Swiss Re

Swiss Re International SE
Solvency and Financial Condition Report

For the year ended 31 December 2017

Swiss Re International SE
2A, rue Albert Borschette
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Luxembourg

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Executive summary

Business and performance

- Swiss Re International SE (the Company) is authorised by the Luxembourg Finance Minister to conduct commercial insurance business with international scope, focusing on property, casualty, credit and suretyship, marine and aviation business.
- The underwriting performance for 2017 was a net profit of EUR 101 million. Increase in underwriting performance from EUR 28 million in 2016 to EUR 101 million in 2017 is mainly driven by credit and suretyship insurance, which increased by EUR 66 million due to lower claims incurred in 2017 compared to 2016.
- Gross premiums written amounted to EUR 1 269 million (2016: EUR 1 321 million). On a net basis, earned premium was EUR 341 million (2016: EUR 360 million).
- The decrease is reflecting the challenging current market environment.
- Net claims incurred at 31 December 2017 amounted to EUR 155 million compared to EUR 210 million at 31 December 2016, the decrease of EUR 55 million. The loss ratio for 2017 was 46%, which was lower than the prior-year ratio of 58%.
- Decrease of net operating expenses from EUR 123 million in 2016 to EUR 87 million in 2017 is driven by the additional commission overrider earned following the change in the reinsurance programme for credit and suretyship business in the German branch as well as the reimbursement of commission expenses, which previously were not ceded under old reinsurance structure.
- The reinsurance structure generally comprises quota share protection and stop loss covers. In 2017, the reinsurance cover of credit and suretyship business for the underwriting year 2017 in the German branch was changed from non-proportional cover to quota share protection.
- Investment income in 2017 of EUR 22 million was in line with the previous year´s result of EUR 20 million. In both years, investment income consisted mainly of interest earned on the portfolio as well as net gains realised from the sale of securities.

System of governance

- The governance and organisational structure of the Company is set out in the Company's terms of reference and charters. These define the responsibilities and authority of the Board and its committees.
- There were no significant changes to the system of governance in 2017. The Articles of Association of the Company have been amended and the Board has approved, effective 1 January 2018, the formal establishment and continuation of the existing Management Committee in accordance with the revised Articles of Association, and updated the terms of reference in order to, inter alia, delegate additional responsibilities and authority to the Management Committee.
- The Company uses its internal model for the purposes of calculations of its Solvency Capital Requirement (SCR). The Commissariat aux Assurances (CAA) approved the internal model and its associated governance framework for use in calculating the Company's SCR under Solvency II on 17 December 2015. The Company's internal model governance framework, which leverages the Swiss Re model governance framework, sets out the requirements for model development standards, the governance around changes to the internal model, validation of the internal model and data quality standards. The Company has adopted two changes to its internal model governance framework that change the hierarchical structure required to approve administrative procedures used in the model as well as model governance documents, and ownership of the independent model validation.
- The Board carries out an annual evaluation of its system of governance against relevant best practice standards. During the reviews performed in 2017, the Board concluded that the system of governance is adequate to the nature, scale and complexity of the risks inherent in the Company´s business.

Risk profile

In terms of 99.5% value at risk, there are no significant changes in the risk profile but exposure continues to increase commensurate with the Company's growth plan. Costing and reserving risk and unexpected inflation risk, along with generic liability, credit and suretyship underwriting and aviation risk continue to dominate the risk profile.

Valuation for solvency purposes

Non-life technical provisions

The total non-life net technical provision of EUR 12 million (2016: - 113 million) under Solvency II valuation is compared to the Company statutory amount of EUR 832 million (2016: 1 066 million). Solvency II being an economic valuation framework, and the Company statutory valuation being an accounting valuation framework, the key differences are the following:

- In the Company statutory figures, future cash flows are not discounted, there is no concept of risk margin and the counterparty risk is not included in the valuation.
- For Solvency II purposes, an estimate of the cash flows ultimately received for the contracts in scope is recognised. For the Company´s statutory figures, only a portion of cash flows written by the cedent and earned during the reporting period is recognised.
- In the Company statutory figures there is no provision for future losses, whereas the Solvency II technical provisions contain best estimates of future losses not yet incurred at the date of valuation.

Invested assets

- Investments are valued at market value, which is determined to the extent possible by reference to observable market prices. Where observable market prices are not available, the Company follows the fair value measurement methodology. The difference between Solvency II and the Company´s statutory figures is mainly due to unrealised gains/losses in unit trusts, which are taken into account under Solvency II but not accounted for Company statutory purposes. In addition, the accrued interest on investments is classified as receivables under Company statutory but as investments under Solvency II.

Other assets and liabilities

- The differences in valuation of other assets and liabilities are mainly related to different recognition under Solvency II and Company statutory valuation: deferred tax assets and liabilities are specific to Solvency II, whereas deferred acquisition costs and provision for currency risk are specific statutory items.

Capital management

- The eligible amount of own funds to cover SCR for 2017 was EUR 398 million (2016: EUR 486 million).
- The Solvency II SCR as at 31 December 2017 was EUR 99 million (2016: EUR 128 million) and Minimum Capital Requirement (MCR) was EUR 44 million (2016: EUR 58 million).
- The solvency ratio expressed as eligible own funds as a percentage of the SCR as at 31 December 2017 was 403%.

Section A: Business and performance

A1: Business

Full name and legal form
Swiss Re International SE is a European company (Societas Europaea), which was redomiciled to the Grand Duchy of Luxembourg on 1 January 2008 and which is registered with the Luxembourg Trade and Companies Register under number B134 553. The Company was originally incorporated as a private limited company in the United Kingdom. The Company´s legal entity identifier (LEI) is 222100BV3WGRWD8XI851.

Supervisory authority
The Company is authorised by the CAA to conduct non-life insurance business and operates through a number of branches and one contact office.

Commissariat aux Assurances
7, Boulevard Joseph II
L-1840 Luxembourg
Grand-Duché de Luxembourg
Telephone: +352 22 69 11-1
Fax: +352 22 69 10
www.caa.lu

Ultimate parent company and group supervisor
The ultimate parent company is Swiss Re Ltd, a joint stock company, listed in accordance with the International Reporting Standard on the SIX Swiss Exchange, domiciled at Mythenquai 50/60 in 8022 Zurich, Switzerland and organised under the laws of Switzerland. For the purposes of this report, the ultimate parent company and all its subsidiaries are referred to as Swiss Re or the Swiss Re Group. The Group supervisor is the Swiss Financial Market Supervisory Authority (FINMA).

Swiss Financial Market Supervisory Authority
Laupenstrasse 27
CH-3003 Berne
Switzerland
Telephone: +41 31 327 91 00
Fax: +41 31 327 91 01
www.finma.ch

External auditor
The external auditor appointed by the Company's shareholder is PricewaterhouseCoopers.

PricewaterhouseCoopers, Société coopérative
2, rue Gerhard Mercator
B.P. 1443
L-1014 Luxembourg
Grand-Duché de Luxembourg
Telephone: +352 49 48 48 -1
Fax: +352 49 48 48 -2900
www.pwc.lu

Holding company
The parent company is Swiss Re Corporate Solutions Ltd, incorporated in Switzerland as a company limited by shares. Ownership is 100%.

Material related undertakings
The Company does not have any new investment in material related undertakings in 2017.

Simplified group structure

The Company's parent and ultimate parent company and sole wholly owned subsidiary as at 31 December 2017 were as follows:

Swiss Re Ltd (Switzerland)	
Swiss Re Corporate Solutions Ltd (Switzerland)	100%
Swiss Re International SE (Luxembourg)	100%
Swiss Re Corporate Solutions Insurance China Ltd (China)	100%

Material lines of business and geographical split

Material countries by gross premiums written

The Company operates internationally through branches and a contact office. SRI conducts its activities either on an authorised i.e. admitted basis (including Freedom of Services within the EEA) or on a permissible non-admitted (re-) insurance basis (including eligible excess/ surplus lines insurance for US risks) where writing on a cross-border basis.

The material countries for the year ended 31 December 2017 were as follows:

- United Kingdom
- Germany
- Switzerland
- Australia
- France
- Netherlands
- Italy
- United States of America
- Singapore
- Japan

Material lines of business for the year ended 31 December 2017 were as follows:

- credit and suretyship insurance
- general liability direct insurance
- fire and other damage to property insurance
- marine, aviation and transport insurance

Significant business or other events

Branches and offices

The Company did not open any new branches in 2017. However, in line with its expansion programme, it opened a new office of the United Kingdom branch (UK branch) in Manchester. The CAA authorised the establishment of the new office on 10 May 2017 and it has been fully operational since July 2017. The office aims to develop the Company's regional commercial insurance portfolio. The operation will serve large and upper midsize companies through national broking partners with focus on primary property, casualty and select specialty business.

A2: Underwriting performance

Underwriting performance

The underwriting performance by material Solvency II lines of business, calculated on the same basis as used in the Company's statutory financial statements, for the reporting period ended 31 December was as follows:

EUR nillions	Underwriting performance 2016	Underwriting performance 2017
Credit and suretyship insurance	7	73
Fire and other damage to property insurance	5	14
Marine, aviation and transport insurance	6	13
General liability insurance	17	6
Other	-7	-5
Total	**28**	**101**

The underwriting performance for 2017 was a profit of EUR 101 million. Increase in underwriting performance from EUR 28 million in 2016 to EUR 101 million in 2017 is mainly driven by credit and suretyship insurance, which increased by EUR 66 million due to lower claims incurred in 2017 compared to 2016.

Gross premiums written amounted to EUR 1 268 million (2016: EUR 1 321 million). The decrease of EUR 52 million or 4% reflects challenging current market environment, putting pressure on premiums volume growth. On a net basis, earned premium decreased slightly by 5% from EUR 360 million in 2016 to EUR 341 million in 2017.

Net claims incurred at 31 December 2017 amounted to EUR 155 million compared to EUR 210 million at 31 December 2016, a decrease of EUR 55 million. The loss ratio for 2017 was 46%, which was lower than the prior-year ratio of 58%.

The Company experienced large losses, particularly in credit and suretyship, general liability and in fire and other damage to property insurance. The impact of these loss events was mitigated by the internal reinsurance programme in force.

Decrease of net operating expenses from EUR 123 million in 2016 to EUR 87 million in 2017 is driven by the additional commission overrider earned following the change in the reinsurance programme for credit and suretyship business in the German branch as well as the reimbursement of commission expenses, which previously were not ceded under old reinsurance structure.

The underwriting performance by material countries for the years ended 31 December was as follows:

EUR millions	Underwriting performance 2016	Underwriting performance 2017
United Kingdom	18	25
France	8	17
Netherlands	10	17
Germany	-7	16
Switzerland	15	15
United States of America	7	6
Japan	6	6
Australia	-21	5
Italy	-2	2
Singapore	-9	-3
Other	3	-5
Total	**28**	**101**

Main driver for increase in underwriting performance from 2016 to 2017 was lower net claims incurred in 2017 in credit and suretyship insurance.

A3: Investment performance

Investment results
Investment income in 2017 of EUR 22 million was in line with the previous year´s result of EUR 20 million. In both years, investment income consisted mainly of interest earned on the portfolio as well as net gains realised on the sale of securities.

Investment income and expenses by investment asset category as at 31 December were as follows:

Investment performance EUR millions	2016	2017
Investment income	**20**	**22**
Income from other investments	**16**	**16**
Fixed income securities	16	15
Shares in units and unit trusts	-	1
Deposit with credit institutions	-	-
Value re-adjustments on investments	-	**-**
Gains on realisation of investments	**4**	**5**
Fixed income securities	3	1
Shares in units and unit trusts	1	4
Investment charges	**-8**	**-9**
Investment management charges incl. interests	**-6**	**-7**
Interest charges	-	-2
Fixed income securities	-5	-4
Management charges	-1	-1
Value adjustments on investments	**-**	**-**
Fixed income securities	-	-
Loss on realisation of investments	**-2**	**-2**
Fixed income securities	-2	-2
Total	**12**	**13**

Gains and losses recognised directly in equity
The Company does not recognise any gains or losses directly in equity.

Investments in securitisation
The Company does not have any investments in tradable securities or other financial instruments based on repackaged loans.

A4: Performance of other activities

Material leasing arrangements
The Company does not have any material financial and operating leasing arrangements.

Other material income and expenses incurred during 2017
No other material income or expenses incurred in 2017.

A5: Any other material information

Other material information
The United Kingdom (UK) started process to leave European Union (EU) in March 2017. The Company is taking steps to ensure continuity of UK business operations after the UK has left the EU. The expected date for conclusion of these steps depends on the outcome of the political negotiations regarding the withdrawal agreement, the future relationship between the UK and the EU and regulatory landscape.

