



Swiss Reinsurance Company Consolidated Third Quarter 2012 Report

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Swiss Reinsurance Company Ltd

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

Income statement (unaudited)

USD millions	Note	Three months ended 30 September		Nine months ended 30 September	
		2011	2012	2011	2012
Revenues					
Premiums earned	8	5 737	5 601	15 776	15 809
Fee income from policyholders	8	212	30	662	72
Net investment income – non-participating	2	1 083	720	3 572	2 305
Net realised investment gains – non-participating (total impairments for the three months ended 30 September were 155 in 2011 and 53 in 2012, of which 77 and 37, respectively, were recognised in earnings) ¹	2	960	343	1 377	977
Net investment result – unit-linked and with-profit	2	-2 344	52	-1 688	139
Other revenues		10	21	35	71
Total revenues		5 658	6 767	19 734	19 373
Expenses					
Claims and claim adjustment expenses	8	-1 895	-1 361	-6 751	-4 512
Life and health benefits	8	-2 045	-1 851	-6 154	-5 018
Return credited to policyholders		2 193	-136	1 271	-263
Acquisition costs	8	-1 115	-1 000	-3 009	-3 080
Other expenses		-923	-850	-2 249	-1 823
Interest expenses		-214	-184	-645	-560
Total expenses		-3 999	-5 382	-17 537	-15 256
Income before income tax expense		1 659	1 385	2 197	4 117
Income tax expense/benefit		-209	-530	-353	-1 252
Net income before attribution of non-controlling interests		1 450	855	1 844	2 865
Income attributable to non-controlling interests		-94	-20	-217	-135
Net income after attribution of non-controlling interests		1 356	835	1 627	2 730
Interest on contingent capital instruments		0	-18	0	-39
Net income attributable to common shareholder		1 356	817	1 627	2 691

¹ Total impairments for the nine months ended 30 September were USD 354 million in 2011 and USD 173 million in 2012, of which USD 193 million and USD 128 million, respectively, were recognised in earnings.

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

Statement of comprehensive income (unaudited)

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2011	2012	2011	2012
Net income before attribution of non-controlling interests	1 450	855	1 844	2 865
Other comprehensive income, net of tax:				
Change in unrealised gains/losses (tax: for the three months ended 30 September –1 009 in 2011 and –203 in 2012; for the nine months ended 30 September –1 007 in 2011 and –381 in 2012)	2 481	538	2 523	1 006
Change in other-than-temporary impairment (tax: for the three months ended 30 September –10 in 2011 and –7 in 2012; for the nine months ended 30 September –14 in 2011 and –34 in 2012)	19	14	31	65
Change in foreign currency translation (tax: for the three months ended 30 September –156 in 2011 and 4 in 2012; for the nine months ended 30 September 19 in 2011 and 3 in 2012)	–570	248	–160	635
Change in adjustment for pension benefits (tax: for the three months ended 30 September 133 in 2011 and 58 in 2012; for the nine months ended 30 September 130 in 2011 and 56 in 2012)	–428	–177	–424	–167
Total comprehensive income before attribution of non-controlling interests	2 952	1 478	3 814	4 404
Interest on contingent capital instruments		–18		–39
Comprehensive income attributable to non-controlling interests	–94	–20	–217	–135
Total comprehensive income attributable to common shareholder	2 858	1 440	3 597	4 230

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

Balance sheet (unaudited)

Assets

USD millions	Note	31.12.2011	30.09.2012
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 7 034 in 2011 and 11 353 in 2012 subject to securities lending and repurchase agreements) (amortised cost: 86 984 in 2011 and 62 711 in 2012)		93 770	66 997
Trading (including 620 in 2011 and 237 in 2012 subject to securities lending and repurchase agreements)		3 453	1 830
Equity securities:			
Available-for-sale, at fair value (including 45 in 2011 and 0 in 2012 subject to securities lending and repurchase agreements) (cost: 1 907 in 2011 and 2 348 in 2012)		1 960	2 589
Trading		571	657
Policy loans, mortgages and other loans		8 325	4 558
Investment real estate		645	697
Short-term investments, at amortised cost which approximates fair value (including 87 in 2011 and 1 379 in 2012 subject to securities lending and repurchase agreements)		13 660	13 788
Other invested assets		19 821	17 332
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 095 in 2011 and 0 in 2012, equity securities trading: 16 182 in 2011 and 767 in 2012)		22 349	767
Total investments		164 554	109 215
Cash and cash equivalents (including 36 in 2011 and 55 in 2012 subject to securities lending)		11 298	9 545
Accrued investment income		1 226	685
Premiums and other receivables		11 441	10 687
Reinsurance recoverable on unpaid claims and policy benefits	8	11 837	8 207
Funds held by ceding companies		9 064	14 868
Deferred acquisition costs	5, 8	3 923	3 771
Acquired present value of future profits	5	4 226	2 000
Goodwill		4 051	4 054
Income taxes recoverable		703	642
Other assets		5 797	7 086
Total assets		228 120	170 760

