 2017	1 215	1 143
Due in 2018	0	0
Due in 2019	1 922	1 855
Due in 2020	212	204
Due after 2020	5 932	6 472
Total carrying value	11 265	**9 674**

[1] Balance was reclassified to short-term debt.

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2017	EMTN	2011	CHF	600	2.13%	599
2019	Senior notes[1]	1999	USD	234	6.45%	263
2022	Senior notes	2012	USD	250	2.88%	248
2024	EMTN	2014	CHF	250	1.00%	248
2026	Senior notes[1]	1996	USD	397	7.00%	508
2027	EMTN	2015	CHF	250	0.75%	251
2030	Senior notes[1]	2000	USD	193	7.75%	274
2042	Senior notes	2012	USD	500	4.25%	489
Various	Payment undertaking agreements	various	USD	383	various	467
Total senior long-term debt as of 31 December 2015						**3 347**
Total senior long-term debt as of 31 December 2014						3 372

[1] Assumed in the acquisition of GE Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	First call in	Book value in USD millions
2024	Subordinated contingent write-off loan note	2013	USD	750	6.38%	2019	813
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	537
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	204
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 845	4.87%		2 720
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	736
	Subordinated perpetual loan note	2007	AUD	300	7.64%	2017	218
	Subordinated perpetual loan note	2007	AUD	450	6 months BBSW+1.17%	2017	327
	Perpetual subordinated fixed-to-floating rate callable loan note	2015	EUR	750	2.60%	2025	772
Total subordinated long-term debt as of 31 December 2015							**6 327**
Total subordinated long-term debt as of 31 December 2014							7 893

Interest expense on long-term debt and contingent capital instruments

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

USD millions	2014	2015
Senior financial debt	110	104
Senior operational debt	16	13
Subordinated financial debt	293	213
Subordinated operational debt	231	137
Total	650	**467**

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 69 million and USD 68 million for the years ended 31 December 2014 and 2015, respectively.

Long-term debt issued in 2015

In January 2015, SRZ issued senior notes due 2027. The notes have a face value of CHF 250 million, with a fixed coupon of 0.75% per annum.

In April 2015, SRZ issued EUR 750 million face amount of perpetual subordinated fixed-to-floating rate callable loan notes with a first optional redemption date on 1 September 2025. The notes bear interest through the first optional redemption date at 2.60% per annum. The notes were issued in connection with a concurrent exchange of part of the EUR 1 billion 5.252% Perpetual Subordinated Step-Up Loan Notes issued by SRZ.

Contingent capital instruments

In February 2012, SRZ issued a perpetual subordinated instrument with stock settlement. The instrument has a face value of CHF 320 million, with a fixed coupon of 7.25% per annum until the first optional redemption date (1 September 2017).

In March 2012, SRZ issued a perpetual subordinated capital instrument with stock settlement. The instrument has a face value of USD 750 million, with a fixed coupon of 8.25% per annum until the first optional redemption date (1 September 2018).

Both instruments may be converted, at the option of the issuer, into Swiss Re Ltd shares at any time through at market conversion using the retrospective five-day volume weighted average share price with a 3% discount or within six months following a solvency event at a pre-set floor price (CHF 26 for the instrument with face value of CHF 320 million and USD 32 for the instrument with face value of USD 750 million, respectively). These instruments are referred to in these financial statements as "contingent capital instruments".

12 Income taxes

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

USD millions	2014	2015
Current taxes	1 002	317
Deferred taxes	–607	207
Income tax expense	395	**524**

Tax rate reconciliation

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

USD millions	2014	2015
Income tax at the Swiss statutory tax rate of 21.0%	706	913
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	77	265
Impact of foreign exchange movements	–176	–182
Tax exempt income/dividends received deduction	–55	–52
Change in valuation allowance	–28	–26
Basis differences in subsidiaries	14	–315
Change in liability for unrecognised tax benefits including interest and penalties	–197	–97
Other, net	54	18
Total	395	**524**

The Group reported a tax charge of USD 524 million on a pre-tax income of USD 4 349 million for 2015, compared to a charge of USD 395 million on a pre-tax income of USD 3 361 million for 2014. This translates into an effective tax rate in the current and prior year reporting periods of 12.0% and 11.8%, respectively. The higher tax rate in 2015 was largely driven by tax on profits earned in higher tax jurisdictions, tax benefit arising from a local statutory adjustment for the restructuring of subsidiaries and higher tax benefits from foreign currency translation differences between statutory and GAAP accounts.

Deferred and other non-current taxes

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

USD millions	2014	2015
Deferred tax assets		
Income accrued/deferred	247	265
Technical provisions	583	665
Pension provisions	257	309
Benefit on loss carryforwards	3 517	3 072
Currency translation adjustments	367	321
Other	898	1 225
Gross deferred tax asset	5 869	5 857
Valuation allowance	–639	–553
Unrecognised tax benefits offsetting benefits on loss carryforwards	–24	–35
Total deferred tax assets	5 206	**5 269**
Deferred tax liabilities		
Present value of future profits	–277	–214
Income accrued/deferred	–877	–894
Bond amortisation	–370	–638
Deferred acquisition costs	–694	–868
Technical provisions	–2 545	–2 351
Unrealised gains on investments	–1 188	–496
Untaxed realised gains	–238	–94
Foreign exchange provisions	–185	–269
Other	–492	–579
Total deferred tax liabilities	–6 866	**–6 403**
Liability for unrecognised tax benefits including interest and penalties	–624	–368
Total deferred and other non-current tax liabilities	–7 490	**–6 771**
Net deferred and other non-current taxes	–2 284	**–1 502**

As of 31 December 2015, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 3.9 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2015, the Group had USD 9 223 million net operating tax loss carryforwards, expiring as follows: USD 26 million in 2018, USD 47 million in 2019, USD 12 million in 2020, USD 8 084 million in 2021 and beyond, and USD 1 054 million never expire.

The Group also had capital loss carryforwards of USD 72 million, expiring 2020.

Net operating tax losses of USD 1 388 million and net capital tax losses of USD 92 million were utilised during the period ended 31 December 2015.

Income taxes paid in 2014 and 2015 were USD 444 million and USD 981 million, respectively.

Unrecognised tax benefits

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

USD millions	2014	2015
Balance as of 1 January	952	536
Additions based on tax positions related to the current year	22	34
Additions for tax positions related to the prior years	49	113
Reductions for tax positions of current year	–137	
Reductions for tax positions of prior years	–215	–233
Settlements	–84	–97
Other (including foreign currency translation)	–51	–22
Balance as of 31 December	536	**331**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 497 million and USD 327 million at 31 December 2014 and 2015, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense in 2015 was USD 40 million (USD 19 million in 2014). As of 31 December 2014 and 2015, USD 112 million and USD 72 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2015 is included within the deferred and other non-current taxes section reflected above and in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2015 presented in the table above excludes accrued interest and penalties (USD 72 million).

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

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

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

Australia	2010 - 2015
Belgium	2013 - 2015
Brazil	2011 - 2015
Canada	2011 - 2015
China	2005 - 2015
Columbia	2013 - 2015
Denmark	2011 - 2015
France	2008 - 2009, 2012 - 2015
Germany	2007 - 2015
Hong Kong	2009 - 2015
India	2005 - 2015
Ireland	2011 - 2015
Israel	2008 - 2015
Italy	2012 - 2015
Japan	2012 - 2015
Korea	2013 - 2015
Luxembourg	2011 - 2015
Malaysia	2013 - 2015
Mexico	2010 - 2015
Netherlands	2011 - 2015
New Zealand	2009 - 2015
Singapore	2011 - 2015
Slovakia	2011 - 2015
South Africa	2011 - 2015
Spain	2011 - 2015
Switzerland	2013 - 2015
United Kingdom	2008, 2011 - 2015
United States	2009 - 2015

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13 Benefit plans

Defined benefit pension plans and post-retirement benefits

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

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

The measurement date of these plans is 31 December for each year presented.

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 530	1 805	341	5 676
Service cost	100	7	5	112
Interest cost	76	76	12	164
Amendments	–90			–90
Actuarial gains/losses	587	193	52	832
Benefits paid	–129	–60	–17	–206
Employee contribution	27			27
Acquisitions/disposals/additions		–4		–4
Effect of settlement, curtailment and termination	1	–24		–23
Effect of foreign currency translation	–418	–114	–22	–554
Benefit obligation as of 31 December	3 684	1 879	371	5 934
Fair value of plan assets as of 1 January	3 660	1 742	0	5 402
Actual return on plan assets	281	217		498
Company contribution	101	65	17	183
Benefits paid	–129	–60	–17	–206
Employee contribution	27			27
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1	–24		–23
Effect of foreign currency translation	–407	–117		–524
Fair value of plan assets as of 31 December	3 534	1 823	0	5 357
Funded status	–150	–56	–371	–577

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3684	1879	371	5934
Service cost	111	7	5	123
Interest cost	42	61	10	113
Amendments				0
Actuarial gains/losses	236	–49	–2	185
Benefits paid	–189	–60	–16	–265
Employee contribution	26			26
Acquisitions/disposals/additions		2		2
Effect of settlement, curtailment and termination	2			2
Effect of foreign currency translation	–36	–103	–5	–144
Benefit obligation as of 31 December	**3876**	**1737**	**363**	**5976**
Fair value of plan assets as of 1 January	3534	1823	0	5357
Actual return on plan assets	36	7		43
Company contribution	94	61	16	171
Benefits paid	–189	–60	–16	–265
Employee contribution	26			26
Acquisitions/disposals/additions		1		1
Effect of settlement, curtailment and termination	2			2
Effect of foreign currency translation	–25	–108		–133
Fair value of plan assets as of 31 December	**3478**	**1724**	**0**	**5202**
Funded status	**–398**	**–13**	**–363**	**–774**

