Swiss Re

Third Quarter 2010 Report

Key information

Corporate highlights

- Repayment of the convertible perpetual capital instrument (CPCI) issued to Berkshire Hathaway with effect from 3 November 2010, with no additional charge for bringing forward repayment date
- Strong net income of USD 618 million, despite persistently low interest rates
- Excellent performance in Property & Casualty, due to benign natural catastrophe season and disciplined underwriting and cycle management

Financial highlights (unaudited)

For the three months ended 30 September

USD millions, unless otherwise stated	2009	2010	Change in %
Property & Casualty			
Premiums earned	2 982	**2 881**	–3
Combined ratio, traditional business in %	84.5	**76.4**	
Life & Health			
Premiums earned	2 495	**2 147**	–14
Benefit ratio in %	81.1	**93.3**	
Asset Management			
Operating income	697	**1 172**	68
Return on investments in % (annualised)	1.6	**2.8**	
Legacy			
Operating income	21	**–30**	–
Group			
Premiums earned	5 496	**5 046**	–8
Net income attributable to common shareholders	314	**618**	97
Earnings per share in CHF	0.97	**1.93**	99
Shareholders' equity (31.12.2009/30.09.2010)	25 344	**29 940**	18
Return on equity[1] in % (annualised)	6.1	**9.5**	
Number of employees[2] (31.12.2009/30.09.2010)	10 552	**10 399**	–1

[1] Return on equity is calculated by dividing annualised net income attributable to common shareholders by average common shareholders' equity.
[2] Regular staff

Financial strength ratings

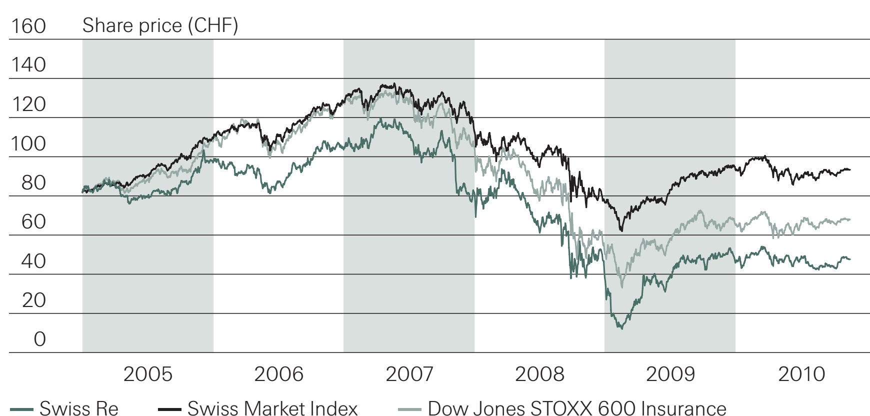
as of 29 October 2010	S&P	Moody's	A.M. Best
Rating	A+	A1	A
Outlook	positive	stable	stable

Share information

as of 29 October 2010	
Share price in CHF	47.30
Market capitalisation in CHF millions	17 534

Share performance

in %	1 January 2005–29 October 2010 (p.a.)	Year to 29 October 2010
Swiss Re	–8.8	**–5.2**
Swiss Market Index	2.2	**–1.1**
Dow Jones STOXX 600 Insurance	–3.3	**1.9**



Contents

Section	Page	Entry
Letter to shareholders	2	
Key events	4	
Group	5	Group results
	8	Property & Casualty
	9	Life & Health
	10	Asset Management
	11	Legacy
	11	Outlook
Financial statements	13	Income statement
	14	Balance sheet
	16	Statement of equity
	18	Statement of comprehensive income
	19	Statement of cash flow
		Notes to the Group financial statements:
	21	Note 1 Organisation and summary of significant accounting policies
	23	Note 2 Investments
	29	Note 3 Fair value disclosures
	40	Note 4 Derivative financial instruments
	46	Note 5 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)
	47	Note 6 Debt
	48	Note 7 Reinsurance information
	52	Note 8 Earnings per share
	53	Note 9 Benefit plans
	54	Note 10 Contingent liabilities
	55	Note 11 Information on business segments
	65	Note 12 Variable interest entities
	70	Note 13 Subsequent events
General information	71	Note on risk factors
	76	Cautionary note on forward-looking statements

Letter to shareholders

Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

Dear shareholders

Major milestone achieved: We have reached an agreement for the repayment of the convertible perpetual capital instrument issued to Berkshire Hathaway.

Today, we can report to you that we have achieved a major milestone: We have reached an agreement for the repayment of the convertible perpetual capital instrument (CPCI) issued to Berkshire Hathaway, and, most importantly, with no additional charge for bringing forward the repayment date.

Strong third quarter 2010

At the same time, our Group result of USD 618 million in the third quarter of 2010 is further proof of the strong performance of our business even in the prevailing low interest rate environment. Earnings per share were CHF 1.93 (USD 1.80). Shareholders' equity increased by USD 2.4 billion to USD 29.9 billion in the third quarter of 2010. Annualised return on equity for the third quarter of 2010 was 9.5%.

Property & Casualty delivered an excellent operating income of USD 1.1 billion. The combined ratio improved to 76.4% in the third quarter of 2010 despite an earthquake in New Zealand that impacted operating income by USD 160 million. The combined ratio for the first nine months was 95.6%. The 2010 third-quarter result benefited from below-average natural catastrophe activity, the company's continued disciplined underwriting and cycle management approach and positive prior-year development.

Life & Health reported operating income of USD 119 million. The benefit ratio increased to 93.3%, primarily due to the absence of a gain recognised in the prior-year result together with the impact of certain commutations.

Asset Management again delivered strong operating income of USD 1.2 billion. The annualised return on investments of 2.8% was driven mainly by the lower impact from hedges and impairments but partially offset by the impact of foreign exchange movements. The annualised total return on investments was 10.6%.

Legacy generated a net operating loss of USD 30 million in the third quarter of 2010.

Very strong capital position after repayment

With effect from 3 November 2010, the convertible perpetual capital instrument has been terminated. The final cash settlement will be made in January 2011. After the repayment, Swiss Re will still hold significant excess capital above "AA" level, allowing us to focus entirely on serving our customers in the upcoming renewals and working towards our goal of being the leading player in the wholesale (re)insurance industry.

Leverage our strategic focus

As announced previously this year, we decided to further strengthen the company's core capabilities and market presence with a focus on Reinsurance, Corporate Solutions and Admin Re®. To emphasise the importance of these client facing operations to our strategy,

they will be represented by dedicated Executive Committee members. Swiss Re's Board of Directors announced the following personnel changes:

Christian Mumenthaler, currently Head of the Life & Health Division, will succeed Michel Liès as Chief Marketing Officer Reinsurance, and become member of the Executive Committee as of 1 January 2011.

Michel Liès will assume the position of Chairman Global Partnerships, reporting directly to the CEO. He will focus on strengthening Swiss Re's relationships in the public sector, government and NGO areas, and accelerating the company's growth strategy in emerging markets. Michel Liès will formally step down from the Executive Committee as of 31 December 2010.

Agostino Galvagni, formerly Chief Operating Officer and member of the Executive Committee, was appointed CEO Corporate Solutions as of 1 October 2010, and remains member of the Executive Committee.

Thomas Wellauer joined Swiss Re as Chief Operating Officer and became member of the Executive Committee as of 1 October 2010. Having served in a number of senior executive positions, and most recently as Head of Corporate Affairs and Member of the Executive Committee at Novartis, he brings a wealth of leadership experience to his new role.

In addition to his current role as Chief Investment Officer and member of the Executive Committee, David Blumer assumed responsibility for Admin Re® as of 1 October 2010.

Raj Singh, Chief Risk Officer, has decided to leave Swiss Re for personal reasons, effective 28 February 2011. On behalf of the Board of Directors, we thank Raj Singh for his invaluable contribution to advancing the company's risk management capabilities over the past three years.

David Cole joined Swiss Re on 1 November 2010 to succeed Raj Singh as Chief Risk Officer, and member of the Executive Committee. He most recently served as Chief Financial Officer and Chief Risk Officer at ABN AMRO Bank and will draw on his extensive financial sector experience in his new role.

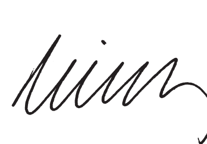
This alignment demonstrates that our relationship with our clients is at the heart of what we do.

Outlook

Our strong capital position makes us an outstanding partner for clients in the upcoming renewal seasons. At the same time, regaining the "AA" rating remains one of our priorities. On 12 October 2010, Standard & Poor's confirmed our financial strength and revised the outlook for Swiss Re's rating upwards, from "stable" to "positive". This is a strong signal, reflecting Standard & Poor's view that Swiss Re's financial strength has recovered considerably, thanks primarily to the speed and effectiveness of the company's de-risking measures and the resilience of our franchise.

In view of the challenge that the low interest rate environment presents, we will continue to focus on writing profitable business while opening up new sources of income through our capacity for innovation. Our (re)insurance portfolio is well positioned for this environment. We remain committed to active cycle management and portfolio steering and will deploy capital to those lines of business where we expect to achieve an appropriate return.

Zurich, 4 November 2010



Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

Key events

5 August 2010

Net income of USD 812 million for the second quarter 2010

Swiss Re reported strong net income of USD 812 million for the second quarter of 2010. Book value per common share increased 9% to CHF 78.44. Underlying earnings power continued to be strong and the quarter saw an excellent result in Asset Management, proving the company's ability to generate sustainable earnings in a challenging market environment.

19 August 2010

Climate change could increase the risk of hurricanes in the Caribbean

Rising risks from hurricanes and extreme weather could cost Caribbean nations up to 9% of annual GDP by 2030, says a new study supported by Swiss Re analytics.

31 August 2010

Swiss Re publishes report: "A short guide to longer lives: Longevity funding issues and potential solutions"

Swiss Re says time is running out for effective longevity funding solutions. The report warns that underestimating life expectancy by just one year can increase a pension plan's liabilities by up to 5%. It examines what (re)insurers and other parties can do to help address the challenges faced by societies as a result of increased life expectancy.

13 September 2010

Supporting clients at the annual international insurance convention in Monte Carlo

At Les Rendez-Vous de Septembre in Monte Carlo, Swiss Re highlighted increasing M&A activity, low interest rates and regulatory changes as some of the opportunities and challenges in focus for reinsurers and insurers. Swiss Re helps clients deal with such market fluctuations by offering high quality solutions and capacity at risk-adjusted prices.

1 October 2010

Senior leadership structure aligned to sharpen strategic focus

Swiss Re established a new leadership structure, broadening market representation at Executive Committee level. The purpose is to further strengthen the company's marketing power, optimise operations and better align with client needs.

Group

Swiss Re reported a strong result of USD 618 million for the third quarter of 2010. Property & Casualty result was excellent, benefiting from a low natural catastrophe burden in the quarter. The Life & Health result was USD 119 million. Asset Management delivered a good performance with a return on investments of 2.8 %, driven mainly by lower losses on hedges and lower impairments. Shareholders' equity, excluding non-controlling interests, increased to USD 29.9 billion.

Group results

Swiss Re reported net income attributable to common shareholders of USD 618 million in the third quarter of 2010, compared to net income of USD 314 million in the third quarter of 2009. Earnings per share were CHF 1.93 (USD 1.80), compared to CHF 0.97 (USD 0.92) in the same period of the previous year.

During the quarter, the US dollar remained stable against the British pound and appreciated 4% against the euro, compared to average rates in the third quarter of 2009.

Premiums earned decreased 3% to USD 2.9 billion for Property & Casualty, compared to the prior-year period. The reduction reflects lower volumes, driven by the Group's active cycle management and selective underwriting, particularly in the January renewals. The third quarter is generally exposed to natural catastrophe risk. The third quarter of 2010, however, benefited from refined premium earning patterns reflecting seasonal exposure in the US. Life & Health premiums and fees decreased 12%, mainly as a result of the US individual life retrocession agreement announced earlier this year. Excluding this impact and foreign exchange movements, Life & Health premiums increased 4%.

The Group's investment income and net realised gains include the investment result from assets backing unit-linked and unitised with-profit policies. These returns are credited to policyholders' accounts and are therefore excluded from the following comments on the investment performance of the Group.

Proprietary net investment income was USD 1.1 billion, a 25% decrease compared to the prior-year period, primarily driven by sales of corporate bonds and lower levels of securitised products. The fixed income running yield was 3.9%, reflecting lower yields on recent purchases, primarily government bonds, and increased fair value of assets.

The Group reported proprietary net realised investment losses of USD 0.1 billion in the third quarter of 2010, compared to a loss of USD 0.6 billion in the same period of the prior year. The third quarter of 2009 was impacted by mark-to-market losses on corporate bond hedges and impairments.