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

Liabilities and equity

USD millions	Note	31.12.2011	30.09.2012
Liabilities			
Unpaid claims and claim adjustment expenses		64 878	58 034
Liabilities for life and health policy benefits	3	39 044	20 492
Policyholder account balances		34 162	6 421
Unearned premiums		8 299	8 689
Funds held under reinsurance treaties		2 436	3 493
Reinsurance balances payable		3 962	3 880
Income taxes payable		440	611
Deferred and other non-current taxes		2 853	3 478
Short-term debt	7	4 101	5 341
Accrued expenses and other liabilities		20 213	22 345
Long-term debt	7	16 541	15 529
Total liabilities		196 929	148 313
Equity			
Contingent capital instruments		0	1 102
Common stock, CHF 0.10 par value			
2011: 370 706 931; 2012: 344 052 565 shares authorised and issued ¹		35	32
Additional paid-in capital		8 958	8 870
Treasury shares, net of tax		-1 032	0
Shares in Swiss Re Ltd, net of tax		-102	-152
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		4 223	3 138
Other-than-temporary impairment, net of tax		-118	-36
Cumulative translation adjustments, net of tax		-3 924	-3 252
Accumulated adjustment for pension and post-retirement benefits, net of tax		-775	-915
Total accumulated other comprehensive income		-594	-1 065
Retained earnings		22 229	13 636
Shareholder's equity		29 494	22 423
Non-controlling interests		1 697	24
Total equity		31 191	22 447
Total liabilities and equity		228 120	170 760

¹ Please refer to Note 1 "Organisation and summary of significant accounting policies" for details on the number of shares authorised and issued.

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

Statement of equity (unaudited)

For the twelve months ended 31 December 2011 and the nine months ended 30 September 2012

USD millions	2011	2012
Contingent capital instruments		
Balance as of 1 January	0	0
Issued		1 102
Balance as of period end	0	1 102
Common shares		
Balance as of 1 January	35	35
Issue/cancellation of common shares		-3
Balance as of period end	35	32
Additional paid-in capital		
Balance as of 1 January	10 530	8 958
Contingent capital instruments' issuance cost		-18
Share-based compensation	-87	-32
Realised gains/losses on treasury shares	-421	-38
Sale of Swiss Re Specialised Investments Holdings (UK) Ltd ¹	-29	
Dividends on common shares ²	-1 035	
Balance as of period end	8 958	8 870
Treasury shares, net of tax		
Balance as of 1 January	-1 483	-1 032
Purchase of treasury shares	-168	
Issuance of treasury shares, including share-based compensation to employees	619	
Cancellation of treasury shares ³		1 032
Balance as of period end	-1 032	0
Shares in Swiss Re Ltd, net of tax		
Balance as of 1 January	0	-102
Change of shares in Swiss Re Ltd ³	-102	-50
Balance as of period end	-102	-152
Net unrealised gains/losses, net of tax		
Balance as of 1 January	1 042	4 223
Effect of change in Group structure ⁴		-2 091
Other changes during the period	3 181	1 006
Balance as of period end	4 223	3 138
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-169	-118
Effect of change in Group structure ⁴		17
Other changes during the period	51	65
Balance as of period end	-118	-36
Foreign currency translation, net of tax		
Balance as of 1 January	-3 742	-3 924
Effect of change in Group structure ⁴		37
Other changes during the period	-182	635
Balance as of period end	-3 924	-3 252
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-522	-775
Effect of change in Group structure ⁴		27
Change during the period	-253	-167
Balance as of period end	-775	-915

Retained earnings		
Balance as of 1 January	19 651	22 229
Effect of change in Group structure ⁴		-8 229
Net income after attribution of non-controlling interests	2 578	2 730
Interest on contingent capital instruments, net of tax		-39
Dividends on common shares		-2 636
Cumulative effect of adoption of ASU 2010-26 ⁵ , net of tax		-24
Cancellation of treasury shares ³		-1 029
Effect of transfer of Aurora National Life Assurance Company ⁶		191
Effect of new reinsurance agreements ⁷		443
Balance as of period end	22 229	13 636
Shareholder's equity	29 494	22 423
Non-controlling interests		
Balance as of 1 January	1 564	1 697
Effect of change in Group structure ⁴		-414
Change during the period	-39	-1 934
Income attributable to non-controlling interests	172	135
Effect of transfer of Aurora National Life Assurance Company ⁶		540
Balance as of period end	1 697	24
Total equity	31 191	22 447

¹ On 3 May 2011, Swiss Reinsurance Company Ltd sold its subsidiary Swiss Re Specialised Investments Holdings (UK) Limited to Swiss Re Ltd. As the transaction has been accounted for in a manner similar to a transaction between entities under common control, the difference between the proceeds received and the book value was accounted for as a capital transaction.

² Dividends to shareholders were paid in the form of a withholding tax-exempt repayment of legal reserves from capital contributions.