Amounts recognised in „Other assets" and „Accrued expenses and other liabilities" in the Group's balance sheet as of 31 December were as follows:

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		185		185
Current liabilities		–3	–15	–18
Non-current liabilities	–150	–238	–356	–744
Net amount recognised	–150	–56	–371	–577

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		188		188
Current liabilities		–3	–15	–18
Non-current liabilities	–398	–198	–348	–944
Net amount recognised	**–398**	**–13**	**–363**	**–774**

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	897	323	–45	1 175
Prior service cost/credit	–87	1	–77	–163
Total	810	324	–122	1 012

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	1 134	303	–43	1 394
Prior service cost/credit	–78	1	–67	–144
Total	**1 056**	**304**	**–110**	**1 250**

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December were as follows:

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	100	7	5	112
Interest cost	76	76	12	164
Expected return on assets	–112	–84		–196
Amortisation of:				
Net gain/loss	43	19	–12	50
Prior service cost	–5	–3	–11	–19
Effect of settlement, curtailment and termination	1	–2		–1
Net periodic benefit cost	103	13	–6	110

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	111	7	5	123
Interest cost	42	61	10	113
Expected return on assets	–113	–71		–184
Amortisation of:				
Net gain/loss	76	17	–4	89
Prior service cost	–9		–10	–19
Effect of settlement, curtailment and termination	2			2
Net periodic benefit cost	**109**	**14**	**1**	**124**

Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	418	60	52	530
Prior service cost/credit	–90	–4		–94
Amortisation of:				
Net gain/loss	–43	–19	12	–50
Prior service cost	5	3	11	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		–19		–19
Total recognised in other comprehensive income, gross of tax	290	21	75	386
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	393	34	69	496

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	313	15	–2	326
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	–76	–17	4	–89
Prior service cost	9		10	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		–18		–18
Total recognised in other comprehensive income, gross of tax	**246**	**–20**	**12**	**238**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**355**	**–6**	**13**	**362**

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2016 are USD 85 million and USD 9 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2016 are USD 4 million and USD 9 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 5 469 million and USD 5 546 million as of 31 December 2014 and 2015, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2014	**2015**
Projected benefit obligation	4 769	4 881
Accumulated benefit obligation	4 720	4 840
Fair value of plan assets	4 379	4 282

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2014	**2015**	2014	**2015**	2014	**2015**
Assumptions used to determine obligations at the end of the year						
Discount rate	1.1%	0.8%	3.4%	3.6%	2.7%	2.7%
Rate of compensation increase	2.3%	2.0%	2.8%	2.8%	2.1%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	2.3%	1.1%	4.4%	3.4%	3.5%	2.7%
Expected long-term return on plan assets	3.3%	3.3%	5.1%	4.2%		
Rate of compensation increase	2.3%	2.3%	3.2%	2.8%	2.1%	2.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.0%	6.1%
Medical trend – ultimate rate					4.5%	4.6%
Year that the rate reaches the ultimate trend rate					2019	2020

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2015:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	–1
Effect on post-retirement benefit obligation	26	–22

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2014 and 2015 is as follows:

	Swiss plan allocation			Foreign plans allocation		
	2014	**2015**	**Target allocation**	2014	**2015**	**Target allocation**
Asset category						
Equity securities	28%	26%	25%	27%	22%	22%
Debt securities	46%	47%	47%	67%	71%	70%
Real estate	18%	21%	20%	0%	1%	1%
Other	8%	6%	8%	6%	6%	7%
Total	100%	**100%**	**100%**	100%	**100%**	**100%**

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re common stock of USD 6 million (0.1% of total plan assets) and USD 6 million (0.1 % of total plan assets) as of 31 December 2014 and 2015, respectively.

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value

For a description of the different fair value levels and valuation techniques see Note 8 "Fair value disclosures".

Certain items reported as pension plan assets at fair value in the table below are not within the scope of Note 8, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 8.

As of 31 December, the fair values of pension plan assets by level of input were as follows:

2014 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:				
Debt securities issued by the US government and government agencies	9	146		155
Debt securities issued by non-US governments and government agencies		864		864
Corporate debt securities		1 846		1 846
Residential mortgage-backed securities		22		22
Commercial mortgage-backed securities		2		2
Other asset-backed securities		1		1
Equity securities:				
Equity securities held for proprietary investment purposes	976	483		1 459
Derivative financial instruments	–3			–3
Real estate	53	11	578	642
Other assets	21	59	139	219
Total assets at fair value	1 056	3 434	717	5 207
Cash	146	4		150
Total plan assets	1 202	3 438	717	5 357

2015 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:				
Debt securities issued by the US government and government agencies	34	149		183
Debt securities issued by non-US governments and government agencies		775		775
Corporate debt securities		1 890		1 890
Residential mortgage-backed securities		16		16
Commercial mortgage-backed securities		1		1
Other asset-backed securities		4		4
Equity securities:				
Equity securities held for proprietary investment purposes	917	384		1 301
Derivative financial instruments	–9			–9
Real estate	129	9	596	734
Other assets	19	79	142	240
Total assets at fair value	**1 090**	**3 307**	**738**	**5 135**
Cash	71	–4		67
Total plan assets	**1 161**	**3 303**	**738**	**5 202**

Assets measured at fair value using significant unobservable inputs (Level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2014 USD millions	Real estate	Other assets	Total
Balance as of 1 January	631	132	763
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date		5	5
Relating to assets sold during the period		14	14
Purchases, issuances and settlements	13	–4	9
Impact of foreign exchange movements	–66	–8	–74
Closing balance as of 31 December	578	139	717

2015 USD millions	Real estate	Other assets	Total
Balance as of 1 January	578	139	717
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	10	–13	–3
Relating to assets sold during the period		17	17
Purchases, issuances and settlements	12	6	18
Impact of foreign exchange movements	–4	–7	–11
Closing balance as of 31 December	**596**	**142**	**738**

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2016 to the defined benefit pension plans are USD 150 million and to the post-retirement benefit plan are USD 16 million.

As of 31 December 2015, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2016	204	61	16	281
2017	197	65	16	278
2018	196	67	17	280
2019	195	70	18	283
2020	191	72	19	282
Years 2021–2025	905	385	104	1394

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2014 and in 2015 was USD 73 million and USD 70 million, respectively.

14 Share-based payments

Since 2012 compensation arrangements are part of Swiss Re Group arrangements. Compensation awards for the Group, including those granted prior to 2012, settle in shares of Swiss Re Ltd. Performance measures of the compensation awards are measured at the Swiss Re Group level.

As of 31 December 2014 and 2015, the Group had the share-based compensation plans described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 69 million and USD 56 million in 2014 and 2015, respectively. The related tax benefit was USD 15 million and USD 12 million, respectively.

Stock option plans

No options were granted under stock option plans from 2007 onwards. Options issued vest at the end of the fourth year and have a maximum life of ten years.

A summary of the activity of the Group's stock option plans for the year ended 31 December 2015 is as follows:

	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	84	100 000
Outstanding as of 31 December	**82**	**100 000**
Exercisable as of 31 December	**82**	**100 000**

The weighted remaining contractual life is 0.3 years and all stock options outstanding are also exercisable. The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model. The underlying strike price for the outstanding option series has been adjusted for the special dividend payout in 2013, 2014 and 2015.

Restricted shares

The Group granted 25 153 and 7 776 restricted shares to selected employees in 2014 and 2015, respectively. Moreover, as an alternative to the Group's cash bonus programme, 302 260 and 288 125 shares were delivered during 2014 and 2015, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2015 is as follows:

	Weighted average grant date fair value in CHF[1]	Number of shares
Non-vested at 1 January	73	578 836
Granted	87	295 901
Delivery of restricted shares	75	–343 719
Outstanding as of 31 December	**79**	**531 018**

[1] Equal to the market price of the shares on the date of grant.

Leadership Performance Plan

The Leadership Performance Plan (LPP) awards are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. For LPP 2014 and LPP 2015 awards an additional two-year holding period applies for all members of the Group EC and GMDs. At grant date the award is split equally into two underlying components - Restricted Share Units (RSUs) and Performance Share Units (PSUs). The RSUs are measured against a ROE performance condition and will vest within a range of 0–100%. The PSUs are based on relative total shareholder return, measured against a pre-defined group of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions included in the grant valuation are based on market estimates for dividends (and an additional special dividend of CHF 4.00 for the LPP 2013, a special dividend of CHF 4.15 for the LPP 2014, and a special dividend of CHF 3.00 for the LPP 2015 respectively) and the risk free rate based on the average of the 5-year US government bond rate taken monthly over each annual period in the performance period. This resulted in risk free rates between 1.0% and 3.1% for all LPP plans.

For the year ended 31 December 2015, the outstanding units were as follows:

RSUs	LPP 2012	LPP 2013	LPP 2014	LPP 2015
Non-vested at 1 January	439 870	334 650	359 620	
Granted				327 875
Forfeitures	–1 610	–4 790	–5 530	–3 185
Vested	–438 260			
Outstanding as of 31 December	**0**	**329 860**	**354 090**	**324 690**
Grant date fair value in CHF	**42.00**	**61.19**	**60.85**	**67.65**

PSUs				
Non-vested at 1 January	518 585	389 465	363 430	
Granted				361 590
Forfeitures	–1 900	–5 585	–5 590	–3 510
Vested	–516 685			
Outstanding as of 31 December	**0**	**383 880**	**357 840**	**358 080**
Grant date fair value in CHF	**35.60**	**52.59**	**60.21**	**61.37**

Unrecognised compensation costs
As of 31 December 2015, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 56 million and the weighted average period over which that cost is expected to be recognised is 1.8 years.

The number of shares authorised for the Group's share-based payments to employees was 3 930 229 and 3 554 592 as of 31 December 2014 and 2015, respectively. The Group's policy is to ensure that sufficient treasury shares are available at all times to settle future share-based compensation plans.