Other revenues were USD 24 million in the third quarter of 2010, compared to USD 50 million in the third quarter of 2009.

Property & Casualty claims and claim adjustment expenses decreased 10% to USD 1.5 billion, reflecting a benign natural catastrophe season as well as the continuing disciplined underwriting and cycle management of the Group. As a result, the combined ratio improved to 76.4% in the third quarter of 2010 from 84.5% in the comparative period of the previous year.

Life & Health benefits decreased 7% to USD 2.2 billion in the third quarter of 2010, compared to the prior-year quarter. In the reporting period, traditional life and health benefits reflect the impact of the life retrocession agreement entered into in January 2010 with Berkshire Hathaway, partially offset by less favourable mortality and morbidity experience. A prior-year benefit resulting from the rescission of a disability contract did not repeat in the reporting quarter. The Admin Re® benefit expense declined, reflecting the impact of financial markets on with-profits products.

The benefit ratio increased to 93.3% in the third quarter of 2010, compared to 81.1% in the same period of 2009.

Return credited to policyholders reflects the investment performance on the underlying assets, mainly backing unit-linked and unitised with-profit policies, which is passed through to policyholders. In the third quarter of 2010, an investment gain of USD 2.0 billion was passed through to policyholders, mainly driven by the investment gains in the reporting period, compared to a gain of USD 3.6 billion in the prior-year period.

Acquisition costs decreased 18% to USD 0.9 billion. Life & Health and Property & Casualty equally contributed to the decrease. The commutation of a non-traditional Property & Casualty transaction had unfavourably impacted acquisition costs in the third quarter of 2009. Decreasing acquisition costs in the Life & Health traditional lines of business reflect the impact of the retrocession agreement mentioned above.

Administrative expenses decreased 7% to USD 529 million, reflecting the benefit of the Group's efficiency programme initiated in 2009.

Other expenses decreased 21% to USD 77 million. The same period of the prior year was impacted by the restructuring plan the Group had initiated in April 2009.

Interest expenses decreased 16% to USD 199 million. The impact of new borrowings was more than offset by maturities and the positive impact of interest rate hedges that the Group had entered into in prior quarters.

For the third quarter of 2010, the Group reported a tax charge of USD 141 million, compared to a tax charge of USD 182 million in the same period of the previous year. The tax charge generally reflects the tax at the statutory tax rate offset by the reduction in the valuation allowance on unrealised losses.

Income statement

USD millions, for the three months ended 30 September	2009	2010	Change in %
Revenues			
Premiums earned	5496	**5046**	–8
Fee income from policyholders	223	**239**	7
Proprietary net investment income	1503	**1130**	–25
Net investment income from unit-linked and with-profit business	158	**160**	1
Proprietary net realised investment gains/losses	–621	**–131**	–79
Net realised investment gains/losses from unit-linked and with-profit business	3591	**1786**	–50
Other revenues	50	**24**	–52
Total revenues	10400	**8254**	–21
Expenses			
Claims and claim adjustment expenses	–1847	**–1486**	–20
Life and health benefits	–2373	**–2196**	–7
Return credited to policyholders	–3579	**–1980**	–45
Acquisition costs	–1138	**–933**	–18
Administrative expenses	–566	**–529**	–7
Other expenses	–97	**–77**	–21
Interest expenses	–238	**–199**	–16
Total expenses	–9838	**–7400**	–25
Income before income tax expense	562	**854**	52
Income tax expense	–182	**–141**	–23
Net income before attribution of non-controlling interests	380	**713**	88
Income attributable to non-controlling interests	0	**–26**	–
Net income after attribution of non-controlling interests	380	**687**	81
Interest on convertible perpetual capital instrument	–66	**–69**	5
Net income attributable to common shareholders	314	**618**	97

Total equity, including non-controlling interests, increased USD 2.6 billion to USD 31.5 billion at the end of September 2010, compared to the end of the prior quarter. Non-controlling interests reflect interests attributable to non-controlling owners of Swiss Re's subsidiaries. They relate to a modified co-insurance treaty and the management company of private equity funds acquired in the first quarter of 2010, which resulted in the consolidation of all the investees' assets and liabilities even though the Group does not own the majority of the equity. Swiss Re presents non-controlling interests as separate components of net income and total equity. Minority interests were classified as liabilities under the previous guidance. As of 30 September 2010, non-controlling interests totalled USD 1.5 billion.

Shareholders' equity, which excludes non-controlling interests, increased USD 2.4 billion to USD 29.9 billion, compared to the end of the prior quarter. Net unrealised investment gains during the period were USD 1.5 billion as interest rates continued to decrease and credit spreads tightened. The appreciation of the euro and the British pound against the US dollar during the third quarter of 2010 resulted in favourable foreign exchange movements of USD 0.5 billion.

Basic book value per share was CHF 77.81 or USD 79.65 at the end of September 2010, compared to CHF 78.44 or USD 72.51 at the end of June 2010. Book value per share is based on shareholders' equity and excludes the impact of the convertible perpetual capital instrument issued to Berkshire Hathaway and non-controlling interests.

For the third quarter of 2010, annualised return on equity was 9.5%, compared to 2.3% for the full year of 2009 and 6.1% (annualised) for the third quarter of 2009.

Income reconciliation

The income reconciliation table below reconciles the income from the business segments and the operations of the Corporate Centre with the Group's consolidated net income/loss before tax. Net realised gains or losses on certain financial instruments, certain foreign exchange gains and losses, and other income and expenses – such as indirect taxes, capital taxes and interest charges – have been excluded from the assessment of each segment's performance.

Group items for the third quarter of 2010 include a foreign exchange loss of USD 195 million, net, that relates to an intra-group transaction that was completed in the second quarter of 2010. Please refer to the third quarter financial statements, Note 1 "Organisation and summary of significant accounting policies" for further detail.

Income reconciliation

USD millions, for the three months ended 30 September	2009	2010	Change in %
Operating income			
Property & Casualty	938	**1 089**	16
Life & Health	363	**119**	–67
Asset Management	697	**1 172**	68
Legacy	21	**–30**	–
Allocation	–1 012	**–809**	–20
Total operating income	1 007	**1 541**	53
Corporate Centre expenses	–61	**–64**	5
Items excluded from the segments:			
Net investment income	87	**21**	–76
Net realised investment gains/losses	234	**82**	–65
Foreign exchange gains/losses	–395	**–471**	19
Financing costs	–238	**–199**	–16
Other income/expenses	–72	**–56**	–22
Income before tax	562	**854**	52

Property & Casualty

Property & Casualty operating income increased 16% to USD 1.1 billion in the third quarter of 2010, compared to USD 0.9 billion in the third quarter of 2009. At constant foreign exchange rates, operating income increased 25%.

The increase in operating income was supported by a strong underwriting result, benefiting from favourable natural catastrophe experience. The major event in the reporting period was an earthquake in New Zealand which impacted operating income by USD 160 million.

Operating income included an impact of USD 99 million from favourable reserve developments in and prior to 2008, as cumulative reserve development exceeded amounts payable under the adverse development cover with Berkshire Hathaway.

Compared to the prior-year period, investment income declined USD 112 million in the third quarter of 2010, due to the low interest rate environment and reduction in the level of reserves.

Net premiums earned decreased 3% to USD 2.9 billion in the third quarter of 2010, compared to USD 3.0 billion in the same period of 2009. At constant foreign exchange rates, net premiums earned decreased 1% quarter on quarter.

The decrease in premiums earned, due to the reduction in the January 2010 renewals, was partly compensated by the favourable effect from refined premium earning patterns for natural catastrophe exposures. The third quarter is typically the quarter with the highest natural catastrophe earned premiums.

The combined ratio decreased to 76.4% in the third quarter of 2010 from 84.5% in the comparative period. The third quarter of 2010 not only benefited from a benign natural catastrophe season, but also from continued disciplined underwriting and cycle management, improving the profitability of Swiss Re's Property & Casualty portfolio.

Excluding the unwind of discount, the combined ratio was 74.8% in the third quarter of 2010.

The net impact from natural catastrophes on the combined ratio in the third quarter of 2010 was 5 percentage points, which is 8 percentage points below the expected level.

The comparatively more favourable natural catastrophe experience improved the property combined ratio to 60.1% in the third quarter of 2010, compared to 65.8% in the third quarter of 2009.

The casualty combined ratio improved to 105.7% in the third quarter of 2010, compared to 110.8% in the third quarter of 2009, driven by favourable net claims experience in prior years as well as lower expense ratio.

The other specialty combined ratio increased to 79.4% in the third quarter of 2010, compared to 74.2% in the same period of 2009, mainly due to changes in foreign exchange rates as well as net claims experience that were comparatively less favourable in the third quarter of 2010.

The credit combined ratio was at 65.6% in the third quarter of 2010, versus 98.3% in the comparative period of 2009. This reduction was largely driven by the improved technical margins after the recent portfolio changes, favourable premium updates in prior years, and reduced expense ratio.

The expense ratio improved to 9.3% in the third quarter of 2010, compared to 11.1% in the same period of 2009, driven by our cost saving initiatives.

Life & Health

Life & Health reported operating income of USD 119 million in the third quarter of 2010, compared to USD 363 million in the prior-year period. Excluding the effect of foreign exchange movements, operating income fell USD 279 million.

Premiums and fee income declined to USD 2.4 billion in the third quarter of 2010 from USD 2.7 billion in the same quarter of 2009. The decrease was largely due to the US individual life retrocession transaction announced in January 2010. Excluding this and the effect of foreign exchange movements, premiums and fee income rose 3.8%, reflecting new business growth, with a high contribution from Asia, as well as increased fee income in Admin Re® as financial markets improved.

The Life & Health benefit ratio was refined in the third quarter of 2010 to exclude the impact of guaranteed minimum death benefit (GMDB) products, as this ratio is not indicative of the operating performance of such products. The benefit ratio increased to 93.3% in the third quarter of 2010, compared to 81.1% in the same quarter of 2009. The change was primarily due to a prior-year benefit derived from the rescission of a disability contract together with the impact of certain commutations. In addition, mortality and morbidity experience was more favourable in 2009 than in the reporting period.

The management expense ratio increased to 6.5% in the third quarter of 2010, compared to 5.1% in the prior-year period. The increase is mainly due to the decline in operating revenues associated with the life retrocession agreement.

The traditional life business reported operating income of USD 47 million in the third quarter of 2010. Mortality results were at expectations, but were significantly lower than the favourable experience in the prior-year period. In addition, the segment was impacted by changes in reporting estimates, lower allocated net investment income due to declining risk free rates and unrealised losses related to an increase in the fair value of embedded derivatives B36. The variable annuity and pre-2000 GMDB result was USD 31 million in the reporting period as net positive hedging results were partially offset by changes in Swiss Re's own credit spreads.

The health business operating income was USD 106 million in the third quarter of 2010, compared to USD 180 million in the same quarter of 2009. The prior-year period included a gain of USD 96 million from an arbitration award related to the rescinded disability income reinsurance agreement with Lincoln National Reinsurance Company (Barbados) Ltd. Morbidity was slightly better than expected, although less favourable than reported in the prior-year period.

Admin Re® reported an operating loss of USD 34 million in the third quarter of 2010. This was driven by lower allocated net investment income due to declining risk free rates, increases in reserves due to model enhancements and higher amortisation of the present value of future profits (PVFP) in a declining interest rate environment in the US compared to the same period in 2009.

Asset Management

The annualised return on investments was 2.8% in the third quarter of 2010, compared to 1.6% for the same period of the previous year. This was driven mainly by lower losses on hedges and lower impairments and partially offset by the negative impact of foreign exchange movements.

Operating income for the third quarter of 2010 was USD 1.2 billion, compared to USD 697 million in the third quarter of 2009. The annualised total return on investments was 10.6% in the third quarter of 2010, compared to 14.3% in the same period of the prior year. Total return on investments was driven by mark-to-market gains on government bonds of USD 1.1 billion, mainly as a result of lower interest rates.

Net investment income for Asset Management was USD 0.9 billion in the third quarter of 2010, compared to USD 1.1 billion in the prior-year period. Net investment income on the credit and rates portfolio decreased USD 0.2 billion, compared to the third quarter of 2009, as a result of reducing the investment risk profile.

Net realised gains on investments in Asset Management were USD 297 million in the third quarter of 2010, compared to net realised investment losses of USD 421 million in the prior-year period. Net realised investment gains in the third quarter of 2010 mainly reflected net realised and unrealised gains of USD 426 million, partially offset by impairments of USD 68 million.