Section B: System of governance

B1: Governance structure

Organisational structure and system of governance
The governance and organisational structure of the Company is set out in the Company's terms of reference and charters. These define the responsibilities and authority of the members of the Board and Committees.

Board
The Board's duty is to manage the Company in the best possible way to achieve the Company's purpose and within the Company's best interests. The Board is responsible for the sound and prudent management of the Company.

The members of the Board bear ultimate responsibility and liability for meeting the applicable legal obligations. They therefore have the right and obligation to take all measures to fulfil their legal duties.

The members of the Board are individuals with the abilities, professional background and personal character (including honesty and financial soundness) necessary and required to ensure an independent decision-making process in a critical exchange of ideas with the executive management.

Composition of the Board
As at 31 December 2017, the Board had ten members, of whom five are independent non-executive members and five members of the Swiss Re Group Executive Committee. The Chairman of the Board is an independent non-executive member appointed by the Board.

Delegation and retained responsibilities of the Board
The Board has delegated certain responsibilities and authorities to the following joint Board Committees of the Luxembourg Companies:
- Audit Committee
- Finance and Risk Committee

The Board has further delegated certain responsibilities and authorities to:
- Management Committee of the Company
- Material Transaction Sub-Committee of the Company
- Solvency II Committee of the Company
- General Manager of the Company
- Branch Managers
- General Manager Committee of the Company
- Key Function Holders of the Company
- Key Functions Committee of the Company
- Local Bodies required for the Asian branches of the Company

The Board retains ultimate responsibility, oversight and control of the delegated responsibilities and authorities.

Board committees
Audit Committee
The Audit Committee assists the Board in fulfilling its oversight responsibilities as they relate to the integrity of the Company's financial statements (including its Luxembourg statutory returns), the Company's internal controls, compliance with legal, tax and regulatory requirements, the qualifications and independence of the external auditor, and the performance of both the internal audit function and the external auditor.

Finance and Risk Committee
The Finance and Risk Committee assists the Board in fulfilling its oversight responsibilities as they relate to the Company's risk tolerance and capital adequacy, Own Risk and Solvency Assessment (ORSA), risk concentration, threats, etc. both from a local statutory and economic perspective. This includes a forward-looking perspective arising from the Company's business and capital plan and strategic transactions.

Other delegations

Management Committee

The Management Committee's primary responsibility is to manage the day-to-day business and operations of the Company. The Management Committee as a collegial body is fully accountable to the Board.

Material Transaction Sub-Committee

The Board has authorised the set-up of a sub-committee of the Management Committee. The purpose of the Material Transaction Sub-Committee is to exercise specific management responsibilities and authorities with respect to some material transactions including external outsourcing arrangement in respect of underwriting and claims functions to be entered into by the Company.

Solvency II Committee

The purpose of the Solvency II Committee is to assist the Board, the Management Committee and the General Manager of the Company with Solvency II application. The Solvency II Committee is authorised to take Solvency II related decisions on operational matters and to submit proposals and recommendations on strategic matters to the Board and the Management Committee.

General Manager

The General Manager is in charge of the day-to-day management of the Company and represents the Company vis-a-vis the CAA. In particular, the General Manager has authority to sign in respect of financial and treasury management, including opening and operations of bank accounts, hedging agreements and payments. He also has authority regarding employment matters and to act in the best interests of the Company's branches. The General Manager must be resident in Luxembourg and approved by the Luxembourg Minister of Finance.

Branch Managers

For each branch, the Board has appointed one person as Branch Manager and legal representative of the Company in the jurisdiction of the branch, who is in charge of the day-to-day management of the branch and of conducting business in the name of the Company in the jurisdiction of the branch.

General Manager Committee

The purpose of the General Manager Committee is to assist the General Manager with the management and supervision of the operational activities of the Company and its respective branches, and contact office, to the extent that such operational activities relate to the legal entity, and to provide a cross-functional and cross-location coordination and communication platform for matters relating to the Company.

Key functions

The Board is responsible for adopting appropriate measures to implement Group guidelines or policies relating to the functions defined as being key or critical under the Solvency II framework, ie Risk Management, Compliance, Internal Audit and Actuarial (referred to as "key functions").

The roles of the key functions are as follows:

Risk Management

Please refer to paragraph "Implementation and integration of the Risk Management function" on page 14 for details of the Risk Management function.

Compliance

Please refer to paragraph "Implementation of the Compliance function" on page 16 for details of the Compliance function.

Internal Audit

Please refer to paragraph "Internal Audit function implementation" on page 17 for details of the Internal Audit function.

Actuarial

Please refer to paragraph "Implementation of Actuarial function" on page 17.

Key function holders

The Board nominates individuals as designated representatives of the respective key functions of the Company (the "key function holder") and monitors the key functions to ensure they are adequately staffed with professionals possessing the requisite professional qualifications, knowledge and experience. Key function holders operate under the oversight of and report directly to the Board and Board Committees of the Company.

Key Functions Committee
The central task of the Key Function Committee is to assist the Board in fulfilling its oversight responsibilities as they relate to the Company's key functions and internal controls.

Local Bodies required for the Asian branches of the Company
Specifically for the Asian branches of the Company, the Board or Management Committee may appoint legal representative(s) of the Company or set up local committees for specific matters as may be required under local law or regulatory requirements. The legal representative(s) and local committees operate under the oversight of and report directly to the Board or the Management Committee of the Company, as applicable.

Reporting and access to information
The Board, the Board Committees and the Management Committee have full authority to investigate any matters within their respective duties. They are authorised to obtain independent professional advice, request external advisors to undertake specific tasks or to obtain any information from any director, officer or employee acting on behalf of the Company, and to secure their attendance at the relevant meetings when necessary.

The key functions have operational independence in performing their reporting functions, with the exception of Internal Audit, which has complete independence in performing its reporting function. Key function holders are obliged to report directly to the Board, Board Committees, Management Committee or Key Functions Committee any issues that could have an impact on the Company.

Material changes in the system of governance
Following the modernisation of the Luxembourg company law dated 10 August 1915, as amended, the Articles of Association of the Company were modified in November 2017 to formalise the existence and role of the Management Committee and the terms of reference were revised and updated in December 2017 to set forth additional delegation of responsibilities to the Management Committee.

Remuneration policy and practices
The Company adopted the Swiss Re Standard on Compensation, which captures Swiss Re's compensation framework and governance, outlines the compensation processes across the Group and provides key guidelines for the execution of individual compensation actions.

Swiss Re aims for total compensation that is competitive in the market and also seeks to ensure that total compensation is well- balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This is to encourage sustainable performance and appropriate risk-taking in line with the business and risk strategy.

Swiss Re has several incentive programmes that reflect the long-term nature of the business: both the Value Alignment Incentive (VAI) as the deferred part of the Annual Performance Incentive (API) and the Leadership Performance Plan (LPP) aim to reward sustained performance rather than short-term results. These programmes support closer alignment of the interests of shareholders and employees.

Overview of the compensation components

Fixed compensation
Base salary
Base salary is the fixed compensation paid to employees for carrying out their role and is established based on the following factors:
- scope and responsibilities of the role, and qualifications required to perform the role
- market value of the role in the location in which Swiss Re compete for talent
- skills and expertise of the individual in the role

Benefits
Swiss Re aims to provide a competitive package of employee benefits. Benefits are designed and implemented under a global framework, while appropriately reflecting local employment market conditions.

Variable compensation
Annual Performance Incentive
The API is a performance-based, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation when both business and individual performance targets are achieved. When the toal API level for an employee exceeds a predefined amount, the award is split into two components: an immediate cash incentive payment (cash API) and a deferred API (VAI).

Value Alignment Incentive
The VAI is a mandatory deferral of a portion of the API and introduces a time component to this performance-based, variable compensation. This supports the Group's business model by aligning a portion of variable compensation with sustained long-term results.

Leadership Performance Plan
The purpose of the LPP is to provide an incentive for Swiss Re's senior management to create sustainable company performance over the long term. The vesting and performance measurement period is three years with no additional holding requirement. For LPP awards granted to Group Executive Committee members and other key executives, the duration of the LPP is five years comprising a three-year vesting and performance measurement period and an additional two-year holding requirement.

Participation plans
Incentive Share Plan
The Incentive Share Plan (ISP) provides employees with an opportunity to purchase Swiss Re Ltd shared with some or all of their immediate cash API Swiss Re Ltd shares. Shares are offered with a 10% discount on the fair market value and are subject to a one-year blocking period. Full shareholder rights apply during this blocking period. The ISP encourages alignment with shareholder interests. At the end of the one-year period, the employee assumes full ownership of the shares.

Global Share Participation Plan
The Global Share Participation Plan (GSPP) provides employees with an opportunity to directly participate in the long-term success of the Group by purchasing Swiss Re shares (up to a maximum of CHF 7 000 per year of a plan cycke and capped at 10% of base salary). Swiss Re provides a 30% match on the number of shares held by employees at the end of the three-year plan cycle. The match is subject to forfeiture in case of termination of employment before the end of the plan cycle. The GSPP has the same core design in all locations.

Compensation framework for the Board
Compensation structure for non-executive directors
The non-executive members of the subsidiary Boards receive their fees 100% in cash. The fees are reviewed annually and payments are made on a quarterly basis. When a member of the Board of Directors of Swiss Re Ltd also serves on the Board of a subsidiary, the aggregate compensation of the Board of Directors proposed to the Annual General Meeting of Swiss Re Ltd for approval also includes any subsidiary Board fees.

Compensation structure for executive directors
The majority of the Board members at subsidiary level are Swiss Re executives. They do not receive any additional fees for their services as members of the Boards at the subsidiary level.

Performance criteria
Annual Performance Incentive
Swiss Re operates a Target API (TAPI) system along with a performance management framework that provides equal weighting to results-oriented and behaviour-related performance criteria for all employees. API is awarded for both objectives achieved and the demonstration of desired behaviours.

A TAPI is set for each eligible employee based on multiple factors, but primarily on the role being performed and market benchmarks. The actual API payout is based on Swiss Re's financial results and other qualitative criteria as well as the achievement of individual objectives and the demonstration of desired behaviours.

Value Alignment Incentive
The performance factors of the VAI are calculated based on the three-year average of the published Economic Value Management (EVM) previous years' business profit margin. EVM is Swiss Re's proprietary integrated economic valuation and accounting framework for planning, pricing, reserving and steering the business. The EVM previous years' business profit margin is the ratio of EVM previous years' business profit to EVM capital allocated to previous years' business in the current year.

Leadership Performance Plan
At the grant date, the award amount is split into two underlying components: Restricted Share Units (RSUs) and Performance Share Units (PSUs). A fair market value methodology executed by a third party determines the number of RSUs and PSUs granted.

Restricted Share Units
The performance condition for RSUs is return on equity (ROE) with a linear vesting line. Vesting is at 0% for an ROE at the risk-free rate and at 100% for ROE at a predefined premium above the risk-free rate. The premium is set at the beginning of the plan period and for LPP 2017, this premium has been set at 900 basis points above the annual risk-free rate, which is determined as the average of 12 monthly rates for ten-year US Treasury bonds of the corresponding performance year. At the end of each year, the performance against the ROE condition is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%). year, the performance against the RoE condition is assessed and one third of the RSUs are locked in within a range from 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%[1]).

Performance Share Units
The performance condition for PSUs is relative Total Shareholder Return (TSR) measured over three years. The PSUs vest within a range of 0% to 200%. Vesting starts at the 50th percentile of TSR relative to peers with 50% vesting and is capped at 200%1 vesting at the 75th percentile relative to peers. In case of a negative TSR over three years, the Company retains the discretion to reduce the level of vesting. Swiss Re's TSR performance is assessed relative to the TSR of a pre-defined peer group. This peer group consists of companies that are similar in scale, have a global footprint or a similar business mix as Swiss Re.

Supplementary pension or early retirement schemes for key individuals
The Company does not have a policy of offering supplementary or enhanced early retirement to key individuals.

Material transactions
During 2017, there were no material transactions with shareholders, with persons who exercise a significant influence on the Company, or with members of the administrative, management and supervisory bodies.

B2: Fit and proper requirements

Policy framework for fit and proper
The Company's compliance with fit and proper requirements is assured through a combination of policies and related procedures at both the Group and the Company levels. In particular, the Board, Management Committees and Branch Managers follow special procedures related to appointments (nominations or changes), performance reviews and training. A set of tools and templates facilitates the implementation of these policies, which collectively ensure that those who effectively run the undertaking possess the requisite skills, knowledge and expertise for their roles.