Employee Participation Plan
The Employee Participation Plan consists of a savings scheme lasting two or three years. Employees combine regular savings with the purchase of either actual or tracking options. The Group contributes to the employee savings over the period of the plan.

At maturity, either the employee receives shares or cash equal to the accumulated savings balance, or the employee may elect to exercise the options.

From 2013 onwards, the Employee Participation Plan was discontinued and no more options were issued. In 2014 and 2015, the Group contributed USD 8 million and USD 1 million, respectively.

Global Share Participation Plan
In June 2013, the Swiss Re Group introduced the Global Share Participation Plan, which is a share purchase plan that was rolled out globally for the benefit of employees of companies within the Swiss Re Group. The Group makes a financial contribution to participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re Ltd shares.

If the employee is still employed by the Group at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2014 and 2015, the Group contributed USD 7 million and USD 9 million to the plans and authorised 109 461 and 211 472 shares as of 31 December 2014 and 2015, respectively.

15 Related parties

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

2014 USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums earned	–158	272	32	146
Net investment income – non-participating business	40	14	11	65
Net realised investment income – non-participating business	–34		–63	–97
Other revenues	11	19		30
Total revenues	–141	305	–20	144
Claims and claim adjustment expenses	–32		–16	–48
Life and health benefits		–231		–231
Acquisition costs	27	–2	–13	12
Other expenses	462	20	–145	337
Interest expenses			–31	–31
Total expenses	457	–213	–205	39

2015 USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums earned	57	244		301
Net investment income – non-participating business	35		10	45
Net realised investment income – non-participating business	–16		–78	–94
Other revenues	13	11	1	25
Total revenues	**89**	**255**	**–67**	**277**
Claims and claim adjustment expenses	204			204
Life and health benefits		–240		–240
Return credited to policyholders		–2		–2
Acquisition costs	–6	–1		–7
Other expenses	472	17	–199	290
Interest expenses			–36	–36
Total expenses	**670**	**–226**	**–235**	**209**

2014 USD millions	Corporate Solutions	Admin Re®	Other	Total
Policy loans, mortgages and other loans			1 902	1 902
Other invested assets	32		29	61
Accrued investment income			4	4
Premiums and other receivables	115	24	11	150
Reinsurance recoverable on unpaid claims and policy benefits	486			486
Funds held by ceding companies	1 337	1		1 338
Deferred acquisition costs	4		7	11
Other assets	232	3	6	241
Total assets	2 206	28	1 959	4 193
Unpaid claims and claim adjustment expenses	5 835	6	31	5 872
Liabilities for life and health policy benefits		–22		–22
Unearned premiums	153		18	171
Funds held under reinsurance treaties	1		1	2
Reinsurance balances payable	222		6	228
Short-term debt			3 802	3 802
Accrued expenses and other liabilities	14	42	1 632	1 688
Total liabilities	6 225	26	5 490	11 741

2015 USD millions	Corporate Solutions	Admin Re®	Other	Total
Policy loans, mortgages and other loans			1 792	1 792
Other invested assets	22		24	46
Accrued investment income			4	4
Premiums and other receivables	102	14		116
Reinsurance recoverable on unpaid claims and policy benefits	390			390
Funds held by ceding companies	816			816
Deferred acquisition costs	5			5
Other assets	162	4	37	203
Total assets	**1 497**	**18**	**1 857**	**3 372**
Unpaid claims and claim adjustment expenses	4 730	4		4 734
Liabilities for life and health policy benefits		6		6
Policyholder account balances		133		133
Unearned premiums	131			131
Funds held under reinsurance treaties	1			1
Reinsurance balances payable	215			215
Short-term debt			2 787	2 787
Accrued expenses and other liabilities	17	61	1 531	1 609
Total liabilities	**5 094**	**204**	**4 318**	**9 616**

Issued in	Instrument	Maturity	Currency	Nominal in millions	Interest rate	Book value in USD millions
2005	Senior loan	2028	GBP	100	1 month LIBOR	147
2008	Senior loan	2028	GBP	240	4.98%	355
2015	Senior loan	2016	USD	2 285	3 month LIBOR +0.30%	2 285
Total short-term debt as of 31 December 2015						**2 787**

As of 31 December 2014 and 2015, the Group's investment in mortgages and other loans included USD 285 million and USD 287 million, respectively, of loans due from employees, and USD 210 million and USD 196 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

In November 2015, SRZ entered into a subordinated funding facility with its parent company Swiss Re Ltd under which SRZ has the right, among others, to issue subordinated notes to Swiss Re Ltd of up to USD 700 million at any time before August 2030. For its various rights, SRZ owes Swiss Re Ltd an unconditional fixed commitment fee, payable in annual installments calculated as 5.80% on the total facility amount. Annually, SRZ receives a partial reimbursement of the commitment fee equal to 2.22% per annum on the undrawn facility amount. As of 31 December 2015, the facility was undrawn.

16 Commitments and contingent liabilities

Leasing commitments

As part of its normal business operations, the Group enters into a number of lease agreements. As of 31 December, such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

USD millions	2015
2016	87
2017	81
2018	64
2019	47
2020	42
After 2020	257
Total operating lease commitments	**578**
Less minimum non-cancellable sublease rentals	30
Total net future minimum lease commitments	**548**

The following schedule shows the composition of total rental expenses for all operating leases as of 31 December (except those with terms of a month or less that were not renewed):

USD millions	2014	2015
Minimum rentals	68	62
Sublease rental income	0	0
Total	68	**62**

Other commitments

As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to 10 years. The total commitments remaining uncalled as of
31 December 2015 were USD 1 342 million.

The Group enters into a number of contracts in the ordinary course of reinsurance and financial services business which, if the Group's credit rating and/or defined statutory measures decline to certain levels, would require the Group to post collateral or obtain guarantees. The contracts typically provide alternatives for recapture of the associated business.

Legal proceedings

In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position or results of operations.

17 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 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.

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 from a sponsor through insurance or derivative contracts. In credit-linked securitisations, the securitisation vehicle assumes the credit risk from a sponsor 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,in which case maximum loss equals to the Group's investment balance.

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.

Life and health funding vehicles
The Group participates in certain structured transactions that retrocede longevity and mortality risks to captive reinsurers with an aim to provide regulatory capital credit to a transaction sponsor through creation of funding notes by a funding vehicle which is generally considered a VIE. The Group's participation in these transactions is generally limited to providing contingent funding support via a financial contract to a funding vehicle, which represents a potentially significant variable interest. The Group does not have power to direct activities of the funding vehicles and therefore is not a primary beneficiary of the funding vehicles in these transactions. The Group's maximum exposure in these transactions equals either the total contract notional or funding notes issued by the vehicle, depending on the specific contractual arrangements.

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, it does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts. These activities are in run-off.

Debt financing vehicles
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 primarily of investment-grade securities, but also structured products, hedge fund units and derivatives.

The Group consolidates a debt financing vehicle as it has power over the investment management in the vehicle, 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.

Investment vehicles
Investment vehicles are private equity limited partnerships, in which the Group is invested as part of its investment strategy. Typically, the Group's variable interests arise through limited partner ownership interests in the vehicles. The Group does not own the general partners of the limited partnerships, and does not have any significant kick-out or participating rights. Therefore the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the vehicles decrease. The maximum exposure to loss equals the carrying amount of the ownership interest.

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.

The Group did not provide financial or other support to any VIEs during 2015 that it was not previously contractually required to provide.

Consolidated VIEs

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

USD millions	2014 Carrying value	2014 Whereof restricted	2015 Carrying value	2015 Whereof restricted
Fixed income securities available-for-sale	4 200	4 200	3 876	3 876
Short-term investments	95	95	88	88
Other invested assets	16		26	
Cash and cash equivalents	25	25	147	147
Accrued investment income	38	38	42	42
Premiums and other receivables			34	34
Deferred acquisition costs			9	9
Deferred tax assets	19	19	38	38
Other assets	16		8	
Total assets	4 409	4 377	**4 268**	**4 234**

	Carrying value	Whereof limited recourse	Carrying value	Whereof limited recourse
Unpaid claims and claim adjustment expenses			53	53
Unearned premiums			26	26
Reinsurance balances payable			2	2
Deferred and other non-current tax liabilities	177	177	96	96
Accrued expenses and other liabilities	7	7	17	17
Long-term debt	2 903	2 903	2 720	2 720
Total liabilities	3 087	3 087	**2 914**	**2 914**

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2014	2015
Fixed income securities available-for-sale	69	52
Policy loans, mortgages and other loans	84	1
Other invested assets	880	918
Total assets	1 033	**971**
Accrued expenses and other liabilities	167	45
Total liabilities	167	**45**

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

	2014				2015			
USD millions	Total assets	Total liabilities	Maximum exposure to loss[1]	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss[1]	Difference between exposure and liabilities
Insurance-linked/credit-linked securitisations	70		68	68	52		52	52
Life and health funding vehicles			1 683	1 683	2	1	1 777	1 776
Swaps in trusts	35	82	–[2]	–	146	44	–[2]	–
Investment vehicles	845		845	845	771		773	773
Other	83	85	883	798				
Total	1 033	167	–[2]	–	**971**	**45**	**–[2]**	**–**

[1]Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.
[2]The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

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

18 Restructuring provision

In 2015, the Group set up a provision of USD 12 million for restructuring costs, and released USD 2 million.

The increase of the provision in the Property & Casualty Reinsurance business segment of USD 11 million is mostly related to leaving benefits.

Changes in restructuring provisions are disclosed in the "Other expenses" line in the Group's income statement.