Asset Management's investment portfolio increased to USD 150.8 billion at the end of September 2010, excluding unit-linked and with-profit businesses, compared to USD 141.3 billion at the end of June 2010. Swiss Re's credit and rates investment portfolio increased to USD 90.6 billion at the end of September 2010 from USD 78.2 billion at the end of June 2010. The increase in the portfolio was mainly due to net purchases in the credit and rates portfolios and mark-to-market and foreign exchange gains during the quarter.

Mark-to-market gains in the credit and rates portfolio in the third quarter of 2010 increased shareholders' equity by USD 2.0 billion, mainly as a result of lower interest rates.

Legacy

Legacy generated a net operating loss of USD 30 million in the third quarter of 2010, compared to net operating income of USD 21 million in the same period of 2009. Net investment income, mainly from securitised products, was more than offset by realised losses and mark-to-market losses.

Former trading activities generated an operating loss of USD 21 million in the third quarter of 2010, versus operating gains of USD 218 million in the third quarter of 2009. The operating loss was driven by mark-to-market losses on remaining former trading activities and securitised product hedges. The gains during the third quarter of 2009 primarily related to realised gains from the liquidation and auction of a portfolio of floating rate notes from the former Structured CDS.

Financial Guarantee Re reported an operating loss of USD 9 million in the third quarter of 2010, compared to a loss of USD 197 million in the same period of 2009. The main driver of the 2009 result was the expense associated with the commutation of approximately USD 6.4 billion of exposure.

Investment and operating expenses were USD 15 million in the third quarter of 2010, compared to USD 21 million in the prior-year period, due to a decrease in investment expenses.

Outlook

Swiss Re continues to focus on writing profitable business while opening up new sources of income through its capacity for innovation. The company's (re)insurance portfolio is well positioned to meet the challenges of the prevailing low interest rate environment.

We remain committed to active cycle management and portfolio steering and will deploy capital to those lines of business where we expect to achieve an appropriate return.

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Income statement (unaudited)

USD millions	Note	Three months ended 30 September 2009[1]	2010	Nine months ended 30 September 2009[1]	2010
Revenues					
Premiums earned	7, 11	5496	**5046**	16754	**14693**
Fee income from policyholders	7, 11	223	**239**	608	**681**
Net investment income	2, 11	1661	**1290**	4778	**4129**
Net realised investment gains/losses (total impairments for the three months ended 30 September were 673 in 2009 and 111 in 2010, of which 311 and 90, respectively, were recognised in earnings)[2]	2, 11	2970	**1655**	678	**2018**
Other revenues	11	50	**24**	131	**53**
Total revenues		10400	**8254**	22949	**21574**
Expenses					
Claims and claim adjustment expenses	7, 11	–1847	**–1486**	–6348	**–5658**
Life and health benefits	7, 11	–2373	**–2196**	–6327	**–6244**
Return credited to policyholders	11	–3579	**–1980**	–3850	**–1976**
Acquisition costs	7, 11	–1138	**–933**	–3359	**–2865**
Other expenses	11	–663	**–606**	–1996	**–1778**
Interest expenses	11	–238	**–199**	–704	**–736**
Total expenses		–9838	**–7400**	–22584	**–19257**
Income before income tax expense		562	**854**	365	**2317**
Income tax expense		–182	**–141**	–129	**–401**
Net income before attribution of non-controlling interests		380	**713**	236	**1916**
Income/loss attributable to non-controlling interests		0	**–26**	0	**–126**
Net income after attribution of non-controlling interests		380	**687**	236	**1790**
Interest on convertible perpetual capital instrument		–66	**–69**	–134	**–202**
Net income attributable to common shareholders		314	**618**	102	**1588**
Earnings per share in USD					
Basic	8	0.92	**1.80**	0.30	**4.64**
Diluted	8	0.82	**1.45**	0.30	**3.79**
Earnings per share in CHF[3]					
Basic	8	0.97	**1.93**	0.30	**4.96**
Diluted	8	0.87	**1.55**	0.30	**4.05**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.
[2] Total impairments were USD 2926 million and USD 580 million for the nine months ended 30 September 2009 and 2010, respectively, of which USD 1536 million and USD 344 million, respectively, were recognised in earnings.
[3] The translation from USD to CHF is shown for informational purposes only and has been calculated at the Group's average exchange rates for the three and nine months ended 30 September 2009 and 2010, respectively.

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

Balance sheet (unaudited)

Assets

USD millions	Note	31.12.2009[1]	30.09.2010
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 9 011 in 2009 and 4 589 in 2010 subject to securities lending and repurchase agreements) (amortised cost: 2009: 89 031; 2010: 80 342)		87 182	**84 570**
Trading (including 518 in 2009 and 2 532 in 2010 subject to securities lending and repurchase agreements)		11 562	**12 697**
Equity securities:			
Available-for-sale, at fair value (cost: 2009: 392; 2010: 372)		554	**556**
Trading		19 591	**18 652**
Policy loans, mortgages and other loans		5 606	**5 647**
Investment real estate		2 052	**2 081**
Short-term investments, at amortised cost which approximates fair value (including 673 in 2009 and 3 934 in 2010 subject to securities lending and repurchase agreements)		10 144	**24 512**
Other invested assets		14 650	**11 050**
Total investments		151 341	**159 765**
Cash and cash equivalents (including 4 314 in 2009 and 4 436 in 2010 subject to securities lending)		27 810	**20 882**
Accrued investment income		1 565	**1 068**
Premiums and other receivables		11 773	**11 498**
Reinsurance recoverable on unpaid claims and policy benefits	7	11 251	**12 645**
Funds held by ceding companies		9 605	**9 656**
Deferred acquisition costs	5, 7	3 894	**3 550**
Acquired present value of future profits	5	6 054	**4 450**
Goodwill		4 134	**4 087**
Income taxes recoverable		601	**607**
Other assets		4 720	**7 366**
Total assets		232 748	**235 574**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.

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

Liabilities and equity

USD millions	Note	31.12.2009[1]	30.09.2010
Liabilities			
Unpaid claims and claim adjustment expenses	7	68 412	**65 402**
Liabilities for life and health policy benefits	3, 7	39 944	**39 566**
Policyholder account balances	7	36 692	**36 143**
Unearned premiums		6 528	**7 229**
Funds held under reinsurance treaties		4 029	**4 600**
Reinsurance balances payable		4 756	**4 645**
Income taxes payable		608	**692**
Deferred and other non-current taxes		928	**2 732**
Short-term debt	6	8 105	**6 087**
Accrued expenses and other liabilities		18 218	**17 178**
Long-term debt	6	19 184	**19 845**
Total liabilities		207 404	**204 119**
Equity			
Convertible perpetual capital instrument		2 670	**2 670**
Common stock, CHF 0.10 par value			
2009: 370 701 168; 2010: 370 704 073 shares authorised and issued		35	**35**
Additional paid-in capital		10 472	**10 519**
Treasury shares, net of tax		–1 477	**–1 483**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		–993	**2 660**
Other-than-temporary impairment, net of tax		–397	**–146**
Cumulative translation adjustments, net of tax		–3 560	**–4 018**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–453	**–673**
Total accumulated other comprehensive income		–5 403	**–2 177**
Retained earnings		19 047	**20 376**
Shareholders' equity		25 344	**29 940**
Non-controlling interests			**1 515**
Total equity		25 344	**31 455**
Total liabilities and equity		232 748	**235 574**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.

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

Statement of equity (unaudited)

For the twelve months ended 31 December 2009 and the nine months ended 30 September 2010

USD millions	2009[1]	2010
Convertible perpetual capital instrument		
Balance as of 1 January	0	**2 670**
Issued	2 670	
Balance as of period end	2 670	**2 670**
Common shares		
Balance as of 1 January	34	**35**
Issue of common shares	1	
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	10 125	**10 472**
Issue of common shares[2]	311	
Convertible perpetual capital instrument issuance costs	–9	
Share-based compensation	–10	**31**
Realised gains/losses on treasury shares	55	**16**
Balance as of period end	10 472	**10 519**
Treasury shares, net of tax		
Balance as of 1 January	–1 540	**–1 477**
Cumulative effect of adoption of EITF 07-5[3]	60	
Purchase of treasury shares	–54	**–47**
Sales of treasury shares	57	**41**
Balance as of period end	–1 477	**–1 483**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	–2 262	**–993**
Other changes during the period	1 269	**3 688**
Cumulative effect of adoption of ASU No. 2009-17[5]		**–35**
Balance as of period end	–993	**2 660**
Other-than-temporary impairment, net of tax		
Balance as of 1 January[4]	–263	**–397**
Other changes during the period	–134	**251**
Balance as of period end	–397	**–146**
Foreign currency translation, net of tax		
Balance as of 1 January	–4 709	**–3 560**
Other changes during the period	1 149	**–458**
Balance as of period end	–3 560	**–4 018**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–497	**–453**
Change during the period	44	**–220**
Balance as of period end	–453	**–673**
Retained earnings		
Balance as of 1 January	18 069	**19 047**
Net income after non-controlling interests	699	**1 790**
Interest on convertible perpetual capital instrument	–203	**–202**
Dividends on common shares	–30	**–319**
Cumulative effect of adoption of FSP SFAS 115-2[4]	334	
Cumulative effect of adoption of EITF 07-5[3]	178	
Cumulative effect of adoption of ASU No. 2009-17[5]		**60**
Balance as of period end	19 047	**20 376**
Shareholders' equity	25 344	**29 940**
Non-controlling interests[6]		
Balance as of 1 January	0	**0**
Change during the period		**1 389**
Income attributable to non-controlling interests		**126**
Balance as of period end	0	**1 515**
Total equity	25 344	**31 455**

[1] The Group changed its reporting currency from CHF to USD.
[2] The balance represents the premium from the conversion of mandatory convertible bonds that matured in June 2009.
[3] The Group adopted a new accounting pronouncement, EITF 07-5, as of 1 January 2009, which resulted in a change in accounting principle for some types of instruments and embedded features linked to Swiss Re's own shares. The cumulative impact upon adoption resulted in a net increase in retained earnings of USD 178 million, a decrease in treasury shares of USD 60 million, an increase in other invested assets of USD 285 million and a tax income of USD 47 million.
[4] Retained earnings as of 31 December 2008 were increased by USD 71 million to reflect the release of a valuation allowance against deferred tax assets associated with investment impairment losses.
[5] The Group adopted a new accounting pronouncement, ASU No. 2009-17 (FAS167), an update to Topic 810 – Consolidation, as of 1 January 2010, which resulted in the full consolidation of certain VIEs. This resulted in a transition impact to retained earnings of USD 60 million and to net unrealised gains/losses of USD –35 million, and other balance sheet items. Please refer to note 12 for more details.
[6] Non-controlling interests relate to a modified co-insurance treaty and the acquisition of the management company of private equity funds, resulting in the consolidation of all the investees' assets and liabilities even though the Group does not own the majority of the equity.

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

Statement of comprehensive income (unaudited)

USD millions	Three months ended 30 September 2009	2010	Nine months ended 30 September 2009	2010
Net income before attribution of non-controlling interests[1]	314	**644**	102	**1 714**
Other comprehensive income, net of tax:				
Change in unrealised gains/losses	1 944	**1 511**	1 722	**3 653**
Change in other-than-temporary impairment	577	**–16**	–383	**251**
Change in foreign currency translation	525	**525**	1 073	**–458**
Change in adjustment for pension benefits	25	**–231**	–10	**–220**
Total comprehensive income before attribution of non-controlling interests	3 385	**2 433**	2 504	**4 940**
Comprehensive income attributable to non-controlling interests		**–26**		**–126**
Total comprehensive income attributable to common shareholders	3 385	**2 407**	2 504	**4 814**

[1] After interest on convertible perpetual capital instrument.

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

Statement of cash flow (unaudited)

For the nine months ended 30 September

USD millions	2009	2010
Cash flows from operating activities		
Net income attributable to common shareholders	102	**1 588**
Add net income attributable to non-controlling interests		**126**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	207	**193**
Net realised investment gains/losses	–678	**–2 018**
Change in:		
Technical provisions, net	–1 625	**–607**
Funds held by ceding companies and other reinsurance balances	–205	**–159**
Reinsurance recoverable on unpaid claims and policy benefits	–1 067	**–1 396**
Other assets and liabilities, net	–342	**–1 264**
Income taxes payable/recoverable	–164	**–117**
Income from equity-accounted investees, net of dividends received	64	**–241**
Trading positions, net	88	**2 832**
Securities purchased/sold under agreement to resell/repurchase, net	–762	**286**
Net cash provided/used by operating activities	–4 382	**–777**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	150 925	**108 664**
Purchases	–133 133	**–98 661**
Net purchase/sale/maturities of short-term investments	–4 098	**–13 821**
Equity securities:		
Sales	289	**26**
Purchases	–103	**1**
Net purchases/sales/maturities of other investments	1 364	**202**
Net cash provided/used by investing activities	15 244	**–3 589**
Cash flows from financing activities		
Issuance/repayment of long-term debt	3 440	**1 089**
Issuance/repayment of short-term debt	–1 345	**–3 877**
Equity issued	1	
Proceeds from the issuance of convertible perpetual capital instrument, net of issuance cost	2 660	
Purchase/sale of treasury shares	1	**–6**
Interest on convertible perpetual capital instrument	–55	**–166**
Dividends paid to shareholders	–30	**–319**
Net cash provided/used by financing activities	4 672	**–3 279**
Total net cash provided/used	15 534	**–7 645**
Effect of foreign currency translation	901	**–76**
Change in cash and cash equivalents	16 435	**–7 721**
Cash and cash equivalents as of 1 January	16 225	**27 810**
Impact of adoption of ASU No. 2009-17		**793**
Cash and cash equivalents as of 30 September	32 660	**20 882**

Interest paid was USD 551 million and USD 808 million for the nine months ended 30 September 2009 and 2010, respectively. Tax paid was USD 430 million and USD 369 million for the nine months ended 30 September 2009 and 2010, respectively.