Process for assessing fitness and propriety
Compliance with fit and proper requirements of the Board and Board Committees is reviewed at various stages, as shown in the table below:

Stage	Activities
Initial assessment	The Company has adopted a specific policy and standards describing the appointment process and the skill/experience approvals required. The Company screens upfront (eg CV, passport, criminal records, check) nominees and uses the Swiss Re Group approval process and fitness and propriety assessment.
Induction	Newly appointed members receive an induction package covering a range of Group/Company topics such as Finance, Legal and Compliance and Risk Management.
Training	Training sessions are often integrated in the agenda of regular Board meetings, which are scheduled every three months.
Collective Assessment	A formal performance review of the Board is conducted annually during a private session. Board members individually prepare the review with a self-assessment questionnaire and checklist, which specifically refers to Fit and Proper requirements. Gaps and action items (eg training needs, suggested changes to board committees) are documented for follow-up.
Ongoing and ad-hoc assessment	All individuals subject to Fit & Proper requirements have to complete an annual fit and proper declaration, which focuses on the validation of the propriety to cover the assigned position. Re-assessments are performed if (a) additional responsibilities are assigned to a concerned individual, (b) if a concerned individual becomes aware that he/she no longer meets the Company's fit and proper criteria, or (c) if the performance or the behaviour of a concerned individual raises serious doubts about this person meeting the fit and proper criteria.

[1] Maximum vesting percentage excludes share price fluctuation until vesting.

B3: Risk management system

Risk management system

The risk management system of the Company leverages the global framework that governs risk management practices throughout the Swiss Re Group. Risk policies, standards and guidelines established at Group and Business Unit level form a large part of the Company's risk management system; significant documents are reviewed for appropriateness by the Management Committee and the Board of the Company and subsequently adopted. Additional risk governance for the Company is established as an addendum to the respective Group or Business Unit governance where needed to address the specific circumstances of the Company.

A key objective of the Risk Management function is to support controlled risk-taking and the efficient, risk-adjusted allocation of capital.

Risk management is based on four guiding principles which apply consistently across all risk categories:

- Controlled risk-taking - Financial strength and sustainable value creation are central to Swiss Re's value proposition. The Company thus operates within a clearly defined risk policy and risk control framework.
- Clear accountability - Swiss Re's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on, and their incentives are aligned with Swiss Re's overall business objectives.
- Independent risk controlling - Dedicated units within Risk Management control all risk-taking activities. These are supported by Compliance and Group Internal Audit functions.
- Transparency - Risk transparency, knowledge sharing and responsiveness to change are integral to the risk control process. The central goal of risk transparency is to create a culture of mutual trust, and reduce the likelihood of surprises in the source and potential magnitude of losses. Risk transparency is ensured through regular reporting of both quantitative and qualitative risk information to the Company's Management Committee, Finance and Risk and Audit Committees as well as to the Board.

For its risk identification process, the Company applies Swiss Re's Group and Business Unit frameworks, under which risk takers are responsible for identifying, assessing, managing, controlling and reporting all relevant information on risks they are exposed to or undertake. In addition, the Company participates in and benefits from the results of Swiss Re's emerging risk process. The emerging risk process provides a Group-wide platform for raising emerging risks and reporting early warning signals; this information is complemented with external expertise and reported to internal and external stakeholders.

Regional Risk Advisory Councils have been established for EMEA and APAC to oversee all regional risk management matters and act as a forum to discuss and raise risk issues. In addition, regional risk matrices are used as tool to identify risks, raise awareness, improve regional risk culture and encourage accountability for mitigating actions. This process encourages dialogue between the business and risk management on key risks. Risk Management is involved in providing sufficient challenge to the action plan proposed by regional management.

The Company's risk appetite framework establishes the overall approach through which the Company practices controlled risk-taking and leverages the Group's risk appetite framework as provided in the Group's Risk Policy framework adopted by the Board of Directors of the Company. The Company's risk tolerance is driven by its Legal Entity Capitalisation Policy which defines the target capital as the minimum available capital that the Company needs to hold in relation to the risks that it assumes.

Implementation and integration of the Risk Management function

Under the Company's terms of reference and charters, the Board assumes the oversight role for risk and capital steering supported by the Chief Finance Officer and the Chief Risk Officer. The Board has delegated certain responsibilities and authorities to the Finance and Risk Committee, the Audit Committee as well as the Management Committee and Solvency II Committee.

The governance bodies for the Company are described in paragraph "Organisational structure and system of governance" on page 9. The Company's risk management is supported by both Swiss Re's global risk management units, which provide risk modelling services, regulatory relations management and central risk governance framework development, as well as by the Business Unit Risk Management function, which provides specialised risk category expertise, accumulation control and risk reporting services.

The branches described in paragraph "Full name and legal form" on page 5 follow to a large degree the processes and instruments used at the legal entity level in order to ensure consistency of approach.

However, in particular for the branches in Asia, there are local regulatory and solvency requirements. The Company's Chief Risk Officer is responsible for risk management oversight of the branches supported by local risk management resources.

Internal model
The Company uses its internal model for the purposes of calculations of its SCR. The CAA approved the internal model and its associated governance framework for use in calculating the Company's SCR under Solvency II on 17 December 2015. The Company's internal model governance framework, which leverages the Swiss Re model governance framework, sets out the requirements for model development standards, the governance around changes to the internal model, validation of the internal model and data quality standards.
The Chief Risk Officer reports the results from the internal model periodically to the Management Committee, the Finance and Risk Committee and the Board as well as to the CAA according to the regulatory reporting requirements.

Process for accepting changes to the internal model
The Company has defined a controlled approval process for all model changes that leverage the process and definitions used in the Swiss Re Group Risk Model Change Standards adopted by the Company. This includes a qualitative and quantitative assessment of the impact of the model changes on the Company. The Board is required to approve any major changes to the model prior to implementation. Subsequently major changes are submitted to the CAA for approval prior to use for external reporting purposes- Minor changes can be adopted by the Company's Chief Risk Officer.

Material changes to internal model governance
The Company has adopted two changes to its internal model governance framework that change the hierarchical structure required to approve administrative procedures used in the model as well as model governance documents, and ownership of the independent model validation.

Internal Model validation tools and processes
The Group Risk Model Validation Standards adopted by the Company require independent validation of the internal models. This is carried out by an internal model validation team on behalf of the Company. The appropriateness of the model is subject to regular review with a broad range of validation tools, including profit and loss attribution, stress tests, scenario analyses, reverse stress tests, sensitivity and stability analysis.

Other risks
The principal quantified risk not included in the Company's SCR is funding liquidity risk. As liquidity risk focuses on cash flows and not on changes in economic value, it is not relevant for the capital adequacy view of the SCR. It is therefore measured and monitored independently, based on liquidity stress tests derived from the Group´s internal model.

The Prudent Person Principle
The management of the Company's investments is governed, in accordance with the Prudent Person Principle under Solvency II, by the general principle of the creation of economic value. This is done on the basis of returns relative to the liability benchmark and its replicating portfolio, the asset management policy adopted by the Company and a set of strategic asset allocation limits that are established by the Board of the Company.

ORSA process
The ORSA is an ongoing process, with critical risk control and reporting activities being carried out on a regular basis as outlined in paragraph "Risk management system" on page 14. ORSA is an iterative process within the annual business planning exercise and it is used to assess the risk inherent in the plan and resilience of the Company solvency and balance sheet over a three-year horizon. Anticipated significant changes in risk profiles are included in assessing the future solvency position. Scenarios are used to provide insights into the strength of the balance sheet and to assess future potential solvency positions. Where exceptionally adverse scenarios are identified, mitigation actions and control measures are contemplated but would require Board approval prior to actions being taken.

The Chief Risk Officer maintains operational responsibility for carrying out the ORSA process and delivering ORSA reports to the Board.

Review of ORSA
The ultimate responsibility for the ORSA rests with the Board, which reviews and approves at least annually the results of the ORSA process.

Solvency assessment
Based on the planned risk profile and using the approach described in the risk appetite framework, the internal model is used to determine capital requirements. The Company sets aside capital to cover its quantifiable risks in accordance with the Legal Entity Capitalisation Policy. The risk-based capitalisation position of the Company is monitored frequently by the Company's Chief Risk Officer and Chief Financial Officer against target capital, with a number of options if risk and capital develop out of predefined control ranges. The ORSA process uses scenarios to stress the plan and assess the resilience of the solvency through the plan periods including identifying relevant actions that may be considered to mitigate the potential downsides.

B4: Internal control system

Internal control system

Coordinated assurance framework

Swiss Re's Coordinated Assurance Framework is used by the Company to identify the principal operational risks to the organisation and the relevant key controls to manage them, as well as to demonstrate that a sufficient level of assurance is gained from the effectiveness of those controls.

Risk-taking activities are typically subject to three lines of control or defence.
- The first line comprises the day-to-day risk control activities performed by risk takers in the business as well as in other functions of the Company.
- Independent oversight performed by such functions as Risk Management and Compliance represents the second line of control.
- The third line consists of independent audits of processes and procedures carried out by Group Internal Audit (GIA) or by external auditors.

Assurance function interactions

While all functions retain their specific mandates and areas of expertise by working together and relying where possible on each other's work, a holistic approach is assured under the Coordinated Assurance Framework. Information, planning and execution of assurance work are coordinated and results are shared, reducing overlap between assurance units, increasing mutual reliance and providing an increased focus on pre-emptive assurance. The integrated approach is deployed within the following activities:
- risk scoping and assurance planning
- coordination between assurance functions in business interactions
- issue and action management interactions
- monitoring across assurance functions
- reporting

Implementation of the Compliance function

The Compliance Charter of the Company sets out the objective and purpose of the Company's Compliance function, as well as the overall roles and responsibilities for compliance with all applicable legal and regulatory requirements, the highest professional and ethical standards and its stated corporate values.

To ensure that the compliance objectives are met consistently within the expectations of regulatory authorities, shareholders, clients and other stakeholders, the Board supports best compliance practices and an appropriately resourced Compliance function.

The Compliance function is responsible for:
- providing primary assurance oversight and assisting Management in the design of remedial actions and overseeing their implementation
- overseeing compliance-related policies, guidelines and the Code of Conduct, and ensuring that these are regularly reviewed and up to date
- overseeing, as well as providing, appropriate compliance training to the Company's directors, officers and employees covering the Code of Conduct and certain related legal and regulatory compliance obligations

The Compliance function is authorised to review all areas and to have full, unrestricted access to all activities, records, property, and personnel, including, without limitation, access to employee e-mail records, subject in all cases to applicable law. In addition, the Compliance function is operationally independent with regular interaction with the independent non-executive director who chairs the Audit Committee of the Company.

B5: Internal Audit function

Internal Audit function implementation
GIA assists the Board to protect the assets, reputation and sustainability of the Company. GIA performs audit activities designed to assess the adequacy and effectiveness of the Company's internal control systems, and to add value through improving the Company's operations.

GIA provides written audit reports, identifying issues and management actions to the Audit Committee, senior management and external auditor on a regular basis. GIA monitors and verifies that management's actions have been effectively implemented. Significant issues, and issues that have not been effectively corrected, are highlighted to the Audit Committee.

Independence of the Internal Audit function
GIA performs its internal audit activities with independence and objectivity. Activities are coordinated with the other assurance functions. GIA has no direct operational responsibility or authority over any of the activities it reviews. Authority is granted for full, free and unrestricted access to any and all of the Company's property and personnel relevant to any function under review. All employees are required to assist GIA in fulfilling their duty.

GIA staff govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics." The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing" constitutes the operating guidance for the department. In addition, GIA adheres to the Group's guidelines and procedures, and GIA's organisation and processes, manuals and guidelines.

B6: Actuarial function

Implementation of Actuarial function
The tasks of the Actuarial function under the Solvency II framework are allocated across various functions:
- technical provisions calculations are performed by qualified actuaries within the Company
- opinions on the underwriting policy and reinsurance adequacy are performed within Risk Management
- input and feedback into the risk modelling framework is provided by the Risk Management team

B7: Outsourcing

Outsourcing policy
The Company has adopted Swiss Re's comprehensive global outsourcing framework and has further specified the local oversight framework, which is approved by the Board in a separate annex to Swiss Re's Targeted Standard on Outsourcing. The standard covers two types of outsourcing arrangements:
- third-party outsourcing, where the mandate is given to an external service provider
- intra-Group outsourcing between Swiss Re entities

The Company's annex includes an approval process for critical or important outsourcing arrangements based on a predefined due diligence selection process and requires a set of standard terms to be included in the outsourcing agreement. Requirements for post-approval control and monitoring, documentation and reporting are described.

The Board approves the outsourcing of critical and important outsourcing arrangements related to key functions based on the recommendations of the Management Committee and approves the appointment of Outsourcing Managers for the key functions. The Material Transactions Sub-Committee approves the outsourcing of critical and important outsourcing arrangements related to claims and underwriting functions.