For the years ended 31 December, restructuring provision developed as follows:

2014 USD millions	Property & Casualty Reinsurance	Other	Total
Balance as of 1 January	64	0	64
Increase in provision	16		16
Release of provision	–3		–3
Costs incurred	–15		–15
Effect of foreign currency translation	–5		–5
Balance as of 31 December	57	0	57

2015 USD millions	Property & Casualty Reinsurance	Other	Total
Balance as of 1 January	57	0	57
Increase in provision	11	1	12
Release of provision	–2		–2
Costs incurred	–28	–1	–29
Effect of foreign currency translation	–3		–3
Balance as of 31 December	**35**	**0**	**35**

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Reinsurance Company Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Reinsurance Company Ltd and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of 31 December 2015, and the related consolidated income statement, statement of comprehensive income, statement of shareholder's equity, statement of cash flow and notes (pages 2 to 87) for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

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

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd

Alex Finn Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 15 March 2016

Annual Report
Swiss Reinsurance Company Ltd

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

Reinsurance and sub-holding company

Swiss Reinsurance Company Ltd (the Company), domiciled in Zurich, Switzerland, performs a dual role within the Swiss Re Group as both a reinsurance company and a sub-holding company for the Reinsurance Business Unit. The Company is a wholly-owned subsidiary of Swiss Re Ltd, the ultimate parent company, domiciled in Zurich, Switzerland. In 2015, the Company employed a worldwide staff at an average of 4 018 full time equivalents.

Financial year 2015

Net income for 2015 amounted to CHF 6 432 million, compared to CHF 1 666 million in the prior year. The financial year was impacted by an ongoing internal realignment of the legal entity structure of the Reinsurance Business Unit to strengthen its regional footprint. As a consequence, the Company sold its subsidiary European Reinsurance Company of Zurich Ltd and contributed its subsidiaries, Swiss Re America Holding Corporation and Swiss Re Europe Holdings S.A., to a newly established subsidiary Swiss Re Reinsurance Holding Company Ltd. The sale generated a one-off realised gain of CHF 6 383 million, which was partly offset by a value adjustment on the investment in Swiss Re America Holding Corporation of CHF 1 821 million prior to its contribution to Swiss Re Reinsurance Holding Company Ltd.

The Life & Health Reinsurance result improved from a loss in the prior year of CHF 390 million to a gain of CHF 481 million in 2015. The improvement reflected primarily the gain from the recapture of pre-2004 US individual life business by Swiss Re Life & Health America Inc. The Property & Casualty Reinsurance result decreased from CHF 1 753 million to CHF 1 153 million in the current year, despite benign natural catastrophe losses in both years. The prior year benefited from reserve releases that were not repeated in 2015.

Reinsurance result
Reinsurance result amounted to CHF 1 634 million in 2015, compared to CHF 1 363 million in 2014.

Premiums earned increased from CHF 10 311 million in 2014 to CHF 12 568 million in 2015. Excluding the effect of foreign exchange movements, total premiums earned amounted to CHF 12 684 million in 2015.

Property and casualty premiums earned increased from CHF 6 793 million in 2014 to CHF 7 712 million in 2015. The increase was driven by renewed business previously written on Swiss Reinsurance America Corporation.

Life and health premiums earned increased from CHF 3 518 million in 2014 to CHF 4 856 million in 2015. Prior to the accounting policy change for life and health portfolio transfers in 2015, as disclosed in the significant accounting principles, the consideration for the assumption or release of the liability for life and health policy benefits was accounted as premiums written. Applying the new accounting policy in 2014, life and health premiums earned would have amounted to CHF 4 775 million.

Thus, the reported increase in the income statement resulted from non-recurring portfolio transfers in 2014, namely the novation of business to an affiliated company and management actions related to the pre-2004 US individual life business. This was partly offset by a portfolio entry related to a quota share increase of business assumed from an affiliated company.

Other reinsurance revenues of CHF 1 209 million included primarily the gain from the recapture of pre-2004 US individual life business by Swiss Re Life & Health America Inc. and income from funds held by ceding companies related to life and health business.

Claims paid and claim adjustment expenses net and change in unpaid claims net increased from CHF 7 564 million in 2014 to CHF 9 442 million in 2015. Excluding the effect of foreign exchange movements, total claims paid and claim adjustment expenses net and change in unpaid claims net amounted to CHF 9 370 million in 2015.

Property and casualty claims paid and claim adjustment expenses net and change in unpaid claims net increased from CHF 3 166 million in 2014 to CHF 4 046 million in 2015, mainly driven by the renewed business previously written on Swiss Re America Corporation.

Life and health claims paid and claim adjustment expenses net and change in unpaid claims net increased by CHF 998 million to CHF 5 396 million in 2015. The increase was mainly driven by the recapture of pre-2004 US individual life business in 2015, reflecting a payable to Swiss Re Life & Health America Inc. This impact was offset by the effect in life and health benefits net, due to the reserve release.

Positive life and health benefits net of CHF 1 647 million were driven by the reserve release related to the recapture of the pre-2004 US individual life business by Swiss Re Life & Health America Inc. The prior year included the reserve release related to a novation of business to an affiliated company, partly offset by a non-recurring portfolio transfer, combined with higher volume retroceded from an affiliated company.

The Company further strengthened its reserves by increasing the equalisation provision by CHF 344 million.

Acquisition costs net increased from CHF 2 282 million to CHF 3 026 million in 2015, mainly related to volume increase of property and casualty business.

Investment result
Investment result amounted to CHF 5 833 million in 2015, compared to CHF 1 485 million in 2014.

The increase reflected the realised gain on the sale of the subsidiary European Reinsurance Company of Zurich Ltd of CHF 6 383 million.

In contrast, the year under review showed higher investment expenses, mostly driven by the value adjustment on the investment in Swiss Re America Holding Corporation of CHF 1 821 million and higher value adjustments on fixed income securities CHF 112 million.

Assets
Total assets increased by 3% to CHF 90 263 million as of 31 December 2015, compared to the prior year. Excluding the effect of foreign exchange movements, total assets amounted to CHF 92 782 million as of 31 December 2015.

Total investments increased by CHF 1 054 million to CHF 51 507 million as of 31 December 2015. The increase was mainly driven by the issuance of a loan to Swiss Re Reinsurance Holding Company Ltd of CHF 6 727 million, to fund the purchase of the subsidiary European Reinsurance Company of Zurich Ltd, partly offset by net repayments of intragroup loan assets of CHF 1 475 million. Thereof CHF 789 million was related to a cashless hybrid subordinated loan repayment against the current account payable with the same subsidiary. Further, investments in subsidiaries and affiliated companies decreased net by CHF 2 054 million, mostly as a result of the value adjustment on the investment in Swiss Re America Holding Corporation of CHF 1 821 million prior to its contribution to Swiss Re Reinsurance Holding Company Ltd. In addition, the decrease in short-term investments was mainly related to the funding of the partial repayment of credit facility drawdowns of CHF 963 million from and the dividend payment in cash to its parent company Swiss Re Ltd.

Funds held by ceding companies decreased by CHF 1 383 million to CHF 13 639 million, mainly driven by the commutation of two large property and casualty treaties.

Reinsurance recoverable on technical provisions retroceded decreased from CHF 8 871 million to CHF 7 996 million. This was driven by lower retroceded property and casualty business from the Company's branches in Japan and Australia as well as higher retained business as a result of the 2012 expiry of a large retrocession treaty.

The increase in other assets by CHF 3 464 million to CHF 5 715 million mainly reflected higher receivables from securities lending collateral and reverse repurchase transactions.

Liabilities
Total liabilities decreased by 1% to CHF 76 003 million as of 31 December 2015. Excluding the effect of foreign exchange movements, total liabilities amounted to CHF 79 084 million as of 31 December 2015. Technical provisions gross decreased by CHF 1 272 million to CHF 50 626 million as of 31 December 2015, mostly due to the strengthening of the Swiss francs against most major currencies, in particular Australian dollar, Great Britain pound and the Euro.

Excluding the foreign exchange movements, unpaid claims gross increased by CHF 853 million, mainly due to the acquisition of a casualty run-off portfolio in the United Kingdom and the renewed business previously written on Swiss Re America Corporation. This impact was partly offset by the commutation of a large treaty and favourable claims development in affiliated companies. Liabilities for life and health policy benefits gross decreased by CHF 1 735 million, mainly due to the reserve release related to the recapture of pre-2004 US individual life business by Swiss Re Life & Health America Inc.

In addition, the equalisation provision was increased by CHF 344 million in 2015.

The decrease in debt from CHF 5 127 million as of 31 December 2014 to CHF 3 888 million as of 31 December 2015 was driven by a partial repayment of credit facility drawdowns from the parent company of CHF 963 million.

Funds held under reinsurance treaties decreased by CHF 998 million, due to the strengthening of the Swiss francs against major currencies, in particular Canadian dollar. Excluding the effect of foreign exchange movement, funds held under reinsurance treaties decreased by CHF 353 million. This reflected mainly the novation of life and health business to an affiliated company.

Other liabilities increased net by CHF 2 123 million to CHF 5 369 million as of 31 December 2015, mainly based on higher intragroup payables under securities lending agreements and securities sold under agreement to repurchase. This was partly offset by a net decrease in an intragroup current account payable of CHF 649 million, mostly driven by the cashless hybrid subordinated loan repayment of CHF 789 million with the same intragroup company.

Shareholder's equity
Shareholder's equity increased from CHF 10 707 million as of 31 December 2014 to CHF 14 260 million as of 31 December 2015.

The increase reflected the net income for the financial year 2015 of CHF 6 432 million, partly offset by the dividend payment in cash of CHF 2 879 million to its parent company Swiss Re Ltd.