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

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Notes to the Group financial statements (unaudited)

1 Organisation and summary of significant accounting policies

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

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

From 1 January 2010, Swiss Re changed its presentation currency from Swiss francs (CHF) to US dollars (USD). US dollar is the currency in which a significant part of the reinsurance business of the Group is written and assets are invested in. Comparative periods have been retranslated at the closing rates for balance sheet items and at average rates for income statement items.

Following the acquisition of some private equity funds in the first quarter of 2010, the Group presents interests attributable to non-controlling owners of its subsidiaries in its statement of equity as a separate component. The income attributable to the non-controlling interests is presented as a deduction from net income on the face of the income statement.

As part of the third quarter 2010 reporting process, the Group reviewed the foreign exchange treatment of an intra-group transaction that was completed during the second quarter of 2010. As a result of the review the Group concluded that the transaction resulted in a foreign exchange loss which should have been, but was not, reflected in the reported result for the second quarter. The third quarter results have been adjusted to reflect this loss. Had the loss been reflected in the second quarter, reported net income would have been reduced by USD 195 million, reflecting the foreign exchange remeasurement loss, the positive tax benefit and related offsetting adjustments, net of tax. Foreign exchange remeasurement gains/losses are included in the line item "Net realised investment gains/losses" in the Group income statement. In the business segments result table, foreign exchange remeasurement gains/losses are reported in the column "Group items". Accordingly, Property & Casualty, Life & Health, Asset Management and Legacy are not impacted by the inclusion of the foreign exchange loss in the third quarter, rather than the second quarter. The results for the nine months ended 30 September 2010 were not affected.

The table below states net income as reported for the second and third quarter 2010, respectively. The second line represents net income for the two periods had the foreign exchange remeasurement impact been included in the second quarter 2010 results.

USD millions, three months ended	30 June 2010	30 September 2010
Net income as reported	812	618
Net income represented, including foreign exchange loss in second quarter results	617	813

These interim financial statements should be read in conjunction with the Swiss Re Group's financial statements for the year ended 31 December 2009.

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

Valuation of financial assets

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Whilst management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 30 September 2010, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 3 November 2010. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In June 2009, the FASB issued "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (VIEs)" (ASU No. 2009-17), an update to Topic 810 – Consolidation. This ASU requires companies to assess VIEs under a new method for consolidation. The Group adopted this new standard as of 1 January 2010. Refer to Note 12 for further information.

Also in June 2009, the FASB issued "Accounting for Transfers of Financial Assets" (ASU No. 2009-16), an update to Topic 860 – Transfers and Servicing. This ASU requires additional disclosures about transfer of financial assets and continuing exposure to the risks related to transferred assets. It also changes the requirements for derecognising financial assets. The Group adopted this new standard as of 1 January 2010. The adoption did not have a material impact on the Group's financial statements.

In January 2010, the FASB issued "Improving Disclosures about Fair Value Measurements" (ASU No. 2010-06), an update to Topic 820 – Fair Value Measurements and Disclosures. This new standard implements additional disclosure requirements for the three fair value levels. The requirements, which are applicable from 1 January 2010 on, are disclosed in Note 3.

In March 2010, the FASB issued "Scope Exception Related to Embedded Credit Derivatives" (ASU No. 2010-11), an update to Topic 815 – Derivatives and Hedging. This ASU clarifies how embedded credit-derivative features should be analysed to determine whether those features should be accounted for separately. The Group adopted this new standard as of 1 July 2010. The adoption did not have a material impact on the Group's financial statements.

2 Investments

Investment income

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

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2009	**2010**	2009	**2010**
Fixed income securities	1 330	968	3 898	3 026
Equity securities	117	106	408	398
Policy loans, mortgages and other loans	99	107	311	320
Investment real estate	47	40	141	129
Short-term investments	9	27	32	62
Other current investments	16	–35	67	–33
Share in earnings of equity-accounted investees	132	60	–13	315
Cash and cash equivalents	21	30	66	74
Deposits with ceding companies	121	154	440	352
Gross investment income	1 892	**1 457**	5 350	**4 643**
Investment expenses	–172	–132	–398	–412
Interest charged for funds held	–59	–35	–174	–102
Net investment income	1 661	**1 290**	4 778	**4 129**

Dividends received from investments accounted for using the equity method were USD 7 million and USD 5 million for the three months ended 30 September 2009 and 2010, respectively, as well as USD 48 million and USD 74 million for the nine months ended 30 September 2009 and 2010, respectively.

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

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2009	**2010**	2009	**2010**
Unit-linked investment income	135	127	460	450
With-profit investment income	23	33	117	107

Realised gains and losses

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

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2009	**2010**	2009	**2010**
Fixed income securities available-for-sale:				
Gross realised gains	1 067	594	3 055	1 880
Gross realised losses	–425	–67	–1 605	–906
Equity securities available-for-sale:				
Gross realised gains	20	4	77	9
Gross realised losses		–1	–20	–1
Other-than-temporary impairments	–311	–90	–1 536	–344
Net realised investment gains/losses on trading securities	102	–232	–263	–27
Change in net unrealised investment gains/losses on trading securities	3 969	2 070	4 045	1 625
Other investments:				
Gross realised/unrealised gains/losses	–1 057	–152	–2 255	46
Foreign exchange gains/losses	–395	–471	–820	–264
Net realised investment gains/losses	2 970	**1 655**	678	**2 018**

Proceeds from sales of fixed income securities available for sale amounted to USD 43 633 million and USD 23 521 million for the three months ended 30 September 2009 and 2010, respectively, and USD 141 402 million and USD 98 743 million for the nine months ended 30 September 2009 and 2010, respectively. Sales of equity securities available for sale were USD 112 million and USD 4 million for the three months ended 30 September 2009 and 2010, respectively, and USD 306 million and USD 30 million for the nine months ended 30 September 2009 and 2010, respectively.

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

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2009	**2010**	2009	**2010**
Unit-linked realised gains/losses	3 253	1 629	2 955	958
With-profit realised gains/losses	338	157	280	177

Impairment on fixed income securities relating to credit losses

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

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

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

USD millions	2009	**2010**
Balance as of 1 January	551	1 409
Credit losses for which an other-than-temporary impairment was not previously recognised	809	128
Reductions for securities sold during the period	–369	–619
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	360	87
Impact of increase in cash flows expected to be collected	–17	–48
Impact of foreign exchange movements	53	–27
Balance as of 30 September	1 387	**930**

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 2009 and 30 September 2010 were as follows:

2009 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairment 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	25951	263	–933		25281
States of the United States and political subdivisions of the states	57	2	–4		55
United Kingdom	11833	276	–476		11633
Canada	2300	232	–70		2462
Germany	2911	23	–20		2914
France	2211	24	–12		2223
Other	5909	209	–136		5982
Total	51172	1029	–1651		50550
Corporate debt securities	17419	1107	–383	–24	18119
Residential mortgage-backed securities	5677	115	–713	–359	4720
Commercial mortgage-backed securities	6281	49	–871	–119	5340
Agency securitised products	4197	162	–7	–8	4344
Other asset-backed securities	4285	106	–190	–92	4109
Fixed income securities available-for-sale	89031	2568	–3815	–602	87182
Equity securities available-for-sale	392	188	–26		554

2010 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairment 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	19356	1001	–81		20276
States of the United States and political subdivisions of the states	168	10	–1		177
United Kingdom	12869	834	–109		13594
Canada	2517	485	–13		2989
Germany	3213	94	–5		3302
France	1896	115	–6		2005
Other	4786	356	–68		5074
Total	44805	2895	–283		47417
Corporate debt securities	19274	1993	–152	–11	21104
Residential mortgage-backed securities	4759	210	–278	–165	4526
Commercial mortgage-backed securities	4605	180	–302	–23	4460
Agency securitised products	4445	171	–8		4608
Other asset-backed securities	2454	95	–73	–21	2455
Fixed income securities available-for-sale	**80342**	**5544**	**–1096**	**–220**	**84570**
Equity securities available-for-sale	**372**	**198**	**–14**		**556**

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

Investments trading

Fixed income securities and equity securities classified as trading as of 31 December 2009 and 30 September 2010 were as follows:

USD millions	2009	2010
Debt securities issued by governments and government agencies	7 671	9 400
Corporate debt securities	2 248	2 551
Mortgage-backed and asset-backed securities	1 643	746
Fixed income securities trading	11 562	**12 697**
Equity securities trading	19 591	**18 652**

Fixed income securities and equity securities classified as trading as of 31 December 2009 and 30 September 2010 include securities held for unit-linked and with-profit business:

USD millions	2009	2010
Fixed income securities trading held for unit-linked business	2 380	2 383
Fixed income securities trading held for with-profit business	1 619	1 671
Fixed income securities trading	3 999	**4 054**
Equity securities trading held for unit-linked business	17 333	16 590
Equity securities trading held for with-profit business	1 203	1 129
Equity securities trading	18 536	**17 719**

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 as of 31 December 2009 and 30 September 2010 are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2009 and 30 September 2010, USD 18 181 million and USD 13 954 million, respectively, of fixed income securities available-for-sale were callable.

		2009		2010
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	4 345	4 352	4 653	4 704
Due after one year through five years	19 152	19 281	16 319	16 851
Due after five years through ten years	15 097	15 401	13 576	14 686
Due after ten years	29 902	29 525	29 742	32 454
Mortgage and asset-backed securities with no fixed maturity	20 535	18 623	16 052	15 875
Total fixed income securities available-for-sale	89 031	87 182	**80 342**	**84 570**

Assets pledged

As of 31 December 2009 and 30 September 2010, investments with the carrying value of USD 1 706 million and USD 1 773 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 2009 and 30 September 2010, investments (including cash and cash equivalents) with a carrying value of approximately USD 9 015 million and USD 8 935 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

As of 31 December 2009 and 30 September 2010, securities of USD 14 516 million and USD 15 491 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 5 005 million and USD 1 363 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying amount of USD 276 million serves as collateral for short-term senior operational debt of USD 665 million.

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

As of 31 December 2009 and 30 September 2010, the fair value of the government and corporate bond securities received as collateral, was USD 12 221 million and USD 10 758 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2009 and 30 September 2010 was USD 758 million and USD nil million, respectively, which is used to settle short government bond positions. The sources of the collateral are typically highly rated banking market counterparties.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2009 and 30 September 2010. As of 31 December 2009 and 30 September 2010, USD 15 million and USD 14 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 11 million and USD nil million, respectively, to declines in value for more than 12 months.

As of 31 December 2009		Less than 12 months		12 months or more		Total
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	17 622	933	129		17 751	933
States of the United States and political subdivisions of the states	26	1	16	3	42	4
United Kingdom	6 396	395	700	81	7 096	476
Canada	944	70	64		1 008	70
Germany	1 291	20			1 291	20
France	769	12			769	12
Other	2 166	132	53	4	2 219	136
Total	29 214	1 563	962	88	30 176	1 651
Corporate debt	3 529	294	1 015	113	4 544	407
Residential mortgage-backed securities	2 727	795	1 244	277	3 971	1 072
Commercial mortgage-backed securities	3 281	640	1 365	350	4 646	990
Agency securitised products	416	12	113	3	529	15
Other asset-backed securities	1 780	246	212	36	1 992	282
Total	40 947	3 550	4 911	867	45 858	4 417

As of 30 September 2010		**Less than 12 months**		**12 months or more**		**Total**
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 858	81			2 858	81
States of the United States and political subdivisions of the states	29	1			29	1
United Kingdom	892	107	328	2	1 220	109
Canada	164	13			164	13
Germany	380	5	42		422	5
France	114	4	83	2	197	6
Other	1 140	67	125	1	1 265	68
Total	5 577	278	578	5	6 155	283
Corporate debt	2 202	163			2 202	163
Residential mortgage-backed securities	3 030	443			3 030	443
Commercial mortgage-backed securities	1 659	325			1 659	325
Agency securitised products	857	8			857	8
Other asset-backed securities	924	94			924	94
Total	**14 249**	**1 311**	**578**	**5**	**14 827**	**1 316**

Mortgages, loans and real estate

As of 31 December 2009 and 30 September 2010, investments in mortgages and other loans and real estate comprised the following:

	2009		2010	
USD millions	Carrying value	Fair value	Carrying value	Fair value
Policy loans, mortgages and other loans	5606	5606	5647	5647
Investment real estate	2052	2961	2081	3234

As of 31 December 2009 and 30 September 2010, the Group's investment in mortgages and other loans included USD 187 million and USD 249 million, respectively, of loans due from employees and USD 400 million and USD 330 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2009 and 30 September 2010, investments in real estate included USD 7 million and USD 6 million, respectively, of real estate held for sale.