Outsourcing Managers are appointed to steer approval and governance processes and to exercise appropriate oversight. Critical or important services related to risk management, actuarial function, compliance and internal audit are partially provided to the Company by other entities in the Swiss Re Group under intra-group outsourcing arrangements.

B8: Any other information

Assessment of adequacy of the system of governance
The Board carries out an annual evaluation of its system of governance against relevant best practice standards. During the reviews performed in 2017 the Board concluded that the system of governance is adequate to the nature, scale and complexity of the risks inherent in its business.

Other material information
There is no other material information to report for 2017.

Section C: Risk profile

Overview of risk exposure

The Company is exposed to a broad landscape of risks. These include core risks that are taken as part of insurance or asset management operations activities and are quantified in the Company's internal model (please refer to paragraph "Risk management system" on page 14). As required under Solvency II, the model also quantifies operational risk. In addition to these modelled risks, the Company is exposed to further risks that arise from undertaking business, including liquidity, strategic, regulatory, political and reputational risk. The following sections (C1 to C7) provide quantitative and qualitative information on the specific risk categories.

<table>
<tr><th colspan="2">Modelled risks</th><th colspan="2">Other risks</th></tr>
<tr><td rowspan="2">Underwriting: Property and casualty, life and health and credit</td><td rowspan="4">Operational risk</td><td rowspan="4">Liquidity risk</td><td>Strategic risk</td></tr>
<tr><td>Regulatory risk</td></tr>
<tr><td>Financial market risk</td><td>Political risk</td></tr>
<tr><td>Credit risk excl. credit underwriting</td><td>Reputational risk</td></tr>
<tr><td colspan="4">Emerging risks</td></tr>
</table>

Measures used to assess risks and material changes

The Company uses a CAA approved integrated internal model to assess all modelled risk categories. Separate risk modules are used to model the individual risk factors. Risks not covered by the SCR (liquidity risks, strategic risks, regulatory, political risks and others) are regularly considered and assessed on a qualitative basis with various monitoring and reviews in place.

In line with the definition of the Solvency II SCR, the Company measures its capital requirement at 99.5% value at risk (VaR), which measures the loss likely to be exceeded in only once in two hundred years.

Quantification of modelled risks by risk category

The table below sets out the quantification as at 31 December 2017 for the Company's modelled risk categories over the next twelve months. This represents the loss for each risk category that is likely to be exceeded only once in 200 years. Due to diversification, the total risk of the Company is lower than the sum of the individual categories.

Risk categories are gross of outgoing Intra Group Transactions (IGT). Other impacts consist of outgoing IGT, expected change in own funds, intra-group default related effects, and discounting of the 99.5% VaR.

EUR millions	2016	2017
Property and casualty risk	783	869
Life and health risk	3	1
Financial market risk	77	71
Credit risk	300	349
Operational risk	59	29
Diversification	-381	-381
Other impacts*	-676	-821
Pre-tax Solvency Capital Requirement	**165**	**116**
Deferred tax impact	–36	-17
Solvency Capital Requirement	**128**	**99**

Risk categories are gross of of outgoing intra group transactions (IGT) and net of external risk transfer (ERT)
** Other impacts: mainly driven by outgoing IGT*

Risk concentration

The most significant risk concentration for the Company derives from its use of intra-group reinsurance arrangements with other entities of the Group, namely Swiss Re Corporate Solutions. Under the Swiss Solvency Test (SST), which is broadly similar to Solvency II and also based on Swiss Re's internal risk model, Swiss Re Corporate Solutions Ltd is well capitalised.

Risks arising from underwriting risk are dominated by Costing & reserving, non-life claims inflation, credit and suretyship and generic liability risk. Underwriting risks are well mitigated by intra-group risk transfer.

The Company is also exposed to operational risk, which is not covered by the intra-group reinsurance arrangements but mitigated through application of the co-ordinated assurance framework.

C1: Underwriting risk

Risk exposure
Underwriting risk comprises exposures taken on by the Company when it writes property, casualty, credit and environmental & commodity market insurance business.

Property and casualty risk
Property and casualty risk arises from coverage that the Company provides for property and liability lines of business as well as for specialty lines of business such as engineering, aviation, marine. The Company is also exposed to the inherent risks from the property and casualty business it underwrites, such as inflation or uncertainty in costing and reserving. The Company has well diversified insurance risk exposures with costing and reserving risk and generic liability risk forming the largest exposures.

Life and health risk
The Company has immaterial life and health exposure from run-off business.

Credit underwriting and Environmental & Commodity Markets risk
Credit underwriting and Environmental & Commodity Markets (ECM) risk arises from liabilities taken on by the Company in the course of its credit & suretyship and agriculture underwriting, respectively. Both risks are shown separately as underwriting risk under Solvency II. However, due to the nature of these risks, credit underwriting risk and ECM risk are quantified within the credit and financial markets risk categories respectively.

Material risk developments over the reporting period
Increases in underwriting risk continue to be driven by growth commensurate with the Company's business plan including the growth in the credit and surety exposure. In addition, it reflects a more conservative assessment of certain generic liability exposures.
A number of model enhancements were implemented for year end 2017 after internal and regulatory approvals were received. Two major model changes were implemented firstly for the credit correlation parameter model (mCorr) and secondly for the asbestos model, both of these changes resulted in immaterial changes to the Company's SCR. A number of other minor enhancements were applied but are also immaterial for the SCR.

Risk mitigation
Underwriting risk is mostly mitigated by intra-Group reinsurance. Regular assessment of the appropriateness of the intra-group Reinsurance programme is performed. An annual review is exercised based on plan numbers, internal risk model results and further coordination with other stakeholders such as local branch management, underwriting, capital management and finance.

Sensitivity analysis and stress testing
During the annual ORSA process, as described in paragraph "Internal control system" on page 16, various scenarios are used to test the resilience of the balance sheet of the Company beyond a baseline scenario, which contemplates adverse economic scenarios and underwriting assumptions.

The scenarios used take a multi-year time frame into account, consideration of these scenarios helps management to better understand the impact of potential deviations from the expected/baseline scenarios and to be better prepared to respond to such scenarios should they occur.

Scenarios consider a range of macro-economic situations (extreme to more probable) as well as insurance risk scenarios under which the Company could be expected to operate and/or situations that lead to differing underwriting results.
The baseline contemplates moderate economic growth environment for relevant markets for the Company.

The Company used the following scenarios for the planning horizon 2018-2020:

Scenario	Description of the scenario
Extreme loss	An underwriting and asset management scenario which is based on an extrapolation of current risks and could be triggered by a number of factors, e.g. financial or corporate sector crisis, US fiscal crisis, Eurozone breakup or China hard landing. Due to its severe parameters, this scenario has a very remote probability. The implications are significantly lower worldwide growth, cross-impact on equity markets, corporate bond spreads, and Credit underwriting performance and severe one-off underwriting losses
Credit quality detoriation	The scenario is defined as a weakening of credit fundamentals, from which there is a deterioration in credit quality across the Credit underwriting and asset management portfolios. This sees downgrades in the credit ratings of individual counterparties in 2018 and 2019.
Brexit	This scenario has been developed to understand the implications for the Company's business model under the assumption that the UK will leave the EU single market in 2019 without any EEA / UK trade agreement, transitional arrangements or grandfathering in place.
Adverse market impacting planning assumptions	Challenging underwriting market conditions result in lower premiums and increased loss ratios, relative to the baseline plan, in 2018 which is not rectified in 2019 and 2020.

Under all scenarios the Company's solvency position has been assessed over the planning horizon, with management actions identified if required.

Special purpose vehicles
The Company does not use special purpose vehicles.

C2: Financial market risk

Risk exposure

The value of the Company's assets or liabilities may be affected by movements in financial market prices or rates, such as equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices. The Company is exposed to such financial market risk from two main sources, through its investment activities as well as through the sensitivity of the economic value of liabilities to financial market fluctuations. Foreign exchange risk is the main form of financial market risk for the Company.

Material risk developments over the reporting period

Over the reporting period, minor changes in asset allocation were made in alignment with the agreed investment ranges for credit products, equities and alternatives.

List of assets

The Company invests in government and corporate bonds, cash and cash equivalents and equities. Please refer to Quantitative Reporting Template (QRT) S.02.01 for a summary list of assets. These investments have been made in accordance to the Prudent Person Principle outlined in paragraph "The Prudent Person Principle" on page 15.

Risk mitigation

The Company uses a prudent and effective asset and liability matching process to mitigate market risks and regular reporting to monitor the effectiveness of the asset and liability matching process is in place.

Limits on asset classes are approved on an annual basis to take into account business planning, and the strategic asset allocation plan usage against approved limits is monitored regularly.

Sensitivity analysis and stress testing

No specific financial risks scenarios were considered over those described in paragraph "Sensitivity analysis and stress testing" on page 19.

Group-wide stress testing framework

The Company's financial market exposures are subject to the group-wide stress testing framework. This is reported on a weekly basis and the aggregated stress is monitored against an approved stress limit.

C3: Credit risk

Risk exposure

Credit risk primarily reflects the risk of incurring a financial loss from the default of counterparties or of third parties. In addition, it takes account of the increase in risk represented by any deterioration in credit ratings. This risk arises directly from investment activities, as well as from counterparty risk both related to external credit risk and to intra-Group counterparties which is reflected in default-related effects. In line with Solvency II, credit risk from underwriting activities is classified as underwriting risk (please refer to paragraph "Risk exposure" on page 19).

Material risk developments over the reporting period

Over the reporting period, there were no material changes to non-underwriting credit risk exposures.

Risk mitigation

Risk Management regularly monitors corporate counterparty credit quality and exposures and compiles watch lists of cases that merit close attention. Risk Management monitors and reports credit exposure and limits on a regular basis in order to maintain exposure within approved limits. A governance framework is in place and appropriate actions taken when limits are near to being breached.

Sensitivity analysis and stress testing

The Company's credit risk market exposures are subject to the group-wide stress testing framework. This is reported on a weekly basis and the aggregated stress is monitored against approved stress triggers. No specific credit risks scenarios were considered over and above those described in paragraph "Sensitivity analysis and stress testing" on page 19.

C4: Liquidity risk

Risk exposure
The Company's exposure to liquidity risk stems mainly from the need to meet potential funding requirements arising from a range of possible stress events. However, given the high liquidity of the Company's invested assets, the risk to its solvency due to not being able to fund claims payments is remote.

Material risk developments over the reporting period
Free assets decreased over the reporting period mainly due to negative operating cash flows, repayment of a loan to the Company's parent and a dividend payment.

Risk mitigation
The Company controls liquidity risk to ensure that it can satisfy claims payments, debt maturities, expenses, and collateral requirements. To manage liquidity risk, the Company has a framework in place including regular reporting of key liquidity ratios to the Board.

Sensitivity analysis and stress testing
The Company applies a liquidity stress test to assess the liquidity sources and requirements in a stressed situation which assumes an extreme loss event in the size of a 99% shortfall along with a three notch rating downgrade.

These stress tests consider three time horizons and assume that over 90 days only highly liquid assets (cash, government, supranational and agency bonds) are a source of liquidity, whereas over a 180 day and one-year horizon all the assets are considered.

The most recent analysis over the one-year horizon shows that the Company has sufficient liquidity requirements to withstand a large loss event.

Amount of expected profit in future premiums
The total amount of expected profit in future premiums (EPIFP) for the Company as at 31 December 2017 is EUR 237 million (2016: EUR 363 million).

C5: Operational risk

Risk exposure
Operational risk represents the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems risks, or from external events (including legal risk), differ from the expected losses. Swiss Re's internal model includes a component to quantify operational risk for Solvency II purposes. In addition, operational risks are assessed and monitored qualitatively based on the Company's coordinated assurance framework.

Material risk developments over the reporting period
Operational risk has reduced over the reporting period following the 2017 review of the scenarios used to calculate risk capital for operational risk. The number and severity of operational events within the current period are within acceptable levels with the majority of events relating to processing and human errors.

Risk mitigation
The Company's coordinated assurance framework outlined in paragraph "Internal control system" on page 16 is used to manage and mitigate operational risk.

Sensitivity analysis and stress testing
The Company relies on regular exercises undertaken by Group Operational Risk Management to re-evaluate its exposure to operational risk. The team conducts workshops where business experts (first line risk takers) and second line of defence risk managers exchange views and outlooks of the potential for one-in-two-hundred-year operational events and the expected financial impact if these risks should materialise under various scenarios.

The outcome of these discussions enables the recalibration of the Group Risk Model's operational risk module and a calculation of Group operational risk capital. A portion of this is assigned to the Company on a pro rata basis.

The operational risk model is designed to represent the economic loss potential due to events classified as operational risk over a one-year horizon for use in the internal risk model. The focus of interest for this purpose lies entirely on large, unexpected events that potentially jeopardize the capital adequacy of the Company.