Future prospects and business development

Structural changes

New legal entity structure in the Reinsurance Business Unit

Over the coming years, the Reinsurance Business Unit intends to continue to align its legal entity structure to its regional footprint and further strengthen its presence in Asia. As a further step and following the legal entity restructuring in 2015, European Reinsurance Company of Zurich Ltd will novate its European business to the Company effective as of 1 January 2016, resulting in a one-off increase in the Company's assets and liabilities of approximatively CHF 8 billion.

Transfer of employees and carve-out of Swiss Re Management Ltd

The Company established in 2015 the subsidiary Swiss Re Management Ltd. Swiss Re Management Ltd and its subsidiaries and branches serve as the employing company for Swiss Re's Group Functions employees located in Switzerland, the United Kingdom, India, Slovakia and the United States. The Swiss Re Management Ltd group will be transferred to the parent company Swiss Re Ltd by way of distribution of an ordinary dividend in-kind for the financial year 2015.

The creation of Swiss Re Management Ltd and the establishment of a separate holding company structure for Swiss Re's Group Functions employees is part of Swiss Re's efforts to align its legal entity structure to the Swiss Re Group's operating model launched in 2012. It corresponds to best practice corporate governance and is intended to foster transparency and accountability.

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

Macroeconomic environment

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

Property and Casualty business

Market environment

The reinsurance industry experienced in 2015 a fourth year of solid underwriting results, which benefited from reserve releases and below average natural catastrophe losses. However, reinsurance prices in property have been softening since mid-2013 and this trend has recently spilled over into other lines of business. In general, rates in casualty have been more stable than in property. Premium growth in the non-life reinsurance sector is expected to weaken in 2016 and 2017.

Strategy and priorities

The Company is committed to deliver long-term profitability and economic growth, in spite of a continued challenging property and casualty environment. Growth aspirations are focused on selected areas, with dedicated strategic initiatives in place, such as high-growth markets, casualty, regional and national clients and transactional growth. Additionally, differentiation continues to be key, through financial strength, client interaction model and a knowledge company approach.

January renewals

Similarly to the past several years, the January renewals in 2016 were completed under soft market conditions, characterised by abundant capacity and continued price erosion on most lines of business, especially in property. The Company has accomplished significant successes locally, due to active differentiation in new business and completion of new large transactions.

Life and Health Business

Market environment

Premiums in traditional life reinsurance globally are expected to increase only marginally over the next two years. Life reinsurers are likely to continue to seek non-traditional or less-developed areas of growth. In the next few years, many primary insurers might look for solutions to manage the capital strain that the macroeconomic environment and changes in regulation will inflict, creating potential new opportunities for reinsurers. Additionally, life reinsurers are increasingly developing solutions to take longevity risk from primary firms with annuity business, and from private and public pension plans.

Strategy and priorities

The Company remains focused on profitable growth, notably through the development of its health business and its business in high-growth markets. Following the current market trends towards non-traditional products, the Company continues to develop tailor-made solutions while remaining focused on traditional mortality business.

Investments

Strategy and priorities

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

Outlook

In terms of economic outlook, the Company's baseline assumptions remain for the moderate global growth environment to continue in 2016, led by the US economy. The cyclical Eurozone recovery is also expected to carry on, but remain modest and uneven. Meanwhile, growth in China is set to slow further in 2016 amid the country's difficult transition to a more consumer-driven economy.

Regarding the investment outlook for 2016, government bond yields are forecast to rise moderately. The preference remains for high-quality corporate credit, while maintaining a neutral outlook for equities in the longer-term. Due to the various downside risks, asset price volatility is expected to be elevated in 2016.

Risk assessment

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

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

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

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

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

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

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

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

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

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

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

Income statement
Swiss Reinsurance Company Ltd

For the years ended 31 December

Income statement

CHF millions	Note	2014	2015
Reinsurance			
Premiums written gross		*15 608*	***17 448***
Premiums written retroceded		*–4 675*	***–4 403***
Premiums written net		10 933	**13 045**
Change in unearned premiums gross		*–288*	***–518***
Change in unearned premiums retroceded		*–334*	***41***
Change in unearned premiums net		–622	**–477**
Premiums earned		10 311	**12 568**
Other reinsurance revenues		923	**1 209**
Allocated investment return		387	**324**
Total revenues from reinsurance business		11 621	**14 101**
Claims paid and claim adjustment expenses gross		*–10 252*	***–11 244***
Claims paid and claim adjustment expenses retroceded		*2 939*	***2 825***
Claims paid and claim adjustment expenses net		–7 313	**–8 419**
Change in unpaid claims gross		*–145*	***–475***
Change in unpaid claims retroceded		*–106*	***–548***
Change in unpaid claims net		–251	**–1 023**
Life and health benefits gross		*1 200*	***1 515***
Life and health benefits retroceded		*93*	***132***
Life and health benefits net		1 293	**1 647**
Claims and claim adjustment expenses and life and health benefits		–6 271	**–7 795**
Change in equalisation provision		–400	**–344**
Claims incurred		–6 671	**–8 139**
Acquisition costs gross		*–3 577*	***–4 350***
Acquisition costs retroceded		*1 295*	***1 324***
Acquisition costs net		–2 282	**–3 026**
Operating costs		–753	**–847**
Acquisition and operating costs		–3 035	**–3 873**
Other reinsurance expenses		–552	**–455**
Total expenses from reinsurance business		–10 258	**–12 467**
Reinsurance result		1 363	**1 634**

CHF millions	Note	2014	2015
Investments	2		
Investment income		2 306	**8 575**
Investment expenses		–434	**–2 418**
Allocated investment return		–387	**–324**
Investment result		1 485	**5 833**
Other financial income and expenses			
Other financial income		500	**456**
Other financial expenses		–1 093	**–1 065**
Operating result		2 255	**6 858**
Interest expenses on debt and subordinated liabilities		–78	**–88**
Other income and expenses			
Other income		168	**93**
Other expenses		–275	**–348**
Income before income tax expense		2 070	**6 515**
Income tax expense		–404	**–83**
Net income		1 666	**6 432**

The accompanying notes are an integral part of Swiss Reinsurance Company Ltd's financial statements.

Balance sheet Swiss Reinsurance Company Ltd

As of 31 December

Assets

CHF millions	Note	2014	2015
Investments			
Investments in subsidiaries and affiliated companies		15 388	**13 334**
Fixed income securities		16 859	**17 031**
Loans		6 610	**11 764**
Mortgages		794	**806**
Equity securities		672	**590**
Shares in investment funds		*3 942*	***4 786***
Short-term investments		*4 857*	***2 625***
Alternative investments		*1 331*	***571***
Other investments		10 130	**7 982**
Total investments		50 453	**51 507**
Financial and reinsurance assets			
Assets in derivative financial instruments		251	**276**
Funds held by ceding companies		15 022	**13 639**
Cash and cash equivalents		2 172	**1 917**
Reinsurance recoverable from unpaid claims	3	*5 258*	***4 446***
Reinsurance recoverable from liabilities for life and health policy benefits	3	*1 253*	***1 202***
Reinsurance recoverable from unearned premiums	3	*2 310*	***2 300***
Reinsurance recoverable from provisions for profit commissions	3	*50*	***48***
Reinsurance recoverable on technical provisions retroceded		8 871	**7 996**
Tangible assets		59	**61**
Deferred acquisition costs	3	842	**1 287**
Intangible assets		65	**79**
Premiums and other receivables from reinsurance	3	6 847	**7 320**
Other receivables		649	**232**
Other assets		2 251	**5 715**
Accrued income		366	**234**
Total financial and reinsurance assets		37 395	**38 756**
Total assets		87 848	**90 263**

The accompanying notes are an integral part of Swiss Reinsurance Company Ltd's financial statements.

Liabilities and shareholder's equity

CHF millions	Note	2014	2015
Liabilities			
Technical provisions gross			
Unpaid claims	3	31 592	31 365
Liabilities for life and health policy benefits	3	13 228	11 493
Unearned premiums	3	5 621	5 986
Provisions for profit commissions	3	257	238
Equalisation provision	3	1 200	1 544
Total technical provisions gross		51 898	**50 626**
Non-technical provisions			
Tax provisions		337	46
Provision for currency fluctuation		821	921
Other provisions		444	486
Total non-technical provisions		1 602	**1 453**
Debt		5 127	**3 888**
Liabilities from derivative financial instruments		552	**588**
Funds held under reinsurance treaties		5 634	**4 636**
Reinsurance balances payable	3	2 948	**3 532**
Other liabilities		3 246	**5 369**
Accrued expenses		214	**202**
Subordinated liabilities		5 920	**5 709**
Total liabilities		77 141	**76 003**
Shareholder's equity	4		
Share capital		34	34
Legal reserves from capital contributions		*8 057*	*6 778*
Legal capital reserves		8 057	6 778
Legal profit reserves		650	650
Voluntary profit reserves		272	272
Retained earnings brought forward		28	94
Net income for the financial year		1 666	6 432
Total shareholder's equity		10 707	**14 260**
Total liabilities and shareholder's equity		87 848	**90 263**

The accompanying notes are an integral part of Swiss Reinsurance Company Ltd's financial statements.

Notes
Swiss Reinsurance Company Ltd

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

1 Significant accounting principles

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

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

With the first time application of the new regulation set in the SCO as well as in the AVO-FINMA, some of the prior year's information were amended in order to have the same sorting order for comparison reasons. Although the structure and some positions were amended, there was no restatement of prior year figures and as such the net income as well as the total shareholder's equity remained unchanged.

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

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

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

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

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

The Company's investments in subsidiaries and affiliated companies are summarised as a group for valuation purposes, when a close business link exists and a similarity in nature is given.

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

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

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

Assets in derivative financial instruments
Assets in derivative financial instruments include reinsurance contracts or features embedded in reinsurance contracts that fulfil the characteristics of derivative financial instruments and are accounted based on the lower of cost or market principle.