Depreciation expense related to income producing properties was USD 33 million and USD 30 million for the nine months ended 30 September 2009 and 2010, respectively. Accumulated depreciation on investment real estate totalled USD 499 million and USD 523 million as of 31 December 2009 and 30 September 2010, respectively.

Substantially all mortgages and other loans receivable are secured by buildings, land or the underlying policies. The ultimate collectability of the receivables is evaluated regularly and an appropriate allowance for uncollectible amounts is established.

3 Fair value disclosures

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

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

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

Level 2 inputs are market based inputs that are directly or indirectly observable but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (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 quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy. The Group does not adjust the quoted price for such instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. In the third quarter of 2010, these adjustments were non-material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2009 and 30 September 2010, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

As of 31 December 2009 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	22 930	70 099	5 715		98 744
Debt securities issued by US government and government agencies	22 930	2 482			25 412
Debt securities issued by non-US governments and government agencies		32 727	82		32 809
Corporate debt securities		18 281	2 085		20 366
Residential mortgage-backed securities		3 894	1 302		5 196
Commercial mortgage-backed securities		5 285	199		5 484
Agency securitised products		4 365			4 365
Other asset-backed securities		3 065	2 047		5 112
Equity securities	19 117	858	170		20 145
Equity securities backing unit-linked and with-profit life and health policies	18 495	41			18 536
Equity securities held for proprietary investment purposes	622	817	170		1 609
Derivative financial instruments	582	8 538	3 821	–8 961	3 980
Other assets	25	1	1 321		1 347
Total assets at fair value	42 654	79 496	11 027	–8 961	124 216
Liabilities					
Derivative financial instruments	–458	–7 558	–5 038	6 879	–6 175
Liabilities for life and health policy benefits			–293		–293
Accrued expenses and other liabilities	–594	–1 333			–1 927
Total liabilities at fair value	–1 052	–8 891	–5 331	6 879	–8 395

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

As of 30 September 2010 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	17 792	77 501	1 974		97 267
Debt securities issued by US government and government agencies	17 792	2 726			20 518
Debt securities issued by non-US governments and government agencies		36 260	42		36 302
Corporate debt securities		21 978	1 677		23 655
Residential mortgage-backed securities		4 926	1		4 927
Commercial mortgage-backed securities		4 594	9		4 603
Agency securitised products		4 624			4 624
Other asset-backed securities		2 393	245		2 638
Equity securities	18 276	778	154		19 208
Equity securities backing unit-linked and with-profit life and health policies	17 674	45			17 719
Equity securities held for proprietary investment purposes	602	733	154		1 489
Derivative financial instruments	213	8 701	3 134	–9 138	2 910
Interest rate contracts	57	5 491	1 389		6 937
Foreign exchange contracts	20	1 214	135		1 369
Derivative equity contracts	130	1 426			1 556
Credit contracts		354	1 375		1 729
Other contracts	6	216	235		457
Other assets	22	–15	1 347		1 354
Total assets at fair value	**36 303**	**86 965**	**6 609**	**–9 138**	**120 739**
Liabilities					
Derivative financial instruments	–184	–7 044	–5 449	7 709	–4 968
Interest rate contracts	–50	–4 559	–1 356		–5 965
Foreign exchange contracts	–21	–1 299	–76		–1 396
Derivative equity contracts	–105	–650	–53		–808
Credit contracts		–443	–1 075		–1 518
Other contracts	–8	–93	–2 889		–2 990
Liabilities for life and health policy benefits			–341		–341
Accrued expenses and other liabilities	–512	–1 310			–1 822
Total liabilities at fair value	**–696**	**–8 354**	**–5 790**	**7 709**	**–7 131**

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

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)
As of 31 December 2009 and 30 September 2010, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2009 USD millions	Debt securities issued by non-US governments and government agencies	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Agency securitised products	Other asset-backed securities	Equity securities held for proprietary investment purposes	Derivative financial instruments	Other assets	Total
Assets										
Balance as of 1 January 2009	144	6 084	1 687	458		2 451	207	13 422	1 484	25 937
Realised/unrealised gains/losses:										
Included in net income	–10	290	–206	–23	–7	77	111	–10 673	–200	–10 641
Included in other comprehensive income	–15	293	181	16	–3	189	–25		39	675
Purchases, issuances, and settlements	–35	–1 035	163	–69	23	–885	–188	1 662	8	–356
Transfers in and/or out of level 3	–59	–3 482	–965	–245	–13	497	81	–641	–59	–4 886
Impact of foreign exchange movements	57	–65	442	62		–282	–16	51	49	298
Closing balance as of 31 December 2009	82	2 085	1 302	199	0	2 047	170	3 821	1 321	11 027

	Liabilities for life and health policy benefits	Derivative financial instruments	Total
Liabilities			
Balance as of 1 January 2009	–464	–16 833	–17 297
Realised/unrealised gains/losses:			
Included in net income	172	10 699	10 871
Included in other comprehensive income			
Purchases, issuances, and settlements		237	237
Transfers in and/or out of level 3		877	877
Impact of foreign exchange movements	–1	–18	–19
Closing balance as of 31 December 2009	–293	–5 038	–5 331

2010 USD millions	Debt securities issued by non-US governments and government agencies	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Other asset-backed securities
Assets					
Balance as of 1 January 2010	82	2085	1302	199	2047
Cumulative effect of adoption of ASU No. 2009-17					–84
Realised/unrealised gains/losses:					
Included in net income	12	–1	–5		–30
Included in other comprehensive income	3	79	30	2	58
Purchases, issuances, and settlements	–143	–145	–73	–4	–1452
Transfers into level 3[1]	105	105	90	60	132
Transfers out of level 3[1]	–18	–423	–1339[2]	–247	–422
Impact of foreign exchange movements	1	–23	–4	–1	–4
Closing balance as of 30 September 2010	**42**	**1677**	**1**	**9**	**245**
Liabilities					
Balance as of 1 January 2010					
Realised/unrealised gains/losses:					
Included in net income					
Included in other comprehensive income					
Purchases, issuances, and settlements					
Transfers into level 3					
Transfers out of level 3					
Impact of foreign exchange movements					
Closing balance as of 30 September 2010					

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

Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
170	1 162	3	57	2 316	283	1 321	11 027
							–84
–30	603	35	20	–658	6	–41	–89
–2						71	241
18	–321	42	–86	–283		68	–2 379
4	37	55	10		2	135	735
–4	–93				–48	–177	–2 771
–2	1		–1		–8	–30	–71
154	**1 389**	**135**	**0**	**1 375**	**235**	**1 347**	**6 609**

Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Total
–293	–948	–41	–54	–1 738	–2 257	–5 331
–48	–409	–35	1	663	–475	–303
					–157	–157
	1					1
–341	**–1 356**	**–76**	**–53**	**–1 075**	**–2 889**	**–5 790**

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

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the nine months ended 30 September 2009 and 2010 were as follows:

USD millions	2009	**2010**
Gains/losses included in net income for the period	–795	–392
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	741	–1 091

Other assets measured at net asset value

Other assets measured at net asset value as of 31 December 2009 and 30 September 2010, respectively, were as follows:

USD millions	2009 Fair value	**2010** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	492	593	572	non-redeemable	na
Hedge funds	356	346		redeemable[1]	90–120 days[2]
Private equity direct	236	226		non-redeemable	na
Real estate funds	132	144	20	non-redeemable[3]	na
Total	1 216	**1 309**	**592**		

[1] The redemption frequency varies from monthly to up to three years.
[2] Cash distribution can be delayed for up to three years depending on the sale of the underlyings.
[3] One exception is a real estate fund that can be redeemed annually based on a 90-day notice period. This redeemable fund had a fair value of USD 13.9 million as of 30 September 2010.

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

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

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

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

Fair value option

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

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

Fixed income securities trading

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

Equity securities trading

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

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2009 and 30 September 2010 were as follows:

USD millions	2009	**2010**
Assets		
Fixed income securities trading	11 562	12 697
of which at fair value pursuant to the fair value option	782	0[1]
Equity securities trading	19 591	18 652
of which at fair value pursuant to the fair value option	492	476
Liabilities		
Liabilities for life and health policy benefits	–39 944	–39 566
of which at fair value pursuant to the fair value option	–293	–341

[1] These fixed income securities matured in the second quarter of 2010.

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

Total gains/losses included in earnings for the nine months ended 30 September 2009 and 2010, including foreign exchange impact, were USD 542 million and USD –87 million, respectively.

Fair value changes from fixed income securities trading (USD –23 million) and equity securities trading (USD –16 million) are reported in net realised investment gains/losses. Fair value changes from the GMDB reserves (USD –48 million) are shown in life and health benefits.

4 Derivative financial instruments

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

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

Fair values of derivative financial instruments

As of 31 December 2009 and 30 September 2010, the fair values and notional amounts of the derivatives outstanding were as follows:

As of 31 December 2009 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	370 280	4 702	–4 529	173
Foreign exchange contracts	43 398	1 107	–2 155	–1 048
Equity contracts	23 612	2 855	–1 297	1 558
Credit contracts	70 427	2 673	–2 181	492
Other contracts	42 711	1 059	–2 892	–1 833
Total	550 428	12 396	–13 054	–658
Derivatives designated as hedging instruments				
Interest rate contracts	5 071[1]	402		402
Foreign exchange contracts	2 339[1]	143		143
Total	7 410	545	0	545
Total derivative financial instruments	557 838	12 941	–13 054	–113
Amount offset				
Where a right of setoff exists		–6 475	6 475	
Due to cash collateral		–2 486	404	
Total net amount of derivative financial instruments		3 980	–6 175	–2 195

[1] The Group has revised its classification of hedging contracts and as a result the notionals of some contracts that were previously classified as foreign exchange contracts are now classified as interest rate contracts.

As of 30 September 2010 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	519 152	6 080	–5 965	115
Foreign exchange contracts	37 303	1 324	–1 396	–72
Equity contracts	14 621	1 556	–808	748
Credit contracts	53 886	1 729	–1 518	211
Other contracts	29 167	457	–2 990	–2 533
Total	**654 129**	**11 146**	**–12 677**	**–1 531**
Derivatives designated as hedging instruments				
Interest rate contracts	4 827[1]	857		857
Foreign exchange contracts	2 175[1]	45		45
Total	**7 002**	**902**	**0**	**902**
Total derivative financial instruments	**661 131**	**12 048**	**–12 677**	**–629**
Amount offset				
Where a right of setoff exists		–7 493	7 493	
Due to cash collateral		–1 645	216	
Total net amount of derivative financial instruments		**2 910**	**–4 968**	**–2 058**

[1] The Group has revised its classification of hedging contracts and as a result the notionals of some contracts that were previously classified as foreign exchange contracts are now classified as interest rate contracts.

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 2009 and 30 September 2010, respectively.

Non-hedging activities

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

	For the three months ended 30 September		For the nine months ended 30 September	
USD millions	2009	**2010**	2009	**2010**
Derivatives not designated as hedging instruments				
Interest rate contracts	66	–57	–117	–16
Foreign exchange contracts	261	–79	292	–163
Equity contracts	–204	–13	–740	279
Credit contracts	–1 136	–134	–2 418	–143
Other contracts	105	–55	477	–102
Total gain/loss recognised in income	–908	**–338**	–2 506	**–145**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 30 September 2009 and 2010, the following hedging relationships were outstanding:

Fair value hedges

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

	For the three months ended 30 September		For the nine months ended 30 September	
2009 USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	71	–52	–394	451
Foreign exchange contracts	122	–90	122	–90
Total gain/loss recognised in income	193	–142	–272	361

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

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2009 and the nine months ended 30 September 2010, the Group recorded an accumulated net unrealised foreign currency remeasurement loss of USD 44 million and a gain of USD 79 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2009 and 30 September 2010 was approximately USD 6 466 million and USD 4 555 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, net of cash collateral.