C6: Other material risks

All the important risks have already been disclosed in the sections above.

C7: Any other information

Other material Information
All material information has been disclosed above.

Section D: Valuation for solvency purposes

D1: Assets

Methods applied for valuation of material assets

Material assets on a Solvency II valuation basis as at 31 December 2017 were as follows (based on QRT Balance Sheet S.02.01.02 and per Company statutory):

EUR millions	Solvency II	Company statutory	Change
Investments	769	789	-20
Reinsurance recoverables	1 792	3 898	-2 106
Reinsurance receivables & insurance and intermediaries receivables	111	283	-172
Total of all other assets not listed above	244	444	-200
Total assets	**2 916**	**5 414**	**-2 498**

The following valuation bases were used to value material assets for Solvency II purposes:

Material assets	Quoted market price valuation	Adjusted equity valuation	Alternative valuation
Investments			
■ All other investments, excluding the investments listed below	X		
■ Participations (subsidiaries and associates)		X	
Reinsurance recoverables			X
Reinsurance receivables			X

Investments

Solvency II:

Quoted market price valuation:

- Investments in government bonds, corporate bonds and ETFs are valued at fair value, determined as far as possible by reference to observable market prices.

Adjusted equity valuation:

- Participations: Valuation of participations (subsidiaries and associates) is estimated based on readily available accounting information.

Company statutory:

Shares, including shares in affiliated undertakings and participating interest, other variable yield transferable securities and units in unit trusts are valued at the lower of acquisition cost or market value. In cases where no such quoted values exist, the actual values are based on other observable market data. Debt securities and other fixed income transferable securities are valued at amortised cost. Deposits with credit institutions are valued at nominal value.

The difference between Solvency II and Company statutory represents the cash deposits with ceding companies recognized as investment only in the Company statutory while under Solvency II, these assets are presented under the line item "Total of all other assets not listed above".

Reinsurance recoverables

Solvency II:

The share of technical provisions for reinsured business is determined with reference to the contractual agreement and the underlying gross Solvency II best estimate liability per treaty.

Company statutory:

The share of technical provisions for reinsured business is determined with reference to the contractual agreement and the underlying gross business data per treaty.

The difference between Solvency II and Company statutory is discussed in section "D2: Technical provisions".

Reinsurance receivables & insurance and intermediaries receivables
Solvency II:
Reinsurance receivables & insurance and intermediaries receivables are valued using a discounted cash flow method.

Company statutory:
Reinsurance receivables & insurance and intermediaries are valued at their settlement value.

The difference observed between Solvency II and Company statutory is mostly attributable to a different assets/liabilities split between reinsurance and insurance payables and receivables.

Other assets not listed above
The difference between Solvency II and the Company statutory amounts of other assets not listed above is mainly driven by deferred acquisition costs only recognized in the Company statutory.

Assumptions and judgements applied for the valuation of material assets
Investments are valued at market value, which is determined to the extent possible by reference to observable market prices. Where observable market prices are not available, the Company follows the fair value measurement methodology. There are no major sources of estimation uncertainty when using judgments to determine valuations. Since Solvency II follows fair value (through profit and loss methodology), the securities are not carried at more than recoverable amounts.

Changes made to the recognition and valuation basis of material assets during the year
No changes were made to the recognition and valuation basis or to estimation assumptions during 2017.

Drivers of differences between Solvency II and Company statutory accounts
The differences between the Solvency II balance sheet and the Company statutory balance sheet are explained by the different valuation methodologies used as described in the paragraph "Methods applied for valuation of material assets" on page 24.

Property (held for own use)
The Company did not hold any property for own use as at 31 December 2017.

Inventories
The Company did not hold any inventories as at 31 December 2017.

Intangible assets
The Company did not hold any intangible assets on the Solvency II balance sheet as at 31 December 2017.

Financial assets
Methods and assumptions applied in determining the economic value
Quoted prices in active markets for identical or similar assets are used to determine the economic value for the majority of securities. Where a quoted price is not available, alternative methods are used. Most financial asset prices are sourced from Blackrock Solutions. The list of vendors used by Blackrock Solutions to confirm pricing is held by the Company. In addition, all prices are reviewed by Swiss Re's independent pricing verification team to ensure agreement. When Blackrock Solutions prices are not available, a market price from an alternative source is selected. These are pre-agreed vendors, brokers, dealers or calculated prices depending on the type of financial assets.

As at 31 December 2017, the value of investments valued using quoted market prices in active markets for identical assets was EUR 309 million. The value of investments valued at quoted market prices in active markets for similar assets was EUR 431 million and the value of investments valued using adjusted equity method was EUR 41 million.

Use of non-observable market data
The Company follows the valuation methodology as per Article 10 of the Commission Delegated Regulation (EU) 2015/35 which states that "the use of quoted market prices in active markets for the same assets or liabilities, or, where that is not possible, for similar assets and liabilities, shall be the default valuation approach" This approach ensures that the values are not significantly higher or lower.

Significant changes to the valuation models used
There were no significant changes to the valuation method during the year.

Lease assets
The Company does not have any material financial and operating leasing arrangements.

Deferred tax assets

Recognition of deferred tax assets

Deferred income tax assets of EUR 40 million were recognised for all deductible temporary differences and for the carry forward on unused tax losses and unused tax credits, to the extent that the realisation of the related tax benefit through expected future taxable profits is probable.

Deferred income tax liabilities of EUR 181 million were recognised for all taxable temporary differences, which will result in higher future taxable income positions.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax asset recognition on tax losses is also determined by reference to the tax laws enabling such recognition on the same enacted or substantively enacted basis.

Amount for which no deferred tax asset is recognised

The amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the Solvency II balance sheet is EUR 1 million, because these amounts were not supportable by future taxable profit projections.

The expiry date, if any, for tax losses and tax credits, is dependent on the local tax law and hence varies depending on the relevant branch jurisdiction.

Temporary differences and unused tax losses are assumed to relate to the individual branch, and are consistent with tax rules. There is no offsetting of deferred tax assets in one branch against deferred tax liabilities in a different branch.

Projected future taxable profits

It is assumed that deferred tax assets and deferred tax liabilities are recoverable after more than 12 months.
The utilisation of deferred tax assets depends on projected future taxable profits, including those profits arising from the reversal of existing taxable temporary differences.

Actual tax losses suffered by the Company

Actual tax losses suffered by the branches of the Company in either the current or preceding periods, in the tax jurisdiction to which the deferred taxes assets are considered as a deferred tax asset, are taken into account to the extent that future tax benefits utilising these tax losses are probable. Local tax losses carry forward restrictions are considered. In certain jurisdictions, it may be possible to either utilise tax losses against prior-year profits or against profits arising in sister subsidiaries or branches in those same jurisdictions. For balance sheet figures, the actual utilisation of tax losses in this manner is taken into account. For the purposes of computing the loss absorbing capacity of deferred taxes, such tax utilisation is assumed not to happen. The tax losses per branch as at 31 December are as follows:

EUR millions	Tax losses 2016	Tax losses 2017
Japan	3	1
Singapore	35	37
Australia	18	12
Switzerland	8	-
Spain	1	1
Luxembourg	18	31

Tax rate changes during the year

The following branch tax rates changed in 2017 due to legislative changes:

Branch	National tax rate 2016 %	National tax rate 2017 %	Non-current tax rate* beginning of year %	Non-current tax rate* end of year %	Effect on deferred tax in EUR millions
Luxembourg	29,22%	26,01%	29,22%	26,01%	-
United States	35.00%	35.00%	54.50%	35,00%	1

* non-current tax rate is applied on the temporary differences to calculate the deferred tax impacts

Valuation of related undertakings

The Company applies the adjusted equity method to value its subsidiaries.

D2: Technical provisions

Life business

The Company has immaterial life and health exposure from run-off business. Amounts are included in the non-life section "Other".

Non-life business

Material technical provisions by Solvency II classes of business

The following table shows the value of non-life technical provisions, based on QRT S.17.01,02 by material classes of business as at 31 December 2017:

EUR millions	Gross best estimate	Net best estimate	Risk margin	Total net technical provision
Marine, aviation and transport (direct and proportional)	276	13	2	15
Fire and other damage to property (direct and proportional)	304	61	7	68
General liability (direct and proportional)	1 257	154	17	171
Credit and suretyship (direct and proportional)	-394	-290	5	-285
Other	321	34	9	43
Total	**1 764**	**-28**	**40**	**12**

Overview of methodology and assumptions

Best estimate

The estimation of the best estimate technical provisions is based on two steps:

- For all contract years, the nominal values of future payments related to premium, claims and commissions (including other contractual costs) are estimated.
- For all those nominal values, the timing of such future payments is estimated.

The combination of nominal values and timing lead to the expected future cash flow streams. Applicable discount rates are applied to these future cash flow streams for Solvency II reporting. The estimates are elaborated by a dedicated team of reserving actuaries as follows:

- For most contracts, they use classical actuarial methods for analysing triangular information concerning the development of past premiums, claims and commissions. For such analysis, the contracts are grouped into segments (large or structured contracts may be analysed on a standalone basis).
- For new contracts, the estimates cannot be derived with the above-mentioned actuarial techniques. The values for new contracts are generally based on values estimated during the process of determining the price of each contract. Over time, as new experience emerges, these initial estimates are revisited with the classical actuarial techniques.
- Specific to credit and suretyship line of business, the negative technical provision is due to the low combined ratio and the long exposure period and the future profits that are recognised in Solvency II but deferred in the Company statutory accounts.

Main assumptions

Estimating technical provisions is not a purely calculative process. Sometimes assumptions must be made in respect of some parameters in the calculations. If the historical development observed in data captured in a triangle does not cover the full possible development, the length and amount of future development beyond the last observed point (the tail) must be quantified based on assumptions. Another area where important assumptions are needed in reserving is the judgement on whether the future will proceed as in the recent past or whether a different future development should be expected compared to the (recent) past observed in historical data.

Risk margin

The risk margin is calculated under a transfer value approach, assuming that the insurance or reinsurance obligations are transferred to a so-called reference undertaking, which is assumed to be empty prior to the transfer and then funded with assets to cover the technical provisions. Since the calculation is based on the cost of holding required capital, assumptions surrounding the risk margin rely on the calculation of the SCR and are explained and justified in the internal model documentation and in the standard formula documentation.

Solvency II additionally requires the allocation of the risk margin to the lines of business or segments as defined by Solvency II regulations. The allocation is required to adequately reflect the contribution of the lines of business to the SCR of the reference undertaking over the lifetime of the insurance or reinsurance obligations. In the internal model for example, the allocation is done to model currencies proportionately to the contribution to the Company shortfall. The further breakdown of the risk margin to Solvency II lines of business is performed proportionately to the contribution of the run-off claims observed in each line of business, branches and currencies.

Uncertainty associated with the technical provisions

Estimating technical provisions involves predicting future loss payments based on historical and current information and knowledge, as well as judgment about future conditions. However, changes to historical patterns and trends, changes due to, among other factors, an evolving legal or social environment, claimants' attitudes regarding insurance claims, changes in the national or regional economic performance, or changes in the Company's operations and its book of business make the incidence of claims more or less likely and claims settlement values lower or higher.

The technical provisions contain no provision for the extraordinary future emergence of new classes or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable. Contrary to the balance sheet used for Luxemburg statutory, the technical provisions used for Solvency II purposes contain best estimates of future losses not yet incurred at the date of valuation. Such losses can result, eg from large natural catastrophes. Actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections.

Material differences between Solvency II and statutory technical provisions

Material differences by line of business between Solvency II and statutory net non-life technical provisions as at 31 December 2017 were as follows:

EUR millions	Solvency II	Company statutory	Change
Marine, aviation and transport (direct and proportional)	15	71	-56
Fire and other damage to property (direct and proportional)	68	149	-81
General liability (direct and proportional)	171	187	-16
Credit and suretyship (direct and proportional)	-285	349	-634
Other	43	74	-31
Total	**12**	**832**	**-820**

The actuarial methods and assumptions used for the valuation of technical provisions for Solvency II purposes are identical to those used for the preparation of the Company's statutory accounts. Nevertheless, there are significant differences between the two accounting standards applicable to all lines of business:

- For the Company statutory figures, future cash flows are not discounted (time value of money is not recognised), there is no concept of risk margin and the counterparty risk is not included in the valuation.
- For Company statutory, the contracts in scope are the same but in general only a portion of the premium written during the reporting period is recognised as earned while the unearned portion and acquisition cost are deferred (whereby for Solvency II purposes only future cash flows are considered in the valuation) and there is no provision for future losses, i.e. claims resulting from losses not yet incurred but covered within the boundaries of the subject business.