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

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

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

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

Deferred acquisition costs
Deferred acquisition costs consist principally of commissions and are related to the generation of new reinsurance business. Property and casualty deferred acquisition costs are generally amortised in proportion to premiums earned. Life and health deferred acquisition costs will run-off on a prudent basis, typically linearly in a shorter term than the liabilities. The amortisation schedule can also be determined to be in line with the expected profits of the business, so no statutory profits are shown until the deferred acquisition costs are fully amortised.

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

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

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

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

Liabilities for life and health policy benefits are determined on the basis of actuarially calculated present values taking experience into account. For business written directly by the Company, or via a branch of the Company, liabilities are based on gross premium valuation or the cedant-reported information. Reference is made to cedant-reported information given the importance of deposit reserves in Europe. If the data the Company receives is sufficiently granular, however, a prospective gross premium valuation approach can also be adopted using assumptions based on estimates of own experience drawn from internal studies. With respect to the business ceded by the Company's subsidiaries, a prospective gross premium valuation is applied. The method is prospective as it takes into account expected future cash flows inherent in the reinsurance contract from the valuation date until expiry of the contract obligations. The assumptions used in the valuation are based on estimates on experience studies. Cash flows include primarily premiums, claims, commissions and expenses, with margins added for prudence to reflect the uncertainties of the underlying best estimates. The gross premium valuation approach could result in a negative liability provision, which is typically set to zero at the reinsurance treaty level, with the exception of a prudent allowance for deferred acquisition costs on financing treaties.

Modified coinsurance arrangements are treated on a gross basis with the separate recognition of the funds withheld, as well as the liabilities for life and health policy benefits.

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

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

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

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

Liabilities and consideration in connection with portfolio transfers are established through the respective lines in the income statement. Outstanding claims and liabilities are recorded as change in unpaid claims and life and health benefits, with the consideration being recognised as claims paid. The impact on unearned premiums is established through the change in unearned premiums, with the respective consideration accounted as premiums written. Any profit or loss on the portfolio transfer is reflected in other reinsurance revenues or other reinsurance expenses, respectively.

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

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

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

Debt
Debt is held at redemption value.

Liabilities from derivative financial instruments
Liabilities from derivative financial instruments are generally maintained at the highest commitment amount as per a balance sheet date during the life of the underlying contracts. Premiums received in respect of derivative financial instruments are generally not realised until expiration or settlement of the contract and are deferred respectively.

Included in this position are reinsurance contracts or features embedded in reinsurance contracts that fulfil the characteristics of derivative financial instruments. For such contracts, premiums received may be recognised as income prior to contract expiration or settlement, in cases where the recorded commitment has already reached the maximum liability amount potentially payable under the terms of the respective contracts. Decreases in the liability amounts prior to expiration or settlement are only recognised as income for contracts for which hedging instruments are in place.

Funds held under reinsurance treaties
Funds held under reinsurance treaties mainly contain cash deposits withheld from retrocessionaires, which are stated at redemption value.

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

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

Subordinated liabilities
Subordinated liabilities are held at redemption values.

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

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

Management expenses
Overall management expenses are allocated to the reinsurance business, the investment business and to other expenses on an imputed basis.

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

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

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

Change in accounting policy
The Company revised its accounting policy for the presentation of the income statement in connection with life and health portfolio transfers. In previous years, the consideration for life and health policy benefits was accounted as premiums written. As of 1 January 2015, the consideration is accounted as claims paid. Any profit or loss on the portfolio transfer is reflected in other reinsurance revenues or other reinsurance expenses, respectively.

2 Investment result

CHF millions	Income	Value readjustments	Realised gains	2015 Total
Investment income				
Investments in subsidiaries and affiliated companies	21	1	6 383	6 405
Fixed income securities	656	112	224	992
Loans	125	–	–	125
Mortgages	7	–	–	7
Equity securities	19	9	107	135
Shares in investment funds	*192*	*35*	*64*	*291*
Short-term investments	*43*	–	*4*	*47*
Alternative investments	*132*	*19*	*314*	*465*
Other investments	367	54	382	803
Income from investment services	108	–	–	108
Investment income	**1 303**	**176**	**7 096**	**8 575**

CHF millions	Expenses	Value adjustments	Realised losses	2015 Total
Investment expenses				
Investments in subsidiaries and affiliated companies	–	–1 821	–	–1 821
Fixed income securities	–	–189	–55	–244
Loans	–	–8	–	–8
Equity securities	–	–30	–59	–89
Shares in investment funds	–	*–36*	–	*–36*
Short-term investments	–	–	*–1*	*–1*
Alternative investments	–	*–28*	*–35*	*–63*
Other investments	–	–64	–36	–100
Investment management expenses	–156	–	–	–156
Investment expenses	**–156**	**–2 112**	**–150**	**–2 418**
Allocated investment return				**–324**
Investment result				**5 833**

CHF millions	Income	Value readjustments	Realised gains	2014 Total
Investment income				
Real Estate	0	–	0	0
Investments in subsidiaries and affiliated companies	319	–	1	320
Fixed income securities	702	–	178	880
Loans	117	–	–	117
Mortgages	10	–	–	10
Equity securities	36	–	331	367
Shares in investment funds	*4*	–	*150*	*154*
Short-term investments	*43*	–	*2*	*45*
Alternative investments	*172*	–	*138*	*310*
Other investments	219	–	290	509
Income from investment services	103	–	–	103
Investment income	1 506	–	800	2 306

CHF millions	Expenses	Value adjustments	Realised losses	2014 Total
Investment expenses				
Investments in subsidiaries and affiliated companies	–	–5	–1	–6
Fixed income securities	–	–76	–57	–133
Loans	–	–2	–	–2
Equity securities	–	–26	–37	–63
Shares in investment funds	–	–	*–1*	*–1*
Short-term investments	–	–	*–2*	*–2*
Alternative investments	–	*–57*	*0*	*–57*
Other investments	–	–57	–3	–60
Investment management expenses	–170	–	–	–170
Investment expenses	–170	–166	–98	–434

Allocated investment return	–387
Investment result	1 485

3 Assets and liabilities from reinsurance

CHF millions	Gross	Retro	2014 Net	Gross	Retro	2015 Net
Deferred acquisition costs	1547	–705	842	**2044**	**–757**	**1287**
Premiums and other receivables from reinsurance	6446	401	6847	**6713**	**607**	**7320**
Deferred expenses on retroactive reinsurance policies[2]	4	–30	–26	**331**	**–26**	**305**
Unpaid claims	31592	–5258[1]	26334	**31365**	**–4446[1]**	**26919**
Liabilities for life and health policy benefits	13228	–1253[1]	11975	**11493**	**–1202[1]**	**10291**
Unearned premiums	5621	–2310[1]	3311	**5986**	**–2300[1]**	**3686**
Provisions for profit commissions	257	–50[1]	207	**238**	**–48[1]**	**190**
Equalisation provision	1200	–	1200	**1544**	**–**	**1544**
Reinsurance balances payable	1820	1128	2948	**1876**	**1656**	**3532**

[1] Reported under "Reinsurance recoverable on technical provisions retroceded" on page 98.
[2] Reported under "Other assets" on page 98.

4 Change in shareholder's equity

CHF millions	Share capital	Legal capital reserves	Legal profit reserves	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Total shareholder's equity
Shareholder's equity 1.1.2014	34	8057	650	928	37	2091	11797
Allocations relating to the dividend paid				2100	–9	–2091	–
Dividend for the financial year 2013				–2756			–2756
Net income for the financial year						1666	1666
Shareholder's equity 31.12.2014	34	8057	650	272	28	1666	10707
Shareholder's equity 1.1.2015	34	8057	650	272	28	1666	10707
Allocations relating to the dividend paid		–1279		2879	66	–1666	–
Dividend for the financial year 2014				–2879			–2879
Net income for the financial year						6432	6432
Shareholder's equity 31.12.2015	**34**	**6778**	**650**	**272**	**94**	**6432**	**14260**

5 Share capital and major shareholder

The share capital of the Company amounted to CHF 34 million. It is divided into 344 052 565 registered shares, each with a nominal value of CHF 0.10. The shares were fully paid-in and held directly by Swiss Re Ltd. As of 31 December 2015 and 2014, the Company was a fully owned subsidiary of Swiss Re Ltd.

6 Contingent liabilities

Swiss Reinsurance Company Ltd has issued a number of guarantees to several of its subsidiaries and affiliated companies in support of their business activities by securing either their overall capital positions or specific transactions. These guarantees are generally not limited by a nominal amount but rather by the exposure of the underlying business.

In addition, as a component of the Swiss Re Group's financing structure, the Company has guaranteed CHF 1 000 million (2014: CHF 896 million) of debt issued by certain affiliated companies and letter of credit facilities benefiting various subsidiaries and affiliated companies of which no amount was utilised as of 31 December 2015 and 2014, respectively.

In the context with the establishment of a new real estate subsidiary of Swiss Reinsurance Company Ltd in 2013 and hence following the Merger Act article 75 the Company remains liable for claims arising before this transaction for a period of three years by a joint-and-several liability with a subsidiary, unless waived by the counterparties.

7 Securities lending and repurchase agreements

To enhance the performance of its investment portfolio, the Company enters into securities lending and repurchase transactions. In the context of such transactions, securities are transferred to the counterparty.

Further, the Company performs the role of the collateral clearer for the Swiss Re Group, centrally managing collateral for the Swiss Re Group, providing funding diversification, enabling secured cash investment and yield enhancement. As such the Company acts as principal in collateral transactions, borrowing securities from its affiliated companies and entering into lending and borrowing as well as repurchase and reverse repurchase agreements with third parties. As a matter of policy, the Company requires that collateral, consisting of cash or securities, is provided to cover the assumed counterparty risk associated with such transactions.