Credit-risk-related contingent features

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

The total fair value of derivative financial instruments containing credit-risk-related contingent features amounted to USD 3 970 million and USD 1 956 million as of 31 December 2009 and 30 September 2010, respectively. For derivative financial instruments containing credit-risk-related contingent features the Group posted collateral of USD 403 million and USD 235 million as of 31 December 2009 and 30 September 2010, respectively. In the event of a reduction of the Group's credit rating to below investment grade, additional collateral would need to be posted with a fair value of USD 3 567 million and USD 1 721 million as of 31 December 2009 and 30 September 2010, respectively. The total equals the amount needed to settle the instruments immediately as of 31 December 2009 and 30 September 2010, respectively.

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

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2009 and 30 September 2010, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

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

The Group has purchased protection to manage the performance/payment risks related to credit derivatives. As of 31 December 2009 and 30 September 2010, the total purchased credit protection based on notional values was USD 45 462 million and USD 29 943 million, respectively. Thereof USD 14 091 million and USD 11 646 million, respectively, were related to identical underlyings for which the Group sold credit protection. For tranched indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

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

As of 31 December 2009 and 30 September 2010, the fair values and maximum potential payout of the written credit derivatives outstanding were as follows:

As of 31 December 2009 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0 – 250	18	7429	1836[1]	131	9396
251 – 500	–33	17		188	205
501 – 1000	–30	24		90	114
Greater than 1000	–631	392		838[2]	1230
No credit spread available		1033			1033
Total	–676	8895	1836	1247	11978
Credit Index Products					
Credit spread in basis points					
0 – 250	–386	3920	8080	194	12194
251 – 500	44	95	138		233
501 – 1000	–3	422	29		451
Greater than 1000	–78	109			109
Total	–423	4546	8247	194	12987
Total Return Swaps					
Credit spread in basis points					
No credit spread available	82	5414	581		5995
Total	82	5414	581	0	5995
Total credit derivatives written/sold	–1017	18855	10664	1441	30960

[1] The Group terminated substantially all Portfolio CDS in the second quarter of 2009.
[2] The Group settled substantially all Structured CDS in the first quarter of 2009.

As of 30 September 2010 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0 – 250	–10	6 075	2 177	79	8 331
251 – 500	–52	342		180	522
501 – 1 000	–60	105		122	227
Greater than 1 000	–274	113		444	557
No credit spread available		200			200
Total	**–396**	**6 835**	**2 177**	**825**	**9 837**
Credit Index Products					
Credit spread in basis points					
0 – 250	–367	1 869	7 907	183	9 959
251 – 500	–9	2 844	1 215		4 059
501 – 1 000	44	49	29		78
Greater than 1 000			10		10
Total	**–332**	**4 762**	**9 161**	**183**	**14 106**
Total Return Swaps					
Credit spread in basis points					
No credit spread available	123	1 493	581		2 074
Total	**123**	**1 493**	**581**	**0**	**2 074**
Total credit derivatives written/sold	**–605**	**13 090**	**11 919**	**1 008**	**26 017**

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

For the twelve months ended 31 December 2009 and the nine months ended 30 September 2010, the DAC and PVFP were as follows:

2009 USD millions	Non-Life	Life & Health	DAC Total	PVFP Total
Opening balance as of 1 January 2009	1 086	2 964	4 050	5 768
Cumulative effect of adoption of FSP SFAS 115-2				5
Cumulative effect of adoption of SFAS 163		–23	–23	
Deferred	1 903	171	2 074	
Effect of acquisitions/disposals and retrocessions				372
Amortisation	–2 153	–287	–2 440	–483
Interest accrued on unamortised PVFP				119
Effect of foreign currency translation	33	200	233	267
Effect of change in unrealised gains/losses				6
Closing balance as of 31 December 2009	869	3 025	3 894	6 054

2010 USD millions	Non-Life	Life & Health	DAC Total	PVFP Total
Opening balance as of 1 January 2010	869	3 025	3 894	6 054
Deferred	1 328	102	1 430	
Effect of acquisitions/disposals and retrocessions		–212	–212	–1 216
Amortisation	–1 395	–163	–1 558	–348
Interest accrued on unamortised PVFP				171
Effect of foreign currency translation	–4		–4	–61
Effect of change in unrealised gains/losses				–150
Closing balance as of 30 September 2010	**798**	**2 752**	**3 550**	**4 450**

The amortisation of DAC for the full year 2009 was USD 2 153 million for Non-Life and USD 287 million for Life & Health. In the first nine months of 2010, the DAC amortisation represented USD 1 395 million and USD 163 million for the Non-Life and Life & Health business segments, respectively.

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

6 Debt

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

As of 1 January 2010, the Group adopted ASU No.2009-17 relating to consolidation of variable interest entities. For more information on the transition impact on debt, please refer to Note 12.

The Group's debt as of 31 December 2009 and 30 September 2010 was as follows:

USD millions	2009	**2010**
Senior operational debt	8024	5443
Senior financial debt		31
Subordinated financial debt	81	613
Short-term debt – financial and operational debt	8105	**6087**
Senior financial debt	1487	2475
Senior operational debt	7005	7339
Subordinated financial debt	5370	4757
Subordinated operational debt	5322	5274
Long-term debt – financial and operational debt	19184	**19845**
Total carrying value	27289	**25932**
Total fair value	25391	**24807**

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2009 and 30 September 2010, debt related to operational leverage and financial intermediation amounted to USD 20.4 billion (thereof USD 6.0 billion limited recourse) and USD 18.1 billion (thereof USD 7.5 billion limited recourse), respectively.

Interest expense on long-term debt

Interest expense on long-term debt for the periods ended 30 September 2009 and 2010 was as follows:

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2009	**2010**	2009	**2010**
Senior financial debt	16	26	24	62
Senior operational debt[1]	72	81	187	260
Subordinated financial debt	70	53	202	189
Subordinated operational debt	75	63	193	184
Total	233	**223**	606	**695**

[1] In the Group's 2009 annual financial statements, certain debt positions and the related interest expense were reclassified from senior operational long-term debt to senior operational short-term debt as they are unconditionally callable by the creditor at short notice.

Long-term debt issued in 2010

In June 2010, the Group issued CHF 500 million under the EMTN programme with a five-year maturity and a coupon of 2% and CHF 250 million, due in 2012, bearing interest of three-month CHF Libor plus 45 basis points.

In July 2010, the Group issued CHF 250 million under the EMTN programme, with a four-year maturity and a coupon of 1.75%.

7 Reinsurance information

For the three months ended 30 September

Premiums written, premiums earned and fees assessed against policyholders

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	2010 Total
Premiums written						
Direct	491	288	779	502	314	816
Assumed	2 747	2 363	5 110	2 190	2 340	4 530
Ceded	–813	–176	–989	–529	–547	–1 076
Total premiums written	2 425	2 475	4 900	**2 163**	**2 107**	**4 270**
Premiums earned						
Direct	499	287	786	431	316	747
Assumed	3 579	2 380	5 959	3 310	2 379	5 689
Ceded	–1 077	–172	–1 249	–842	–548	–1 390
Total premiums earned	3 001	2 495	5 496	**2 899**	**2 147**	**5 046**
Fee income from policyholders						
Direct		187	187		178	178
Assumed		62	62		66	66
Ceded		–26	–26		–5	–5
Total fee income from policyholders		223	223		**239**	**239**

Claims and claim adjustment expenses

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	2010 Total
Claims						
Claims paid, gross	–3 755	–2 639	–6 394	–2 534	–2 534	–5 068
Claims paid, retro	519	198	717	390	589	979
Claims paid, net	–3 236	–2 441	–5 677	–2 144	–1 945	–4 089
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	1 922	103	2 025	1 023	–230	793
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	–533	–35	–568	–365	–21	–386
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	1 389	68	1 457	658	–251	407
Claims and claim adjustment expenses; life and health benefits	–1 847	–2 373	–4 220	**–1 486**	**–2 196**	**–3 682**

Acquisition costs

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	2010 Total
Acquisition costs						
Acquisition costs, gross	–859	–596	–1 455	–727	–516	–1 243
Acquisition costs, retro	276	41	317	234	76	310
Acquisition costs, net	–583	–555	–1 138	**–493**	**–440**	**–933**

For the nine months ended 30 September

Premiums written, premiums earned and fees assessed against policyholders

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	2010 Total
Premiums written						
Direct	1381	931	2312	1241	890	2131
Assumed	11372	6746	18118	10013	7171	17184
Ceded	–3105	–508	–3613	–2476	–1580	–4056
Total premiums written	9648	7169	16817	**8778**	**6481**	**15259**
Premiums earned						
Direct	1450	930	2380	1272	894	2166
Assumed	10950	6744	17694	9217	7125	16342
Ceded	–2821	–499	–3320	–2234	–1581	–3815
Total premiums earned	9579	7175	16754	**8255**	**6438**	**14693**
Fee income from policyholders						
Direct		498	498		504	504
Assumed		186	186		190	190
Ceded		–76	–76		–13	–13
Total fee income from policyholders		608	608		**681**	**681**

Claims and claim adjustment expenses

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	2010 Total
Claims						
Claims paid, gross	–10142	–8501	–18643	–8665	–7815	–16480
Claims paid, retro	1308	684	1992	1346	1321	2667
Claims paid, net	–8834	–7817	–16651	–7319	–6494	–13813
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	3082	1651	4733	2446	–100	2346
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	–596	–161	–757	–785	350	–435
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	2486	1490	3976	1661	250	1911
Claims and claim adjustment expenses; life and health benefits	–6348	–6327	–12675	**–5658**	**–6244**	**–11902**

Acquisition costs

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	2010 Total
Acquisition costs						
Acquisition costs, gross	–2434	–1774	–4208	–2107	–1660	–3767
Acquisition costs, retro	748	101	849	674	228	902
Acquisition costs, net	–1686	–1673	–3359	**–1433**	**–1432**	**–2865**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2009 and 30 September 2010, respectively, were as follows:

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	2010 Total
Assets						
Reinsurance recoverable	6 307	4 944	11 251	5 750	6 895	12 645
Deferred acquisition costs	869	3 025	3 894	799	2 751	3 550
Liabilities						
Unpaid claims and claim adjustment expenses	57 015	11 397	68 412	54 158	11 244	65 402
Life and health policy benefits		39 944	39 944		39 566	39 566
Policyholder account balances		36 692	36 692		36 143	36 143

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8 Earnings per share

Earnings per share for the periods ended 30 September were as follows:

USD millions (except share data)	Three months ended 30 September 2009	2010	Nine months ended 30 September 2009	2010
Basic earnings per share				
Net income	380	**713**	236	**1 916**
Non-controlling interests		**–26**		**–126**
Interest on convertible perpetual capital instrument	–66	**–69**	–134	**–202**
Net income attributable to common shareholders	314	**618**	102	**1 588**
Weighted average common shares outstanding	342 606 122	**342 674 861**	338 454 037	**342 582 378**
Net income per share in USD	0.92	**1.80**	0.30	**4.64**
Net income per share in CHF[1]	0.97	**1.93**	0.30	**4.96**
Effect of dilutive securities				
Change in income available to common shares due to convertible bonds	73	**73**		**218**
Change in average number of shares due to convertible bonds and employee options	129 796 575	**134 284 926**	483 899	**134 467 393**
Diluted earnings per share				
Net income assuming debt conversion and exercise of options	387	**691**	102	**1 806**
Weighted average common shares outstanding	472 402 697	**476 959 787**	338 937 936	**477 049 771**
Net income per share in USD	0.82	**1.45**	0.30	**3.79**
Net income per share in CHF[1]	0.87	**1.55**	0.30	**4.05**

[1] The translation from USD to CHF is shown for informational purposes only and has been calculated at the Group's average exchange rates for the three months ended 30 September 2009 and 2010, respectively and for the nine months ended 30 September 2009 and 2010, respectively.

In March 2009, Swiss Re Zurich issued to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc, a convertible perpetual capital instrument. The instrument has an aggregate face value of CHF 3 000 000 000, with a fixed coupon at a rate of 12% per annum. The coupon can be settled in cash or shares/warrants in lieu of cash at the option of Swiss Re. The instrument may be redeemed, in whole or in part, for cash, for an amount equal to 120% of the value of the instrument at the option of Swiss Re on or after the second anniversary of issuance of the instrument. The instrument may be converted, at the option of the holder, in whole or in part, into Swiss Re shares at the rate of CHF 25 per share on or after the third anniversary of the issuance of the instrument, subject to certain adjustments and exceptions. The instrument ranks junior to senior securities of Swiss Re Zurich and ranks pari passu among themselves and with parity securities.