Please refer to page 27 "Overview of methodology and assumptions" under Best estimate section for the relevant explanation on the material difference between Solvency II and statutory valuation in credit and suretyship line of business.

Recoverables due from reinsurance contracts

As part of the best estimate calculation, reinsurance recoverables are also taken into account for the calculation of technical provisions. The reinsurance ceded is predominantly proportional reinsurance. Therefore, the determination of the reinsurance recoverable is a purely calculative process and does not require estimations, actuarial methods, assumptions or any other judgemental elements. In the valuation of ceded reinsurance, the counterparty risk is considered.

Material changes in assumptions made

During 2017, no material changes were made in the relevant assumption of the calculation of technical provisions.

D3: Other liabilities

Other material liabilities

Other material liabilities as at 31 December 2017 were as follows (based on QRT Balance Sheet S.02.01.02 and per Company statutory):

EUR millions	Solvency II	Company statutory	Change
Payables (trade, not insurance)	178	163	15
Loan from affiliated undertakings	101	100	1
Deferred tax liabilities	181	-	181
Reinsurance payables & insurance and intermediaries payables	71	749	-678
Total of all other liabilities not listed above	184	389	-205
Total other liabilities	**715**	**1 401**	**-686**

The following valuation bases were used to value material liabilities for Solvency II purposes:

Discounted cash flow	Other
Reinsurance payables	Payables (trade, not insurance)
	Deferred tax liabilities

Payables (trade not insurance)
Solvency II:
Payables are valued at their settlement value.

Company statutory:
Payables are valued at their settlement value.

Loan from affiliated undertakings
Solvency II:
The loan from affiliated undertakings is valued at nominal value.

Company statutory:
The loan from affiliated undertakings is valued at nominal value.

Deferred tax
Solvency II:
Deferred tax assets and liabilities are considered based on temporary differences between the Solvency II balance sheet and the local statutory balance sheet. The analysis is performed on the basis of the local branches of the Company and the corresponding jurisdictional tax regulations were taken into account. Deferred tax assets are calculated on all balance sheet differences which are recognised as being temporary and which will have a tax reversal impact in the foreseeable future. The valuation of the deferred tax assets can be supported by projections of the future taxable profits. The projections are based on prior-year experiences considering expectations about future business. In addition, tax groups (fiscal unities) in the jurisdictions were taken into account where there was reliable evidence of additional taxable profits within those fiscal unities or tax groups. The Company is presumed not to enter into run-off after a shock loss, and credit is only given for deferred tax assets utilised within a three-year time frame, but net deferred tax assets are currently recognised. Adjustments are made for local restrictions on tax loss.

Company statutory:
Deferred income tax assets and liabilities are calculated based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws, which are not recognised in the Company's annual accounts under Luxembourg Generally Accepted Accounting Principles. The amount of deferred tax assets and liabilities are disclosed as part of the notes to the accounts.

Reinsurance payables & insurance and intermediaries payables

Solvency II:

Reinsurance payables & insurance and intermediaries payables are valued using a discounted cash flow method.

Company statutory:

Reinsurance payables & insurance and intermediaries payables are valued at their settlement value.
The difference observed between Solvency II and Company statutory is mainly driven by debtors arising from reinsurance and insurance. Part of these items contains future cash flows recognised under Solvency II as part of technical provisions.

Other classes of liabilities

The Company only applies liability classes as prescribed in the Solvency II balance sheet template.

Financial liabilities

Impact of changes in own credit risk rating

Other financial liabilities consist mainly of contingent liabilities, provision for taxation and unrecognised tax benefits. Contingent liabilities are included in the Solvency II balance sheet but are not reported in the Company balance sheet. The change in the Company's own credit risk has no impact on the above financial liabilities.

Credit spread

The Company uses the Solvency II yield curves published by EIOPA that account for credit spread.

Lease liabilities

The Company had no material financial or lease liabilities as at 31 December 2017.

Deferred tax liabilities

Deferred income tax liabilities of EUR 181 million have been recognised for all taxable temporary differences, which will result in higher future taxable income positions.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates and tax laws that have been enacted by the end of the reporting period.

It is assumed that deferred tax liabilities are recoverable after more than 12 months.

Tax rate changes during the year

Please refer to paragraph "Tax rate changes during the year" on page 26.

Closing procedures

During the close process changes, in the applicable tax rates, in expectations on future taxable profits, in tax loss carry forward time limitations and in local tax regulations in the applicable tax regimes are reviewed, documented and considered for the calculation of deferred taxes under Solvency II.

Other provisions

Nature and timing of the obligations

As of 31 December 2017, other provisions mainly represent provision for currency risk. All other provisions are classified as payable in less than five years.

Uncertainties surrounding amount or timing of the outflows of economic benefits

The other obligations comprised provisions of which the amount and timing of the outflows of economic benefits have been taken into account in determining the provision. No other material uncertainties exist.

Cases where market values have not been adjusted

The market values of liabilities have been adjusted and therefore no additional disclosure is required.

Major assumptions concerning future events

No major assumptions were made regarding interest rates, risk adjustment or any other major assumptions concerning future events.

Employee benefits

Nature of the obligations

Employee benefits

The Company has employee benefit programmes for which it has the obligation to set aside reserves to meet future obligations. As at 31 December 2017, the following programmes were in place:

Employee benefit programmes	Short-term obligations	Long-term obligations	Other post-employment
Annual Performance Incentive	X		
Global Share Participation Plan		X	
Vacation accrual	X		
Incentive Share Plan	X		
Italy – healthcare and life insurance for retired employees			X
Leadership Performance Plan		X	
Value Alignment Incentive		X	
Italy – Trattamento di Fine Rapporto*		X	

*Italy – Trattamento di Fine Rapporto -this is a leaving service benefit paid to employees who leave the Company for any reason at any time.

Other benefit programmes

Please refer to paragraph "Remuneration policy and practices" on page 11 for details of other programmes.

Plan assets

Not applicable to the Company.

Deferred recognition of actuarial gains and losses

Actuarial gains and losses are not deferred under Solvency II or for the Company statutory accounts prepared under Luxembourg Generally Accepted Accounting Principles.

Methodologies and inputs used to determine the economic value

Employment benefits are determined according to business principles and are based on estimated needs.

Changes during the reporting period

No changes were made to the recognition and valuation bases used or on estimations during 2017.

Assumptions and judgements

No assumption and judgements contributes materially to the valuation of the other liabilities.

D4: Alternative methods of valuation

Alternative methods of valuation

The Company does not value any investment assets using alternative valuation methods.

D5: Any other information

Other material information

All material information regarding the valuation of assets and liabilities for Solvency II purposes has been described in the sections above.

Section E: Capital management

E1: Own funds

Solvency ratio
The solvency ratio expressed as eligible own funds as a percentage of the SCR as at 31 December 2017 was equal to 403% (2016: 379%).

Please refer to paragraph "Own funds by tier" on this page for details of own fund movements.

The binding legal entity capitalisation constraints for the Company remains the tied asset requirement, which ensures sufficient admissible assets are available to cover technical liabilities, based on the existing quarterly regulatory reporting.

Own funds – objectives, policies and processes
The Company's capitalisation policy ensures that it is appropriately capitalised for the risk that it incurs. The capital structure and the level of capitalisation are determined by regulatory capital requirements, management's assessment of the risks and opportunities arising from business operations and by financial management considerations. Throughout 2017, the Company's capital level was maintained in accordance with the capitalisation policy.

The Company monitors compliance with the capitalisation on a regular basis, taking into account relevant developments in the risk landscape and in its business portfolio. Surplus capital, which is not required to support expected new business, is made available to the Business Unit.

Own funds – time horizon used for capital planning
The composition of the Company's own funds is expected to change in line with the growth forecasted over the one-year and three-year business planning time horizon.

Own funds by tier
The value of own funds, classified as tier 1 based on QRT S.23.01.01, as at 31 December was as follows:

EUR millions	2016	2017
Ordinary share capital (gross of own shares)	182	182
Reconciliation reserve	303	215
Total basic own funds after adjustments	**485**	**397**

Own funds decreased from EUR 485 million in 2016 to EUR 397 million in 2017, driven mainly by the negative impact of exchange rate changes and additional dividend payments, partially offset by contribution from profitable credit and suretyship business.

The value of own funds, classified as tier 3 based on QRT S.23.01.01, as at 31 December was as follows:

EUR millions	2016	2017
Net deferred taxation assets	1	1
Total basic own funds after adjustments	**1**	**1**

Eligible amount of own funds to cover the Solvency Capital Requirement
The eligible amount of own funds, classified as tier 1and 3, to cover the SCR for 2017 was EUR 398 million (2016: EUR 486 million).

Restrictions to available own funds
The only restriction to available own funds is the legal reserve.

Eligible amount of basic own funds to cover Minimum Capital Requirement
The eligible amount of basic own funds, classified as tier 1, to cover the MCR for 2017 was EUR 397 million (2016: EUR 485 million).

Differences between equity in Solvency II and Company statutory accounts

The material differences in equity as shown in the Company statutory accounts and Solvency II as at 31 December 2017 were as follows:

EUR millions	Equity reconciliation
Equity as per Company statutory accounts	182
Reconciliation reserve	215
Net deferred taxation assets	1
Equity per Solvency II	**398**

Reconciliation reserve

The reconciliation reserve represents the differences in the valuation of assets, technical provisions or other liabilities in the adoption of the Solvency II valuation as well as retained earnings, including current year results and the legal reserve. It also includes a deduction for the foreseeable dividends.

Basic own funds subjected to transitional arrangements

No own funds items were subject to transitional arrangements.

Ancillary own funds

There are no ancillary own funds in the Company.

Items deducted from own funds

No item has been deducted from the own funds of the Company.

Subordinated capital instruments in issue at year-end

The Company does not have subordinated capital instruments.

Capital instruments issued as debts

Not applicable to the Company.

Value of subordinated debt

The Company does not have subordinated debt.

Principal loss absorbency mechanism

The Company does not have a loss absorbency mechanism that qualifies as high quality own funds instruments.

Key elements of the reconciliation reserve

The reconciliation reserve based on QRT S.23.01.01 as at 31 December 2017 was as follows:

EUR millions	2017
Excess of assets over liabilities	398
Equity per Company statutory accounts	-182
Foreseeable dividends and distributions	-
Net deferred taxation assets	–1
Reconciliation reserve	**215**

The reconciliation reserve includes an amount of the excess of assets over liabilities that corresponds to the EPIFP. Please refer to paragraph Amount of expected profit in future premiums on page 22 for the details of the EPIFP.

The difference between the excess of assets over liabilities under Solvency II and the equity value shown in the Company statutory accounts is mainly due to different valuations applied under Solvency II for assets, technical provisions and other liabilities.

Total excess of assets over liabilities within ring fenced-funds

The Company does not have any ring-fenced funds.

E2: Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement and Minimum Capital Requirement
As at 31 December 2017, the Company SCR was EUR 99 million (2016: EUR 128 million) and the MCR was EUR 44 million (2016: EUR 58 million).

Solvency Capital Requirement split by risk category
The Company uses an integrated internal model to measure its capital requirement using 99.5% VaR as described in paragraph "Risk exposure" on page 19. The table below sets out the quantification as at 31 December for the Company's modelled risk categories over the next twelve months. Risk categories are gross of outgoing IGTs:

EUR millions	2016	2017
Property and casualty risk	783	869
Life and health risk	3	1
Financial market risk	77	71
Credit risk	300	349
Operational risk	59	29
Diversification	-381	-381
Other impacts	-677	-821
Pre-tax Solvency Capital Requirement	**165**	**116**
Deferred tax impact	-36	-17
Solvency Capital Requirement	**128**	**99**

Other impacts: consist of outgoing IGT, expected change in own funds, intra-group default related effects, and discounting of the 99,5% VaR.

Simplification calculation
The Company does not apply the standard formula.

Standard formula parameters
The Company does not apply the standard formula.

Non-disclosure of capital add-on during transitional period ending no later than 31 December 2020
This is not applicable to the Company.

Standard formula capital add on applied to Solvency Capital Requirement
The Company does not apply the standard formula.

Information on inputs used to calculate the Minimum Capital Requirement
Input used to calculate the MCR for non-life insurance or reinsurance obligations includes premiums written during the last 12 months and best estimate technical provisions without a risk margin, both split by lines of business.

Material changes to the Solvency Capital Requirement and Minimum Capital Requirement during 2017
The Solvency II SCR decreased from EUR 128 million in 2016 to EUR 99 million in 2017, driven by a lower 99.5% value at risk, partially offset by a decrease in the deferred tax impact. In both cases the decrease is mainly driven by a change in the reinsurance structure for Credit and Surety business in Germany.
The MCR is equal to 45% of the SCR (in 2017 as well as 2016). Thus, the MCR decreased in line with the SCR from EUR 58 million in 2016 to EUR 44 million in 2017.