An overview of the fair value of securities transferred under securities lending and repurchase agreements is provided in the following table as of 31 December:

CHF millions	2014	2015
Fair value of securities transferred to third parties	16 851	**15 887**
Fair value of securities transferred to affiliated companies	18 112	**18 155**
Total	34 963	**34 042**

8 Security deposits

To secure the technical provisions at the 2015 balance sheet date, securities with a book value of CHF 13 017 million (2014: CHF 14 048 million) were deposited in favour of ceding companies, of which CHF 4 584 million (2014: CHF 4 603 million) referred to affiliated companies.

9 Commitments

As a participant in limited investment partnerships, the Company commits itself to making available certain amounts of investment funding, callable by the partnerships in general for periods of up to 10 years. As of 31 December 2015, total commitments remaining uncalled were CHF 885 million (2014: CHF 1 313 million).

In November 2015, the Company entered into a subordinated funding facility with its parent company Swiss Re Ltd under which the Company has the right, among others, to issue subordinated notes to Swiss Re Ltd of up to USD 700 million at any time before August 2030. For its various rights, the Company owes Swiss Re Ltd an unconditional fixed commitment fee, payable in annual instalments calculated as 5.80% on the total facility amount. Annually, the Company receives a partial reimbursement of the commitment fee equal to 2.22% per annum on the undrawn facility amount. As of 31 December 2015, the facility was undrawn.

10 Leasing contracts

Total off-balance-sheet commitments from operating leases for the next five years and thereafter are as follows:

CHF millions	2014	2015
2015	25	**–**
2016	23	**24**
2017	19	**20**
2018	15	**16**
2019	9	**9**
After 2020	13	**17**
Total operating leases, net	104	**86**

These operating lease commitments pertain to the non-cancellable contract periods and refer primarily to office and apartment space rented by the Company. In addition, a financial lease of IT hardware with a net book value of CHF 4 million was recognised on the Company's 2014 balance sheet, which was fully repaid in 2015.

11 Investments in subsidiaries and affiliated companies

As of 31 December 2015 and 2014, Swiss Reinsurance Company Ltd held the following direct and material indirect investments in subsidiaries and affiliated companies:

As of 31 December 2015	Country	City	% Equity interest	% Voting interest
Elips Life AG	Liechtenstein	Triesen	100%	100%
European Finance Reinsurance Company Ltd	Barbados	Bridgetown	100%	100%
Gasper Funding Corporation	Barbados	Bridgetown	100%	100%
SCP de Milo S.à.r.l.	Luxembourg	Luxembourg	100%	100%
Swiss Brokers México, Intermediario de Reaseguro, S.A. de C.V.	Mexico	Mexico City	100%	100%
Swiss Re Australia Ltd	Australia	Sydney	100%	100%
Swiss Re Life & Health Australia Limited	Australia	Sydney	100%	100%
Swiss Re Brasil Resseguros S.A.	Brazil	São Paulo	99%	99%
Swiss Re GB Limited	United Kingdom (UK)	London	100%	100%
Swiss Re Services Limited	United Kingdom (UK)	London	100%	100%
Swiss Re Investments Ltd	Switzerland	Zurich	100%	100%
Swiss Re Life and Health Africa Limited	South Africa	Cape Town	100%	100%
Swiss Re Management Ltd	Switzerland	Adliswil	100%	100%
Swiss Re Private Equity Partners SGP Limited	Cayman Islands	George Town	100%	100%
Swiss Re Reinsurance Holding Company Ltd	Switzerland	Zurich	100%	100%
European Reinsurance Company of Zurich Ltd	Switzerland	Zurich	100%	100%
Swiss Re America Holding Corporation	United States (USA)	Wilmington	100%	100%
Swiss Re Capital Markets Corporation	United States (USA)	New York	100%	100%
Swiss Re Financial Products Corporation	United States (USA)	Wilmington	100%	100%
Swiss Re Life & Health America Holding Company	United States (USA)	Wilmington	100%	100%
Swiss Re Treasury (US) Corporation	United States (USA)	Wilmington	100%	100%
Swiss Reinsurance America Corporation	United States (USA)	Armonk	100%	100%
Swiss Re Europe Holdings S.A.	Luxembourg	Luxembourg	100%	100%
Swiss Re Europe S.A.	Luxembourg	Luxembourg	100%	100%
Swiss Re Germany AG	Germany	Munich	94%	94%
Swiss Re Treasury (Belgium) N.V.	Belgium	Brussels	100%	100%
Swiss Re Services India Private Ltd	India	Mumbai	100%	100%
Swiss Re Shared Services (India) Private Ltd	India	Bangalore	100%	100%
Swiss Re Treasury (UK) Plc	United Kingdom (UK)	London	100%	100%
Swiss Reinsurance America Corporation - Escritório de Representação no Brasil Ltda	Brazil	São Paulo	20%	20%
Swiss Reinsurance Company Ltd - Escritório de Representação no Brasil Ltda	Brazil	São Paulo	93%	93%
Swiss Re Finance Limited	Cayman Islands	George Town	65%	100%
Vietnam National Reinsurance Corporation	Vietnam	Hanoi	25%	25%

As of 31 December 2014	Country	City	% Equity interest	% Voting interest
Eastern Foreshore Investments Limited	South Africa	Cape Town	100%	100%
Elips Life AG	Liechtenstein	Triesen	100%	100%
European Finance Reinsurance Company Ltd	Barbados	Bridgetown	100%	100%
Gasper Funding Corporation	Barbados	Bridgetown	100%	100%
SCP de Milo S.à.r.l.	Luxembourg	Luxembourg	100%	100%
Swiss Brokers México, Intermediario de Reaseguro, S.A. de C.V.	Mexico	Mexico City	100%	100%
Swiss Re Australia Ltd	Australia	Sydney	100%	100%
Swiss Re Life & Health Australia Limited	Australia	Sydney	100%	100%
Swiss Re Brasil Resseguros S.A.	Brazil	São Paulo	99%	99%
Swiss Re GB Limited	United Kingdom (UK)	London	100%	100%
Swiss Re Services Limited	United Kingdom (UK)	London	100%	100%
Swiss Re Investments Ltd	Switzerland	Zurich	100%	100%
Swiss Re Life and Health Africa Limited	South Africa	Cape Town	100%	100%
Swiss Re Private Equity Partners SGP Limited	Cayman Islands	George Town	100%	100%
European Reinsurance Company of Zurich Ltd	Switzerland	Zurich	100%	100%
Swiss Re America Holding Corporation	United States (USA)	Wilmington	100%	100%
Swiss Re Capital Markets Corporation	United States (USA)	New York	100%	100%
Swiss Re Financial Products Corporation	United States (USA)	Wilmington	100%	100%
Swiss Re Life & Health America Holding Company	United States (USA)	Wilmington	100%	100%
Swiss Re Treasury (US) Corporation	United States (USA)	Wilmington	100%	100%
Swiss Reinsurance America Corporation	United States (USA)	Armonk	100%	100%
Swiss Re Europe Holdings S.A.	Luxembourg	Luxembourg	100%	100%
Swiss Re Europe S.A.	Luxembourg	Luxembourg	100%	100%
Swiss Re Germany AG	Germany	Munich	94%	94%
Swiss Re Treasury (Belgium) N.V.	Belgium	Brussels	100%	100%
Swiss Re Services India Private Ltd	India	Mumbai	100%	100%
Swiss Re Shared Services (India) Private Ltd	India	Bangalore	100%	100%
Swiss Re Treasury (UK) Plc	United Kingdom (UK)	London	100%	100%
Swiss Reinsurance America Corporation - Escritório de Representação no Brasil Ltda	Brazil	São Paulo	20%	20%
Swiss Reinsurance Company Ltd - Escritório de Representação no Brasil Ltda	Brazil	São Paulo	93%	93%
Swiss Re Finance Limited	Cayman Islands	George Town	65%	100%
Vietnam National Reinsurance Corporation	Vietnam	Hanoi	25%	25%
Swiss Re Holdings (Canada) Inc.	Canada	Toronto	100%	100%
Swiss Re Serviços de Consultoria em Seguros e Resseguros Ltda	Brazil	São Paulo	100%	100%
Beijing Prestige Health Consulting Services Company Limited	China	Beijing	100%	100%
"Auf Walthersburg" Aarau	Switzerland	Aarau	33%	33%

12 Debt and subordinated liabilities

The Company had outstanding debt and subordinated liabilities at the 2015 balance sheet date of CHF 9 597 million (2014: CHF 11 047 million). Thereof CHF 7 236 million (2014: CHF 9 494 million) were due within one to five years and CHF 2 361 million (2014: CHF 1 553 million) were due after five years.

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

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity/ First call in	Book value CHF millions
Subordinated bond[1]	2006	EUR	292	5.252%	2016	318
Subordinated bond	2012	CHF	320	7.250%	2017	320
Senior bond	2011	CHF	600	2.125%	2017	600
Subordinated bond	2007	AUD	300	7.635%	2017	218
Subordinated bond	2007	AUD	450	3.538%	2017	328
Subordinated bond	2012	USD	750	8.250%	2018	750
Subordinated bond	2013	USD	750	6.375%	2019	750
Subordinated bond	2007	GBP	500	6.302%	2019	738
Subordinated bond	2013	CHF	175	7.500%	2020	175
Subordinated bond	2012	EUR	500	6.625%	2022	544
Senior bond	2014	CHF	250	1.000%	2024	250
Subordinated bond[1]	2015	EUR	750	2.600%	2025	816
Senior bond	2015	CHF	250	0.750%	2027	250

[1] In April 2015, the Company issued EUR 750 million face amount of perpetual subordinated fixed-to-floating rate callable loan notes with a first optional redemption date on 1 September 2025. The notes bear interest through the first optional redemption date at 2.60% per annum. The notes were issued in connection with a concurrent exchange of part of the EUR 1 billion 5.252% perpetual subordinated step-up loan notes issued by the Company.