For further information, please refer to Note 13 "Subsequent events".

9 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years. In the third quarter 2010, the Group performed an interim update to allow for changes in the interest rates and inflation assumptions as well as the mark-to-market movements of its plan assets, where applicable. The update resulted in a reduction in shareholders' equity of USD 231 million.

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

Components of net periodic benefit cost

The components of pension and post-retirement cost for the nine months ended 30 September 2009 and 2010, respectively, were as follows:

	Swiss plans pension benefits		Foreign plans pension benefits		Other benefits	
USD millions	2009	**2010**	2009	**2010**	2009	**2010**
Service cost (net of participant contributions)	69	60	29	9	6	4
Interest cost	62	62	69	76	10	10
Expected return on assets	–101	–92	–75	–79		
Amortisation of:						
Net gain/loss	7	7	5	11	–9	–8
Prior service cost	5	5			–10	–8
Effect of settlement, curtailment and termination	4	2				
Net periodic benefit cost	46	**44**	28	**17**	–3	**–2**

Employer's contributions for 2010

As of 30 September 2010, the Group contributed USD 100 million to its defined benefit pension plans and USD 11 million to other post-retirement plans, compared to USD 167 million and USD 9 million, respectively, in the same period of 2009.

The expected 2010 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 September 2010 for latest information, amount to USD 123 million (30 September 2009: USD 193 million) and USD 14 million (30 September 2009: USD 13 million), respectively.

10 Contingent liabilities

Federal securities class action lawsuit

On 14 August 2009, Plumbers' Union Local No. 12 Pension Fund, a Swiss Re shareholder, filed a second amended complaint in the federal securities class action lawsuit against Swiss Re, Swiss Re's former Chief Executive Officer and Swiss Re's Chief Financial Officer arising out of Swiss Re's announcement, on 19 November 2007, that it would report a USD 1 billion mark-to-market loss on two credit default swaps. The lawsuit is pending in New York federal court. Plaintiff alleges that defendants violated the anti-fraud provisions of the U.S. federal securities laws. Specifically, it contends that Swiss Re made false and misleading statements about its financial condition between March and November 2007, and that it failed to disclose that the Credit Solutions division had engaged in two credit default swaps that exposed the company to financial risk. Plaintiff seeks to certify a class of all U.S. residents or citizens that purchased Swiss Re stock between 1 March 2007 and 19 November 2007. Swiss Re plans to vigorously defend the lawsuit. On 4 September 2009, Swiss Re filed a motion to dismiss and requested oral argument. Plaintiff filed an opposition to that motion on 25 September 2009, to which Swiss Re submitted a reply brief on 9 October 2009. Supplemental briefs were filed in July and on 29 July 2010, the Court heard oral argument on the motion to dismiss. By order dated 1 October 2010, all claims against Swiss Re and the individual defendants were dismissed with prejudice. Plaintiff has until 4 November 2010 to file an appeal.

11 Information on business segments

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

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

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

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

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

The Legacy business segment encompasses non-core activities, which have been in run-off since November 2007 and are managed separately from the Asset Management division. Legacy includes Financial Guarantee Re business, and assets in the Group's former trading book, including credit correlation, collateralised fund obligations and other non-core activities.

Group items include certain costs of Corporate Centre functions not allocated to the business segments, certain foreign exchange items, interest expenses on operating and financial debt and other items not considered for the performance of the operating segments.

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

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

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

a) Business segment results

For the three months ended 30 September

2009 USD millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	2 982	2 495		19			5 496
Fee income from policyholders		223					223
Net investment income/loss	530	779	1 087	176	87	–998	1 661
Net realised investment gains/losses	–33	3 542	–421	43	–161		2 970
Other revenues	10		31		9		50
Total revenues	3 489	7 039	697	238	–65	–998	10 400
Expenses							
Claims and claim adjustment expenses; life and health benefits	–1 630	–2 373		–217			–4 220
Return credited to policyholders		–3 579					–3 579
Acquisition costs	–583	–555					–1 138
Other expenses	–338	–169			–142	–14	–663
Interest expenses					–238		–238
Total expenses	–2 551	–6 676	0	–217	–380	–14	–9 838
Operating income/loss	938	363	697	21	–445	–1 012	562

2010 USD millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	2 881	2 147		18			5 046
Fee income from policyholders		239					239
Net investment income/loss	418	762	871	27	21	–809	1 290
Net realised investment gains/losses	30	1 780	297	–63	–389		1 655
Other revenues			4		20		24
Total revenues	**3 329**	**4 928**	**1 172**	**–18**	**–348**	**–809**	**8 254**
Expenses							
Claims and claim adjustment expenses; life and health benefits	–1 475	–2 196		–11			–3 682
Return credited to policyholders		–1 980					–1 980
Acquisition costs	–492	–440		–1			–933
Other expenses	–273	–193			–140		–606
Interest expenses					–199		–199
Total expenses	**–2 240**	**–4 809**	**0**	**–12**	**–339**	**0**	**–7 400**
Operating income/loss	**1 089**	**119**	**1 172**	**–30**	**–687**	**–809**	**854**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the three months ended 30 September of 2009 and 2010 as follows:

USD millions, for the three months ended 30 September 2009	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	504	508	–14	–998

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

Business segment results

For the nine months ended 30 September

2009 USD millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	9 539	7 175		40			16 754
Fee income from policyholders		608					608
Net investment income/loss	1 704	2 387	3 123	324	231	–2 991	4 778
Net realised investment gains/losses	29	2 804	–1 038	101	–1 218		678
Other revenues	31		62	1	37		131
Total revenues	11 303	12 974	2 147	466	–950	–2 991	22 949
Expenses							
Claims and claim adjustment expenses; life and health benefits	–5 983	–6 327		–365			–12 675
Return credited to policyholders		–3 850					–3 850
Acquisition costs	–1 681	–1 673		–5			–3 359
Other expenses	–959	–525			–461	–51	–1 996
Interest expenses					–704		–704
Total expenses	–8 623	–12 375	0	–370	–1 165	–51	–22 584
Operating income/loss	2 680	599	2 147	96	–2 115	–3 042	365

2010 USD millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	8 242	6 438		13			14 693
Fee income from policyholders		681					681
Net investment income/loss	1 325	2 295	2 789	160	94	–2 534	4 129
Net realised investment gains/losses	138	1 315	531	–218	252		2 018
Other revenues	–2		18		37		53
Total revenues	**9 703**	**10 729**	**3 338**	**–45**	**383**	**–2 534**	**21 574**
Expenses							
Claims and claim adjustment expenses; life and health benefits	–5 648	–6 244		–10			–11 902
Return credited to policyholders		–1 976					–1 976
Acquisition costs	–1 437	–1 432		4			–2 865
Other expenses	–815	–571			–392		–1 778
Interest expenses					–736		–736
Total expenses	**–7 900**	**–10 223**	**0**	**–6**	**–1 128**	**0**	**–19 257**
Operating income/loss	**1 803**	**506**	**3 338**	**–51**	**–745**	**–2 534**	**2 317**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the nine months ended 30 September of 2009 and 2010 as follows:

USD millions, for the nine months ended 30 September 2009	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1 550	1 492	–51	–2 991

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

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

For the three months ended 30 September

2009 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 226	942	685	2 853	129	2 982
Net investment income	28	361	81	470	60	530
Net realised investment gains/losses	–18			–18	–15	–33
Other revenues					10	10
Total revenues	1 236	1 303	766	3 305	184	3 489
Expenses						
Claims and claim adjustment expenses	–545	–712	–350	–1 607	–23	–1 630
Acquisition costs	–177	–164	–148	–489	–94	–583
Other expenses	–86	–168	–64	–318	–20	–338
Total expenses	–808	–1 044	–562	–2 414	–137	–2 551
Operating income	428	259	204	891	47	938
Claims ratio in %	44.3	75.6	51.3	56.3		
Expense ratio in %	21.5	35.2	30.7	28.2		
Combined ratio in %	65.8	110.8	82.0	84.5		

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

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

2009 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	3 613	3 085	2 460	9 158	381	9 539
Net investment income	142	1 089	251	1 482	222	1 704
Net realised investment gains/losses	30			30	–1	29
Other revenues					31	31
Total revenues	3 785	4 174	2 711	10 670	633	11 303
Expenses						
Claims and claim adjustment expenses	–1 741	–2 296	–1 565	–5 602	–381	–5 983
Acquisition costs	–559	–511	–514	–1 584	–97	–1 681
Other expenses	–238	–426	–222	–886	–73	–959
Total expenses	–2 538	–3 233	–2 301	–8 072	–551	–8 623
Operating income	1 247	941	410	2 598	82	2 680
Claims ratio in %	48.3	74.4	63.8	61.3		
Expense ratio in %	22.1	30.3	29.9	26.9		
Combined ratio in %	70.4	104.7	93.7	88.2		

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

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

2009 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	1 724	600	171	2 495
Fee income from policyholders	16		207	223
Net investment income	190	83	506	779
Net realised investment gains/losses	376	4	3 162	3 542
Other revenues				
Total revenues	2 306	687	4 046	7 039
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1 261	–347	–765	–2 373
Return credited to policyholders	–418		–3 161	–3 579
Acquisition costs	–401	–133	–21	–555
Other expenses	–65	–27	–77	–169
Total expenses	–2 145	–507	–4 024	–6 676
Operating income	161	180	22	363
Net investment income – unit-linked	4		131	135
Net investment income – with-profit business			23	23
Net investment income – non-participating	186	83	352	621
Net realised investment gains/losses – unit-linked	398		2 855	3 253
Net realised investment gains/losses – with-profit business			338	338
Net realised investment gains/losses – non-participating	–22	4	–31	–49
Operating revenues[1]	1 926	683	730	3 339
Management expense ratio in %	3.4	4.0	10.5	5.1
Benefit ratio[2] in %				81.1

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business. The benefit ratio was refined in the third quarter of 2010 to exclude the impact of guaranteed minimum death benefit (GMDB) products, as this ratio is not indicative of the operating performance of such products. The comparative benefit ratio has been adjusted accordingly.

Life & Health business segment – by line of business

For the three months ended 30 September

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

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.

[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business. The benefit ratio was refined in the third quarter of 2010 to exclude the impact of guaranteed minimum death benefit (GMDB) products, as this ratio is not indicative of the operating performance of such products.

Life & Health business segment – by line of business

For the nine months ended 30 September

2009 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	5 107	1 467	601	7 175
Fee income from policyholders	45		563	608
Net investment income	557	273	1 557	2 387
Net realised investment gains/losses	84	181	2 539	2 804
Other revenues				
Total revenues	5 793	1 921	5 260	12 974
Expenses				
Claims and claim adjustment expenses; life and health benefits	–3 832	–849	–1 646	–6 327
Return credited to policyholders	–580		–3 270	–3 850
Acquisition costs	–1 099	–316	–258	–1 673
Other expenses	–237	–86	–202	–525
Total expenses	–5 748	–1 251	–5 376	–12 375
Operating income/loss	45	670	–116	599
Net investment income – unit-linked	20		440	460
Net investment income – with-profit business			117	117
Net investment income – non-participating	537	273	1 000	1 810
Net realised investment gains/losses – unit-linked	539		2 416	2 955
Net realised investment gains/losses – with-profit business			280	280
Net realised investment gains/losses – non-participating	–455	181	–157	–431
Operating revenues[1]	5 689	1 740	2 164	9 593
Management expense ratio in %	4.2	4.9	9.3	5.5
Benefit ratio[2] in %				83.2

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.

[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business. The benefit ratio was refined in the third quarter of 2010 to exclude the impact of guaranteed minimum death benefit (GMDB) products, as this ratio is not indicative of the operating performance of such products. The comparative benefit ratio has been adjusted accordingly.

Life & Health business segment – by line of business

For the nine months ended 30 September

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

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.

[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business. The benefit ratio was refined in the third quarter of 2010 to exclude the impact of guaranteed minimum death benefit (GMDB) products, as this ratio is not indicative of the operating performance of such products.

d) Asset Management

For the three months ended 30 September

2009 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	1 021	66	1 087
Net realised investment gains/losses	–251	–170	–421
Other revenues	29	2	31
Total revenues	799	–102	697
Operating income/loss	799	–102	697

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

For the nine months ended 30 September

2009 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income/loss	3 234	–111	3 123
Net realised investment gains/losses	–786	–252	–1 038
Other revenues	60	2	62
Total revenues	2 508	–361	2 147
Operating income/loss	2 508	–361	2 147

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

12 Variable interest entities

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

When analysing the status of an entity, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations, and (3) the holders of the voting rights substantively participate in the gains and losses of the entity. When one of these criteria is not met, the entity is considered a VIE and needs to be assessed for consolidation under the VIE section of the Consolidation Topic. This section was amended by ASU No. 2009-17 "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" which is applicable to Swiss Re as of 1 January 2010.