Please refer to paragraph "Solvency Capital Requirement split by risk category" on this page for details of the current year and prior year SCR and the MCR.

The risk profile and the movements between the current year and the prior year are explained in paragraph "Risk exposure" on page 19.

E3: Duration-based equity risk

Indication that the Company is using the duration-based equity risk sub-module
Not applicable to the Company.

E4: Differences between the standard formula and the internal model

The structure of the internal model
The internal model consists of the following building blocks:
- risk factors: to model the stochastic change of the state of the world over the one-year time horizon
- exposure model: to determine the change in basic own funds given a realisation of the risk factors, i.e. the stochastic future states of the world
- transaction model: to model the intra-Group transactions in place as well as external reinsurance
- balance sheet model: to evaluate the impact of defaults of Group companies and follow-up effects

Generally speaking, risk factors are sources of risk external to the Company. Their stochastic evolution is modelled over one year, using approaches such as univariate or multivariate distributions, frequency-severity models, event set-based models and Merton-type threshold models. Dependencies between risk factors are modelled by copulas, causal dependencies and other approaches. In contrast to many models used, dependencies are taken into account at the level of the underlying risk factors and not at the level of major risk categories. This implies that dependencies are independent of Swiss Re's portfolio. The exposure model captures the impact of the risk factors on the economic profit and loss through Swiss Re's portfolio. In the exposure model, Swiss Re's business activities are decomposed into different exposures. The change in basic own funds of the entire portfolio resulted from aggregating the effect on the individual exposures. Each exposure is assigned attributes, such as legal entity, line of business and treaty year, which enable drill-down analyses and an evaluation of the contribution to total risk.

Risk categories concerned and not concerned by the internal model
Refer to section C, paragraph "Risk exposure" on page 19 for details of the risk covered and not covered in the capital model.

Aggregation methodologies and diversification effects
Aggregation in the standard formula is prescribed in a hierarchical bottom-up scheme, with explicit standardised, industry-wide diversification benefits between its components at each step of the aggregation. In the Company's internal model, the diversification and interdependencies happen in the joint simulation of risk factors. Combining the realised outcomes of all the risk factors to which a specific portfolio selection is exposed (for example, the Company's marine portfolio and its exposure to natural catastrophes, etc.) yields an aggregate loss distribution. Such an aggregation takes place in a single step and contains implicit diversification between its risk module components.

Risk not covered in the standard formula but covered by the internal model
The Company's internal model covers the spread risk of European Union government bonds, while this risk is excluded from the standard formula.

Various purposes for which the internal model is being used
The Company´s internal model purposes are defined by the four major areas for which the model is intended to be used:
- Capital adequacy assessment: is the capital base sufficient to support the risk in the book?
- Risk controlling and limit setting: how much risk capacity should be allocated to each risk category?
- Portfolio management: what measures can be taken to improve capital efficiency?
- Costing: what is the cost of capital to carry a specific risk?

Scope of the internal model in terms of Business Units and risk categories
The scope of the internal model includes all material risks, which influence the Solvency II balance sheet of the Company. Please refer to paragraph "Risk concentration" on page 18 for details of the risk categories used.

Partial internal model
The Company does not use a partial internal model.

Methods used in the internal model for the calculation of the probability distribution forecast and the Solvency Capital Requirement
The stochastic economic balance sheet is obtained by modelling the impact of joint scenarios of risk factor realisations on the economic balance sheets. For this purpose, a model design principle is to separate the modelling of joint risk factor realisations from their impact on the balance sheet positions (exposures). In the Company's internal model, the risk, which arises from a balance sheet position, is defined as the unexpected change in the economic value of this balance sheet position over a one-year time horizon. A large number of Monte Carlo simulations yield a sufficiently accurate and stable empirical joint distribution of balance sheet changes; the SCR of a risk is calculated as the 99.5 percentile of the corresponding empirical distribution.

Risk measures and time period used in the internal model
The internal model calculates the probability distribution of the change in basic own funds over one year. In particular, it enables the value at risk of this change to be calculated at the 99.5% quantile level.

Nature and appropriateness of the data used in the internal model
Data used in the Company´s internal model is provided by different functions of Swiss Re and comes in a variety of different formats. This input data is validated at several stages and transferred via the Risk Management Application Platform into the well-defined format of the Risk Management Data Warehouse. The Data Dictionary defines the precise structure and content of each data item that is submitted to Risk Management Data Warehouse via the Risk Management Application Platform. Validation of the data is the responsibility of the respective data provider at each stage of the process. The process to ensure data quality is governed by the Group Risk Model Data Quality Standards. Validation of data quality is carried out in five steps:

- within the responsibility of the respective data provider upon collection of data or while downloading it from a source system
- structural and syntactical validation at the moment a data provider uploads any data delivery to the Risk Management Application Platform
- asynchronous validation of data consistency between interdependent deliveries, particularly with regard to reference data
- validation of data completeness at the beginning of each internal model calculation
- validation of calculation results and changes over time by the data provider supported by Business Unit and Legal Entity Risk Management teams (plausibility checks).

E5: Non-compliance

Any non-compliance with the Company SCR and MCR requirement
The Company complied with the SCR and MCR during 2017.

E6: Any other material information

Other material information
All material information regarding capital management has been described in the sections above.

Glossary

Board	The Board of Directors of the Company
CAA	Commissariat aux Assurances, Luxembourg
Company	Swiss Re International SE
Credit spread	Applies to derivative products. Difference in the value of two options, when the value of the one sold exceeds the value of the one bought.
Economic net worth	Market-consistent value of assets less the market-consistent value of liabilities
Economic Value Management	Swiss Re's integrated economic valuation framework for planning, pricing, reserving and steering the business. It also provides the basis for determining available capital under the Swiss Solvency Test and for Solvency II.
EMEA	Europe, Middle East and Africa
GIA	Group Internal Audit
Group risk model	The internal model developed by the Swiss Re and in place since 1994, used for articulating risk tolerance, assessing performance and setting targets. The internal model forms an integral part of the steering reality at Swiss Re. As part of Solvency II, the implementation of "Solvency II-specific features" (eg illiquidity premium, ultimate forward rate, treatment of deferred taxes) has been carried out. For the purpose of this report, any reference to the Group Risk Model refers to the model including the Solvency II–specific modifications.
Health insurance	Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.
Intra-Group reinsurance	Reinsurance between subsidiaries of the same parent company or between a subsidiary and its parent. intra-Group reinsurance aims to optimise capital allocation and tax efficiency for the Swiss Re Group as well as ensure adherence to regulatory solvency requirements.
Intra-Group transaction	This can be either in the form of a proportional (eg quota-share) or non-proportional (eg stop-loss or Cat XL) agreement.
Key functions	Risk management, compliance, internal audit and actuarial.
Key function holder	The Board nominates individuals as designated representatives of the respective key functions towards the Company.
Life insurance	Insurance that provides for the payment of a sum of money upon the death of the insured, or upon the insured surviving a given number of years, depending on the terms of the policy. In addition, life insurance can be used as a means of investment or saving.
Luxembourg Companies	The Company, Swiss Re Europe S.A. and Swiss Re Europe Holdings S.A.
MCR	If, despite supervisory intervention, the available resources of the insurer fall below the Minimum Capital Requirement, then "ultimate supervisory action" will be triggered. In other words, the insurer's liabilities will be transferred to another insurer and the license of the insurer will be withdrawn or the insurer will be closed to new business and its in-force business will be liquidated.
Non-proportional reinsurance	Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss. Instead, the reinsurer is liable for a specified amount which exceeds the insurer's retention; also known as "excess of loss reinsurance".
ORSA	Own Risk and Solvency Assessment.
Own funds	Excess of assets over liabilities including any amount that is deemed suitable to provide support for the SCR.
Property insurance	Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.
QRT	Quantitative Reporting Template
Reinsurance	Insurance which lowers the risk carried by primary insurance companies. Reinsurance includes various forms such as facultative, financial, non-proportional, proportional, quota share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Return on equity	Net income as a percentage of time-weighted shareholders' equity.
Risk appetite	An expression of how the Company aims to deploy its risk capacity. It specifies the types of risk that SRE wishes to take and for each type the amount to be taken, while remaining within the boundaries imposed by the Company's stated risk.

Risk management	Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.
Risk profile	Threats to which an organisation is exposed. The risk profile will outline the type of risks and potential effect of the risks. This outline allows a business to anticipate additional costs or disruptions to operations.
Risk tolerance	An expression of the extent to which the Board has authorised executive management to assume risk. It represents the amount of risk that the Company is willing to accept within the constraints imposed by its capital resources, its strategy, its risk appetite, and the regulatory and rating agency environment within which it operates.
RSR	Regular Supervisory Report
Securitisation	Financial transactions in which future cash flows from assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.
SFCR	Solvency and Financial Condition Report
SCR	Solvency Capital Requirement under Solvency II – calculated using the internal model. The Solvency Capital Requirement is based on a value at risk measure calibrated to a 99.5% confidence level over a one-year time horizon.
Swiss Solvency Test	Switzerland already introduced an economic and risk-based insurance regulation similar to the objectives of the Solvency II project in the EU. Since 2008, all insurance and reinsurance companies writing business in Switzerland have had to implement the Swiss Solvency Test and, since 1 January 2011, the Swiss Solvency Test-based target capital requirement has been in force and companies must achieve economic solvency.
Target capital	As defined by the Legal Entity Capitalisation Policy, target capital is equal to the Solvency Capital Requirement (see above) plus a volatility buffer (see below) and any local add-ons. The capitalisation policy sets a target capital range of +/-10% of target capital.
Technical result	Underwriting defined as nominal premiums less nominal commissions and claims.
Value at risk	Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. 99% value at risk measures the level of loss likely to be exceeded in only one year out of a hundred, while 99.5% value at risk measures the loss likely to be exceeded in only one year out of two hundred. 99% tail value at risk estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.
Volatility buffer	An amount of capital sufficient to cover a one-in-ten-year event (90% value at risk).

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Appendix
SFCR Public Disclosure Templates

Report:	S.02.01
Reporting entity:	Swiss Re International SE
Due date:	31.12.2017
Reporting currency	EUR thousands

Balance sheet

Assets		**Solvency II value**
		C0010
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	39 996
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	2 878
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	769 404
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	40 826
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	702 287
Government Bonds	**R0140**	520 075
Corporate Bonds	**R0150**	182 212
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	26 291
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	208
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	202
Other loans and mortgages	**R0260**	6
Reinsurance recoverables from:	**R0270**	1 792 334
Non-life and health similar to non-life	**R0280**	1 792 334
Non-life excluding health	**R0290**	1 788 790
Health similar to non-life	**R0300**	3 544
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	5 338
Insurance and intermediaries receivables	**R0360**	92 237
Reinsurance receivables	**R0370**	19 051
Receivables (trade, not insurance)	**R0380**	91 495
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	104 230
Any other assets, not elsewhere shown	**R0420**	196
Total assets	**R0500**	2 917 367

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Balance sheet

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	1 783 659
Technical provisions – non-life (excluding health)	R0520	1 779 147
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	1 738 489
Risk margin	R0550	40 658
Technical provisions - health (similar to non-life)	R0560	4 512
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	4 121
Risk margin	R0590	391
Technical provisions - life (excluding index-linked and unit-linked)	R0600	20 943
Technical provisions - health (similar to life)	R0610	20 943
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	20 943
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	7 156
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	176 448
Deferred tax liabilities	R0780	181 238
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	101 029
Insurance & intermediaries payables	R0820	0
Reinsurance payables	R0830	70 890
Payables (trade, not insurance)	R0840	178 387
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	2 519 750
Excess of assets over liabilities	R1000	397 617