13 Deposit arrangements

The following balances were related to deposit accounted reinsurance contracts:

CHF millions	2014	2015
Other reinsurance revenues	176	**109**
Claims paid and claim adjustment expenses gross	18	**2**
Claims paid and claim adjustment expenses retroceded	–13	**2**
Operating costs	–4	**–3**
Other reinsurance expenses	–135	**–99**
Funds held by ceding companies	728	**58**
Premiums and other receivables from reinsurance	867	**1 735**
Reinsurance balances payable	1 759	**2 000**

14 Claims on and obligations towards affiliated companies

CHF millions	2014	2015
Loans	6 499	**11 751**
Assets in derivative financial instruments	247	**–**
Funds held by ceding companies	9 502	**8 946**
Premiums and other receivables from reinsurance	1 698	**2 145**
Other receivables	85	**32**
Other assets	188	**1 827**
Debt	3 777	**2 788**
Liabilities from derivative financial instruments	372	**347**
Funds held under reinsurance treaties	5 487	**4 507**
Reinsurance balances payable	1 059	**1 988**
Other liabilities	2 112	**4 229**
Subordinated liabilities	747	**752**

15 Release of undisclosed reserves

In the year under report, undisclosed reserves on investments or on provisions were released by a net amount of CHF 949 million (2014: no net release).

16 Obligations towards employee pension fund

As of 31 December 2015, other liabilities included CHF 4 million (2014: CHF 6 million) payable to the employee pension fund.

17 Personnel information

As of 31 December 2015, the Company employed a worldwide staff at an average of 4 018 (2014: 3 956) full time equivalents. Personnel expenses for the 2015 financial year amounted to CHF 1 079 million (2014: CHF 1 027 million).

18 Management fee contribution

In 2015, management expenses of CHF 710 million (2014: CHF 775 million) were recharged to affiliated companies of the Company and invoiced to third parties. These recharges were reported net under "Operating costs", "Investment expenses" and "Other expenses".

19 Auditor's fees

In 2015, the Swiss Re Group incurred total auditor's fees of CHF 35 million and additional fees of CHF 5 million, of which CHF 17 million (2014: CHF 16 million) and CHF 3 million (2014: CHF 4 million), respectively, were accounted for at the Company level.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting of the Company, to be held on 30 March 2016, to approve the following allocation and payments of a cash dividend of USD 2 900 million, which must not exceed CHF 3 200 million, translated into CHF at spot rate on the settlement date, and a dividend in-kind of Swiss Re Management Ltd of CHF 100 million. The cash dividend and the dividend in-kind are paid to its sole shareholder Swiss Re Ltd out of voluntary profit reserves on 22 April 2016.

In order to comply with the Swiss Code of Obligations, dividends paid in foreign currencies must meet the capital protection requirements in CHF. In addition, maximum amounts in CHF must be approved by the Annual General Meeting. The Board of Directors proposes to set this maximum amount to CHF 3 200 million, which shall be fully funded from the disposable profit as presented in the table below.

As such the effective cash dividend amount, translated into CHF at spot rate on the settlement date, must not exceed CHF 3 200 million. This threshold of CHF 3 200 million is presented in the below table and reflects the maximum amount in CHF to be paid.

Retained earnings

CHF millions	2014	2015
Retained earnings brought forward	28	**94**
Net income for the financial year	1 666	**6 432**
Disposable profit	1 694	**6 526**
Allocation to voluntary profit reserves	–1 600	**–6 500**
Retained earnings after allocation	94	**26**

Legal reserves from capital contributions

CHF millions	2014	2015
Legal reserves from capital contributions brought forward	8 057	**6 778**
Allocation to voluntary profit reserves in connection with the ordinary cash dividend	–1 279[1]	**–**
Legal reserves from capital contributions after allocation to voluntary profit reserves	6 778	**6 778**

[1] The 2014 figure was recalculated based on the final cash dividend converted into CHF at spot rate on the settlement date.

Voluntary profit reserves

CHF millions	2014	2015
Voluntary profit reserves brought forward	272	**272**
Allocation from retained earnings	1 600	**6 500**
Voluntary profit reserves before allocation of legal reserves from capital contributions, proposed cash dividend and dividend in-kind	1 872	**6 772**
Allocation from legal reserves from capital contributions	1 279[2]	**–**
Proposed cash dividend (maximal amount in CHF of the proposed dividend in USD translated into CHF)	–2 879[2]	**–3 200[1]**
Proposed dividend in-kind of Swiss Re Management Ltd	–	**–100**
Voluntary profit reserves after allocation of legal reserves from capital contributions, proposed cash dividend and dividend in-kind	272	**3 472**

[1] The translation into CHF at spot rate on the settlement date may result in a lower cash dividend by a respective amount on the settlement date.
[2] The 2014 figures were recalculated based on the final cash dividend converted into CHF at spot rate on the settlement date.

Zurich, 15 March 2016

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Reinsurance Company Ltd
Zurich

Report of the statutory auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss Reinsurance Company Ltd (the "Company"), which comprise the income statement, balance sheet and notes (pages 96 to 111), for the year ended 31 December 2015.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

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

Report on other legal requirements

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

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

We further confirm that the proposal for allocation of disposable profit complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 15 March 2016

Cautionary note on forward-looking statements

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

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

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

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

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

Note on risk factors

General impact of adverse market conditions

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

Despite signs of moderate increase in global growth forecasts and positive macro-economic trends in the United States, growth forecasts among the principal global economies remain uneven and uncertain, and that uncertainty has been compounded by significant volatility in equity, currency and commodities markets. Slower growth rates in China, together with the actions taken on its currency, and drastic reductions in the price of oil, together with volatility in foreign currency and investment markets caused by interest rate action in the United States; continued concerns over the implications of austerity-driven economic policies in Europe and the ability of the European Union to address significant ongoing structural challenges; concerns over a possible exit of the United Kingdom from the European Union; deceleration in GDP growth and other negative trends in emerging markets; and geopolitical instability, reflecting the political and military situations in the Middle East and North Africa, the rise of the Islamic State, concerns over further terrorist attacks across the globe and the political, economic and social crises caused by massive waves of migration into and through Europe, have contributed to downward pressure on the capital markets and, in turn, on market capitalization of many listed companies, call into question the likelihood of continued recovery of the global economies and are beginning to raise the spectre of another global recession.

With fewer options available to policymakers and concerns generally over the absence of realistic confidence-building measures, and with heightened risk that volatility or depressed conditions in one sector, one market, one country or one region could have far broader implications, volatility can be expected to continue. Further adverse developments or the continuation of adverse trends that in turn have a negative impact on financial markets and economic conditions could limit our ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to us and could adversely affect the confidence of the ultimate buyers of insurance. Any such developments and trends could also have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's portfolio and/or make it difficult to acquire suitable investments to meet the Group's risk and return criteria.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment and are subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve as a result of global efforts following the credit crisis.

Although early regulatory efforts following the credit crisis were focused primarily on banking institutions, there has been a noticeable trend in recent years to extend the scope of reforms and oversight beyond such institutions to cover insurance and reinsurance operations. Legislative initiatives directly impacting the Group's industry include the establishment of a pan-European regulator for insurance companies, the European Insurance and Occupational Pensions Authority (the

“EIOPA”), which has the power to overrule national regulators in certain circumstances. In addition, Swiss Re is subject to the Swiss Solvency Test, and, through its legal entities organized in the European Economic Area, Solvency II, which entered into force on 1 January 2016. The Group is also monitoring the impact of the Swiss Federal Act on Financial Market Infrastructure (which became effective 1 January 2016 and introduced new regulations for over-the-counter derivatives trading in line with international standards) and the proposed Swiss Federal Financial Services Act and Financial Institutions Act (which contain rules for financial services providers that are based on the EU Markets in Financial Instruments Directive (“MiFID”) regulations). In the United States, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury. In addition, provisions of the Wall Street Reform and Consumer Protection Act of 2010, as well as provisions in the proposed European Market Infrastructure Regulation and proposed changes to MiFID, in respect of derivatives could have a significant impact on the Group.

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

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

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

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

Market risk

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

The Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has discontinued writing new variable annuity business and has an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

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

Credit risk

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

Liquidity risks

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

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

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

Counterparty risks

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

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

Risks relating to credit rating downgrades

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

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

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

Legal and regulatory risks

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

The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgements, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures and malfeasance, such as undertaking or facilitating cyber attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure. Any of the foregoing, as well the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate, could have a material adverse effect on the Group, and could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

The Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters. Changes in accounting standards could impact future reported results or require restatement of past reported results.

The Group uses non-GAAP financial measures in its external reporting, 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 the Swiss Re corporate structure

Following the realignment of the corporate structure of Swiss Re Ltd ("SRL") in 2012, the asset base, liquidity position, capital profile and other characteristics of the Group of relevance to its counterparties changed. Swiss Re is a wholly owned subsidiary of SRL, and the Group represents only two of the four principal operating segments of the SRL group. Capital, funding, reserve and cost allocations are made at the SRL level across the four operating segments based principally on business plans as measured against U.S. GAAP and Economic Value Management metrics. Decisions at the SRL level in respect of the broader group could have an adverse impact on the Group's financial condition, including its capital and liquidity levels, as well as on its SST ratio. As part of SRL's focus on efficient capital allocation, the Group expects to be paying dividends to SRL. Decisions on dividends payable by each of the operating segments, including the Group, are made at the SRL level based on legal, capital and liquidity considerations.

While further changes to the overall SRL group structure may not have a financial statement impact on an SRL consolidated basis, they would impact the Group to the extent that operations are transferred into or from the Group, or as a result of intra-group transactions to the extent the Group is a counterparty to any such transactions. The process of optimizing the structure as between SRL and its operating segments will continue to evolve over time.

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