According to the amendment, the party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

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

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

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

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

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

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

The total assets of the insurance-linked and credit-linked securitisation vehicles, in which the Group holds variable interests but is not the primary beneficiary, was USD 4 066 million as of 30 September 2010.

Swaps in trusts
Through the Legacy segment, 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, Swiss Re does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts.

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

Certain debt financing vehicles are consolidated as the Group has the power over the investment management which is considered the activity that most significantly impacts the entity's economic performance. In addition, the Group absorbs the variability of the investment return so that both criteria for a controlling financial interest are met.

The total assets of the debt financing vehicles in which the Group holds variable interests but is not the primary beneficiary was USD 5 045 million as of 30 September 2010.

Other

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

The total assets of other VIEs, in which the Group holds variable interests but is not the primary beneficiary, was USD 3 337 million as of 30 September 2010.

The Group did not provide financial or other support to any VIEs in the third quarter of 2010 that it was not previously contractually required to provide.

Due to the implementation of ASU No. 2009-17, certain insurance-linked securitisations vehicles were consolidated from 1 January 2010 on, as the Group was considered to be the primary beneficiary under the new guidance. The Group recognised the assets, liabilities, and non-controlling interests of the newly consolidated VIEs at the carrying amounts at which the amount would have been carried in the consolidated financial statements if ASU No. 2009-17 had been effective when the Group first met the conditions to be the primary beneficiary.

As of the first quarter of 2010, additional entities are included in the VIE disclosures due to a different materiality threshold and scope exceptions for disclosures under ASU No. 2009-17.

The impact as of 1 January 2010 on the Group's assets and liabilities due to the additional consolidations under ASU No. 2009-17 was as follows:

USD millions	2010
Fixed income securities available-for-sale	473
Short-term investments	362
Other invested assets	–32
Cash and cash equivalents	793
Other assets	71
Total assets	**1 667**
Deferred and other non-current taxes	13
Short-term debt	872
Accrued expenses and other liabilities	–40
Long-term debt	797
Net unrealised investment gains/losses, net of tax	–35
Retained earnings	60
Total liabilities and shareholders' equity	**1 667**

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 2009 and 30 September 2010.

USD millions	2009	2010
Fixed income securities:		
Available-for-sale (whereof restricted: 2009: 5 447; 2010: 9 676)	7 443	9 676
Trading (whereof restricted: 2009: 988; 2010: 0)	1 132	1
Policy loans, mortgages and other loans (whereof restricted: 2010: 204)	217	564
Short-term investments (whereof restricted: 2010: 1 575)		1 575
Other invested assets (whereof restricted: 2010: 178)	104	2 034
Cash and cash equivalents (whereof restricted: 2009: 136; 2010: 669)	302	702
Accrued investment income (whereof restricted: 2009: 42; 2010: 87)	73	87
Premiums and other receivables (whereof restricted: 2010: 11)	15	11
Reinsurance recoverable on unpaid claims and policy benefits (whereof restricted: 2010: 9)	10	9
Funds held by ceding companies (whereof restricted: 2010: 6)		6
Income taxes recoverable (whereof restricted: 2010: 19)		19
Acquired present value of future profits (whereof restricted: 2010: 20)	74	20
Other assets (whereof restricted: 2009: 27; 2010: 185)	27	185
Total assets	9 397	**14 889**
Unpaid claims and claim adjustment expenses (whereof limited recourse: 2010: 15)	19	15
Liabilities for life and health policy benefits (whereof limited recourse: 2010: 1 186)	1 218	1 186
Policyholder account balances (whereof limited recourse: 2010: 1 462)	1 515	1 462
Funds held under reinsurance treaties (whereof limited recourse: 2010: 136)		136
Reinsurance balances payable (whereof limited recourse: 2010: 5)	10	5
Deferred and other non-current taxes (whereof limited recourse: 2010: 129)	40	129
Short-term debt (whereof limited recourse: 2010: 1 022)		2 737
Accrued expenses and other liabilities (whereof limited recourse: 2010: 434)	486	804
Long-term debt (whereof limited recourse: 2010: 6 464)	5 377	6 464
Total liabilities	8 665	**12 938**

As of 30 September 2010, the consolidation of the VIEs resulted in non-controlling interests in the balance sheet of USD 398 million (31 December 2009: USD 394 million). The net non-controlling interests in income were USD 4 million and USD 2 million net of tax for the periods ended 30 September 2009 and 2010, respectively.

The following table shows the total assets of VIEs of which the Group is the primary beneficiary for the periods ended 31 December 2009 and 30 September 2010.

USD millions	2009	2010
Insurance-linked/Credit-linked securitisations	158	1 998
Debt financing	6 077	8 727
Modified coinsurance agreement	3 242	3 439
Other	26	725
Total	9 503	**14 889**

The following table shows the Group's assets as of 30 September 2010, liabilities and maximum exposure to loss as of 31 December 2009 and 30 September 2010 which are related to VIEs in which the Group holds a variable interest but is not the primary beneficiary.

	2009			2010			
USD millions	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities
Insurance-linked/ Credit-linked securitisations	173	5042	4869	1824	1625	2119	494
Swaps in trusts				420	673	–[1]	–
Debt financing		201	201	464		123	123
Other	422	1222	800	294	647	1152	505
Total	595	6465	5870	**3002**	**2945**	**–[1]**	**–**

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

The Group revised its classification of certain insurance-linked and credit-linked securitisations, debt financing and other vehicles as of 30 September 2010. As a result, the disclosure above was revised accordingly. The revision has no impact on total revenues, net income or net equity.

The liabilities of USD 1 625 million as of 30 September 2010 for insurance-linked and credit-linked securitisations represent almost entirely funds held under reinsurance treaties.

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

Liabilities are recognised for certain debt financing VIEs when losses occur. To date the respective debt financing VIEs have not incurred any losses. Liabilities of USD 647 million recognised for the 'Other' category relate mainly to collateral received.

13 Subsequent events

Federal securities class action lawsuit
By order dated 1 October 2010, all claims against Swiss Re and the individual defendants were dismissed with prejudice. Plaintiff has until 4 November 2010 to file an appeal. For further information regarding this lawsuit, please refer to Note 10.

Berkshire Hathaway CPCI
With effect from 3 November 2010, Swiss Re reached an agreement with Berkshire Hathaway Inc. to terminate the convertible perpetual capital instrument (CPCI). The income statement effect for the fourth quarter 2010 will result in an additional pre-tax charge of approximately USD 1 billion.

Note on risk factors

General impact of adverse market conditions

Since 2007, the global financial markets have experienced extreme volatility and disruption, due in large part to turmoil affecting the liquidity of the banking system and the market reaction thereto. The impact of the turmoil in the financial markets was exacerbated by adverse macroeconomic trends affecting a number of the principal economies. Volatility and disruption reached unprecedented levels in 2008 to 2009. It is difficult to predict what the impact of market and economic conditions will be on the Group from a general business perspective or from a capital or liquidity perspective were conditions to again deteriorate or were austerity or stimulus measures adopted by governments in response to budget deficits and adverse economic conditions to be unsuccessful or harmful.

Swiss Re and its subsidiaries are regulated in a number of jurisdictions in which they conduct business. New legislation as well as changes to existing legislation have been proposed and/or recently adopted in a number of jurisdictions that are expected to alter, in a variety of ways, the manner in which the financial services industry is regulated. Although it is difficult to predict which proposals will become law and how new legislation ultimately will be implemented by regulators (including in respect of the extra-territorial effect of reforms), it is likely that significant aspects of existing regulatory regimes governing financial services will change. These may include changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, enhanced governmental authority to take control over operations of financial institutions, restrictions on the conduct of certain lines of business, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness and financial strength of financial institutions. While many changes will impact banking institutions, some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions. Changes, for example, could impact capital requirements or have other direct or indirect effects on the Group. Changes may also occur in areas of broader application, such as competition policy and tax laws. Any number of these changes could apply to the Group and its operations. These changes could increase the costs of doing business, 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 and liquidity. 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. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments. With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the value of life-related benefits under certain 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 an extensive hedging programme for variable annuities, 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, forward prices and volatile movements in exchange rates.

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

Credit risk

Like other financial institutions, the Group was adversely impacted by the deterioration in the credit markets beginning in 2007. During this period, the unprecedented and severe ratings downgrades that the Group and others experienced, and the absence of a liquid market for credit-related and other securities, resulted in a significant and material reduction in the value of the underlying assets. Although the Group has taken significant steps to de-risk its portfolio and reposition its assets, if the credit markets were again to deteriorate, 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 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.

Valuation processes can produce significantly different outcomes, which could create additional uncertainty and differences of opinion among counterparties to swaps and other similar instruments as to obligations in respect of collateral and other terms of such instruments. These differences in opinion, in turn, could result in legal disputes among counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

The Group becomes aware of counterparty valuations either directly, through the exchange of information, or indirectly, for example, through demands to post collateral. These valuations may differ significantly from the Group's estimates. Counterparty valuation estimates for collateral purposes are considered during the independent price verification process and may result in adjustments to initially indicated valuations. Resolution of any dispute in relation to asset valuation in which the Group may become involved with counterparties, in a manner adverse to it could have a material adverse effect on the Group's financial condition and results of operations.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its reinsurance obligations, and that that would continue to be the case following the occurrence of any event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The 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 enters into contracts or trading arrangements that could give rise to significant short-term funding obligations and, in connection with the Group's trading operations, it could be subject to unexpected calls to deliver collateral or unwind trading positions at a net cost to it. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints.

The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme insurance 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, the economic downturn, continued severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit, changes in interest 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 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-tradeable. 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's general exposure to counterparty risk was heightened during the credit crisis, and this risk could still be exacerbated to the extent defaults, or concerns about possible defaults, by certain market participants trigger more systemic concerns about liquidity. Losses due to defaults by counterparties, including issuers of investment securities (which include structured securities) or derivative instrument counterparties, could adversely affect the Group. In addition, trading counterparties, counterparties under swaps and other derivative contracts and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could also have a material adverse impact on the 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. The Group's most significant single counterparty risk is in respect of Berkshire Hathaway Inc., with which it has a quota share arrangement, an adverse development cover and a retrocession arrangement in respect of a closed block of US individual life reinsurance business.

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies, and market conditions could increase the risk of downgrade. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers, such as Swiss Re. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. The Group's ratings came under pressure due to the additional asset write-downs it recorded for the fourth quarter of 2008 and the resulting impact on the Group's capital position.

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 heighten their scrutiny of rated companies, increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings, particularly in light of recently proposed or enacted provisions aimed at regulating rating agencies. 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. A further decline in ratings could also impact the availability 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. Any rating downgrades could also have a material adverse impact on the Group's costs of borrowing and limit its access to the capital markets. Further negative ratings action could also impact reinsurance contracts.

Legal and regulatory risks

The Group has been named, from time to time, as a defendant in various legal actions in connection with its operations. The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years. The Group could also be subject to risk from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm its business.

A number of lawsuits have been filed against financial service firms raising claims tied to the unprecedented market turmoil. Swiss Re was subject to one such action, which was filed in the United States District Court for the Southern District of New York in February 2008 against it and certain of its executive officers alleging false and misleading statements in connection with the mark-to-market loss, announced on 19 November 2007. By order dated 1 October 2010, all claims against Swiss Re and the individual defendants were dismissed with prejudice. Plaintiff has until 4 November 2010 to file an appeal. The Group cannot predict whether it could be subject to further claims arising out of the market turmoil or otherwise.

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, industrial accidents, explosions, fires and pandemics) may expose the Group to unexpected large losses, competitive conditions, cyclicality of the industry, risks related to emerging claims and coverage issues, risks arising from the Group's dependence on policies, procedures and expertise of ceding companies, and risks related to the failure of operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group.

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. 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.

Cautionary note on forward-looking statements

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

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

- further instability affecting the global financial system and developments related thereto;
- changes in global economic conditions;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls under derivative contracts due to actual or perceived deterioration of Swiss Re's financial strength;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to its 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 hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of one or more of the companies in the Group or developments adversely affecting the ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality and morbidity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies, and regulatory or legal actions;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions, including, in the case of acquisitions, issues arising in connection with integrating acquired operations;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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

Corporate calendar and contact information

Corporate calendar
17 February 2011
2010 annual results

15 April 2011
147th Annual General Meeting

5 May 2011
First quarter 2011 results

4 August 2011
Second quarter 2011 results

3 November 2011
Third quarter 2011 results

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