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Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	6 814				275	210 303	281 565	263 218	278 989								1 041 164
Gross - Proportional reinsurance accepted	**R0120**	24					45 860	35 279	4 578	2 924								88 665
Gross - Non-proportional reinsurance accepted	**R0130**													0	24 489	14 645	100 005	139 139
Reinsurers' share	**R0140**	5 282				0	216 452	219 117	219 758	282 311				119	24 007	17 624	98 947	1 083 617
Net	**R0200**	1 556				275	39 711	97 727	48 038	-398				-119	482	-2 979	1 058	185 351
Premiums earned																		
Gross - Direct Business	**R0210**	6 430				278	262 338	285 767	241 488	253 537								1 049 838
Gross - Proportional reinsurance accepted	**R0220**	284					42 437	40 834	3 408	4 888								91 851
Gross - Non-proportional reinsurance accepted	**R0230**													0	24 295	22 613	103 956	150 864
Reinsurers' share	**R0240**	5 341				0	261 896	234 355	204 072	96 894				119	24 781	24 490	99 226	951 174
Net	**R0300**	1 373				278	42 879	92 246	40 824	161 531				-119	-486	-1 877	4 730	341 379
Claims incurred																		
Gross - Direct Business	**R0310**	2 808			-5 248	-210	167 201	192 173	217 486	65 410	-5							639 615
Gross - Proportional reinsurance accepted	**R0320**	-120			0		32 965	30 892	2 265	608	0							66 610
Gross - Non-proportional reinsurance accepted	**R0330**													-2	-13 315	5 777	53 437	45 897
Reinsurers' share	**R0340**	2 219			-5 248	-243	174 060	153 974	182 986	22 919	-5			-2	-13 860	5 313	73 799	595 912
Net	**R0400**	469			0	33	26 106	69 091	36 765	43 099	0			0	545	464	-20 362	156 210
Changes in other technical provisions																		
Gross - Direct Business	**R0410**						0	0										0
Gross - Proportional reinsurance accepted	**R0420**						51											51
Gross - Non-proportional reinsurance accepted	**R0430**															-6	4 702	4 696
Reinsurers' share	**R0440**						-450	12								-5	0	-443
Net	**R0500**						501	-12								-1	4 702	5 190
Expenses incurred	**R0550**	346			-157	33	4 377	24 971	789	51 508					516	379	5 187	87 949
Other expenses	**R1200**																	-526
Total expenses	**R1300**																	87 423

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Premiums, claims and expenses by line of

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	**R1410**	-5								-5
Reinsurers' share	**R1420**	0								0
Net	**R1500**	-5								-5
Premiums earned										
Gross	**R1510**	-5								-5
Reinsurers' share	**R1520**	0								0
Net	**R1600**	-5								-5
Claims incurred										
Gross	**R1610**	2 197								2 197
Reinsurers' share	**R1620**	0								0
Net	**R1700**	2 197								2 197
Changes in other technical provisions										
Gross	**R1710**	-2 229								-2 229
Reinsurers' share	**R1720**	0								0
Net	**R1800**	-2 229								-2 229
Expenses incurred	**R1900**	1								1
Other expenses	**R2500**									0
Total expenses	**R2600**									1

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Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations				
	R1400			(NL) Netherlands				
		C0220	C0280	C0230	C0230	C0230	C0230	C0230
Premiums written								
Gross	R1410		-5	-5				
Reinsurers' share	R1420		0	0				
Net	R1500		-5	-5				
Premiums earned								
Gross	R1510		-5	-5				
Reinsurers' share	R1520		0	0				
Net	R1600		-5	-5				
Claims incurred								
Gross	R1610		2 197	2 197				
Reinsurers' share	R1620		0	0				
Net	R1700		2 197	2 197				
Changes in other technical provisions								
Gross	R1710		-2 229	-2 229				
Reinsurers' share	R1720		0	0				
Net	R1800		-2 229	-2 229				
Expenses incurred	R1900		1	1				
Other expenses	R2500		0					
Total expenses	R2600		1					

Report:	S.05.02.Non-life
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Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
	R0010			(GB) United Kingdom	(DE) Germany	(CH) Switzerland	(AU) Australia	(FR) France
		C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written								
Gross - Direct Business	R0110	3 246	752 262	235 439	144 283	136 233	119 725	113 336
Gross - Proportional reinsurance accepted	R0120	4	12 795	9 022	2 906	1 900	-521	-516
Gross - Non-proportional reinsurance accepted	R0130	1 181	39 157	18 353	10 173	7 116	1 982	352
Reinsurers' share	R0140	7 112	671 494	247 430	155 683	137 003	11 315	112 951
Net	R0200	-2 681	132 720	15 384	1 679	8 246	109 871	221
Premiums earned								
Gross - Direct Business	R0210	6 110	738 698	249 884	157 636	136 441	103 190	85 437
Gross - Proportional reinsurance accepted	R0220	3	12 914	6 247	2 028	2 393	661	1 582
Gross - Non-proportional reinsurance accepted	R0230	1 341	38 722	18 272	10 324	6 049	2 026	710
Reinsurers' share	R0240	6 776	572 458	219 308	120 835	134 852	35 547	55 140
Net	R0300	678	217 876	55 095	49 153	10 031	70 330	32 589
Claims incurred								
Gross - Direct Business	R0310	6 573	463 481	150 449	94 564	110 257	69 211	32 427
Gross - Proportional reinsurance accepted	R0320	-39	7 544	2 338	-36	3 867	290	1 124
Gross - Non-proportional reinsurance accepted	R0330	-25	18 091	15 634	10 956	3 739	-11 791	-422
Reinsurers' share	R0340	-428	393 447	148 422	86 803	106 933	21 487	30 230
Net	R0400	6 937	95 669	19 999	18 681	10 930	36 223	2 899
Changes in other technical provisions								
Gross - Direct Business	R0410		0		0	0		
Gross - Proportional reinsurance accepted	R0420		43		8	35		
Gross - Non-proportional reinsurance accepted	R0430		-6		-6	0		
Reinsurers' share	R0440		25		6	19		
Net	R0500		12		-4	16		
Expenses incurred	R0550	706	57 513	11 564	16 177	-14 589	29 997	13 658
Other expenses	R1200		-311					
Total expenses	R1300		57 202					

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Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**																
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**												20 943				20 943
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**																
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**												20 943				20 943
Risk Margin	**R0100**											0					0
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	**R0110**																
Best estimate	**R0120**																
Risk margin	**R0130**																
Technical provisions - total	**R0200**											20 943					20 943

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Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**	-1 093				-35	-3 469	-23 456	40 597	-338 025					2 225	-1 721	-2 069	-327 046
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-615					-497	-4 235	42 421	-123 690					-6 291	-1 512	4 016	-90 403
Net Best Estimate of Premium Provisions	**R0150**	-478				-35	-2 972	-19 221	-1 824	-214 335					8 516	-209	-6 085	-236 643
Claims provisions																		
Gross	**R0160**	5 210			47 261	2 822	279 418	327 666	1 216 397	-56 234	5			4	141 459	30 547	75 100	2 069 655
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	4 155			46 357	2 119	263 633	247 624	1 060 699	19 408	-8		0	4	157 646	28 680	52 420	1 882 737
Net Best Estimate of Claims Provisions	**R0250**	1 055			904	703	15 785	80 042	155 698	-75 642	13		0	0	-16 187	1 867	22 680	186 918
Total Best estimate - gross	**R0260**	4 117			47 261	2 787	275 949	304 210	1 256 994	-394 259	5			4	143 684	28 826	73 031	1 742 609
Total Best estimate - net	**R0270**	577			904	668	12 813	60 821	153 874	-289 977	13		0	0	-7 671	1 658	16 595	-49 725
Risk margin	**R0280**	391			108	125	2 481	6 875	16 861	5 390	0			0	4 077	221	4 519	41 048
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**																	
Best estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**	4 508			47 369	2 912	278 430	311 085	1 273 855	-388 869	5			4	147 761	29 047	77 550	1 783 657
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	3 540			46 357	2 119	263 136	243 389	1 103 120	-104 282	-8		0	4	151 355	27 168	56 436	1 792 334
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	968			1 012	793	15 294	67 696	170 735	-284 587	13		0	0	-3 594	1 879	21 114	-8 677

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Non-life insurance claims information

Total Non-Life Business

Accident year / Underwriting year	**Z0020**	(2) Underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year										
Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											621 930
N-9	**R0160**	12 431	205 379	144 650	79 456	68 026	71 270	11 873	8 747	5 942	2 070	
N-8	**R0170**	9 707	40 633	90 748	30 102	13 086	8 426	27 211	6 513	-411		
N-7	**R0180**	7 309	72 811	117 600	49 146	20 122	49 375	44 204	-980			
N-6	**R0190**	68 515	155 481	397 689	15 266	89 923	36 169	-4 780				
N-5	**R0200**	14 230	103 627	149 347	83 160	47 998	31 484					
N-4	**R0210**	21 567	146 739	127 448	71 253	19 864						
N-3	**R0220**	26 630	136 768	147 236	49 017							
N-2	**R0230**	38 837	189 656	198 229								
N-1	**R0240**	22 565	175 786									
N	**R0250**	26 927										

		In Current year	**Sum of years (cumulative)**
		C0170	**C0180**
	R0100	621 930	621 930
	R0160	2 070	609 844
	R0170	-411	226 015
	R0180	-980	359 587
	R0190	-4 780	758 263
	R0200	31 484	429 846
	R0210	19 864	386 871
	R0220	49 017	359 651
	R0230	198 229	426 722
	R0240	175 786	198 351
	R0250	26 927	26 927
Total	**R0260**	1 119 136	4 404 007

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Non-life insurance claims information

Total Non-Life Business

Accident year / Underwriting year	**Z0020**	(2) Underwriting year

Gross undiscounted Best Estimate Claims Provisions

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**
Prior	**R0100**											351 182
N-9	**R0160**					227 939	132 785	124 483	91 502	61 222	75 147	
N-8	**R0170**				118 095	94 399	118 070	82 510	79 678	72 924		
N-7	**R0180**			274 296	186 724	136 021	125 191	70 261	62 994			
N-6	**R0190**		272 766	176 896	200 644	109 816	78 761	72 039				
N-5	**R0200**	199 314	357 884	274 103	180 290	94 146	107 562					
N-4	**R0210**	206 580	337 249	244 012	151 716	120 217						
N-3	**R0220**	223 882	368 311	244 896	187 106							
N-2	**R0230**	197 782	460 083	397 556								
N-1	**R0240**	224 371	415 730									
N	**R0250**	317 414										

		Year end (discounted data)
		C0360
	R0100	330 697
	R0160	72 866
	R0170	71 600
	R0180	61 294
	R0190	68 749
	R0200	102 913
	R0210	113 720
	R0220	177 307
	R0230	373 844
	R0240	395 029
	R0250	301 636
Total	**R0260**	2 069 655

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	182 037	182 037			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	214 667	214 667			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	913				913
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	397 617	396 704			913
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	397 617	396 704			913
Total available own funds to meet the MCR	R0510	396 704	396 704			
Total eligible own funds to meet the SCR	R0540	397 617	396 704			913
Total eligible own funds to meet the MCR	R0550	396 704	396 704			
SCR	R0580	98 627				
MCR	R0600	44 382				
Ratio of Eligible own funds to SCR	R0620	4,0315				
Ratio of Eligible own funds to MCR	R0640	8,9384				

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Reconciliation reserve		**C0060**
Excess of assets over liabilities	**R0700**	397 617
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	182 950
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	214 667
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	236 642
Total EPIFP	**R0790**	236 642

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Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
1	Life and Health risk	950
2	Property and Casualty risk	868 826
3	Financial Market risk	70 855
4	Credit risk	349 034
5	Operational risk	28 505
6	Other impacts	-821 077

Report:	S.25.03
Reporting entity:	Swiss Re International SE
Due date:	31.12.2017
Reporting currency	EUR thousands

Solvency Capital Requirement - for undertakings on Full Internal Models

Calculation of Solvency Capital Requirement		**C0100**
Total undiversified components	**R0110**	497 093
Diversification	**R0060**	-381 142
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement, excluding capital add-on	**R0200**	98 627
Capital add-ons already set	**R0210**	0
Solvency capital requirement	**R0220**	98 627
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	**R0300**	0
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	**R0310**	-17 324
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	**R0420**	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

Report:	S.28.01
Reporting entity:	Swiss Re International SE
Due date:	31.12.2017
Reporting currency	EUR thousands

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	**R0010**	45 957

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	577	1 555
Income protection insurance and proportional reinsurance	**R0030**		
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**	904	0
Other motor insurance and proportional reinsurance	**R0060**	668	275
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	12 813	39 710
Fire and other damage to property insurance and proportional reinsurance	**R0080**	60 821	97 727
General liability insurance and proportional reinsurance	**R0090**	153 875	48 039
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	0
Legal expenses insurance and proportional reinsurance	**R0110**	13	0
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	0	0
Non-proportional health reinsurance	**R0140**	0	0
Non-proportional casualty reinsurance	**R0150**	0	483
Non-proportional marine, aviation and transport reinsurance	**R0160**	1 658	0
Non-proportional property reinsurance	**R0170**	16 596	1 058

Report:	S.28.01
Reporting entity:	Swiss Re International SE
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Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	463

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	20 943	
Total capital at risk for all life (re)insurance obligations	R0250		33 262

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Overall MCR calculation		**C0070**
Linear MCR	**R0300**	46 421
SCR	**R0310**	98 627
MCR cap	**R0320**	44 382
MCR floor	**R0330**	24 657
Combined MCR	**R0340**	44 382
Absolute floor of the MCR	**R0350**	3 600
Minimum Capital Requirement	**R0400**	44 382