³ Based on a resolution adopted at Swiss Reinsurance Company Ltd's Annual General Meeting, held 19 March 2012, to reduce the share capital, the former Swiss Reinsurance Company Ltd shares have been cancelled. The Group presents all transactions related to common shares of Swiss Re Ltd, the parent company of Swiss Reinsurance Company Ltd, in a separate section "Shares in Swiss Re Ltd, net of tax" in its "Statement of equity". The comparative period is presented accordingly.

⁴ Please refer to Note 1 "Organisation and summary of significant accounting policies".

⁵ The Group adopted a new accounting pronouncement, ASU 2010-26 "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" as of 1 January 2012, which required the release of USD 24 million of deferred acquisition costs against retained earnings. Refer to Note 5 for more details on the adoption of ASU 2010-26.

⁶ Please refer to Note 14 "Related parties" for more details.

⁷ Due to the sale of Admin Re[®] US to Jackson National by the Swiss Re Group, certain blocks of business were retained by the Swiss Re Group mainly by way of retrocession to Swiss Reinsurance Company Group legal entities effective 1 July 2012. This resulted in an increase in retained earnings by USD 443 million.

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

Statement of cash flow (unaudited)

For the nine months ended 30 September

USD millions	2011	2012
Cash flows from operating activities		
Net income attributable to common shareholders	1 627	2 691
Add net income attributable to non-controlling interests	217	135
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	2 439	2 416
Net realised investment gains/losses	948	-1 091
Change in:		
Technical provisions, net	-2 715	-5 018
Funds held by ceding companies and other reinsurance balances	-1 669	2 209
Reinsurance recoverable on unpaid claims and policy benefits	241	23
Other assets and liabilities, net	-189	-848
Income taxes payable/recoverable	-234	1 263
Income from equity-accounted investees, net of dividends received	-221	-276
Trading positions, net	2 810	-801
Securities purchased/sold under agreement to resell/repurchase, net	-2 248	2 235
Net cash provided/used by operating activities	1 006	2 938
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	105 246	82 107
Purchases	-107 007	-80 205
Net purchase/sale/maturities of short-term investments	7 905	-1 884
Equity securities:		
Sales	2 169	880
Purchases	-2 993	-1 633
Cash paid/received for acquisitions/disposal and reinsurance transactions, net ¹	80	-483
Net purchases/sales/maturities of other investments	-465	284
Net cash provided/used by investing activities	4 935	-934
Cash flows from financing activities		
Issuance/repayment of long-term debt	-445	144
Issuance/repayment of short-term debt	-8 827	-599
Proceeds from the issuance of contingent capital instruments, net of issuance cost		1 084
Purchase/sale of shares in Swiss Re Ltd	-261	-136
Dividends paid to shareholders/parent ²	-1 035	-2 636
Net cash provided/used by financing activities	-10 568	-2 143
Total net cash provided/used	-4 627	-139
Effect of foreign currency translation	-79	73
Change in cash and cash equivalents	-4 706	-66
Cash and cash equivalents as of 1 January	16 928	11 298
Effect of change in Group structure ³		-2 138
Effect of transfer of Aurora National Life Assurance Company ⁴		451
Cash and cash equivalents as of 30 September	12 222	9 545

¹ New California Holdings, Inc. was acquired for USD 548 million in cash. Swiss Re Private Equity Partners AG, Swiss Re's private equity fund-of-fund business, has been sold to BlackRock, Inc. for USD 65 million in cash. Swiss Re continues to be invested as a limited partner in the funds. Please refer to Note 6 "Acquisitions and Disposals" for further information.

² In 2011, Swiss Reinsurance Company paid dividends to its shareholders, and in 2012 to its parent company, Swiss Re Ltd.

³ Please refer to Note 1 "Organisation and summary of significant accounting policies".

⁴ Please refer to Note 14 "Related parties" for more details.

Interest paid was USD 881 million and USD 689 million for the nine months ended 30 September 2011 and 2012, respectively. The Group has revised the disclosure on interest paid for the nine-month period ended 30 September 2011, to conform to the 2012 period. The change had no impact on net income, net equity or balance sheet classification of the Group.

Tax paid was USD 531 million and USD 77 million for the nine months ended 30 September 2011 and 2012, respectively.

Effective 1 January 2012, Swiss Reinsurance Company Ltd transferred its shares in Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd through a dividend-in-kind to Swiss Re Ltd. Please refer to Note 1 "Organisation and summary of significant accounting policies".

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

Notes to the Group financial statements (unaudited)

1 Organisation and summary of significant accounting policies

Nature of operations

The Swiss Reinsurance Company Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company Ltd (the parent company, referred to as "SRZ") and its subsidiaries (collectively, the "Swiss Reinsurance Company Group" or the "Group"). The Swiss Reinsurance Company Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies and public sector clients.

SRZ is a wholly owned subsidiary of Swiss Re Ltd. Swiss Re Ltd is the ultimate parent company of the Swiss Re Group, which consists of three separate business units: the Swiss Reinsurance Company Group, Swiss Re Corporate Solutions Ltd ("Swiss Re Corporate Solutions") and its subsidiaries (collectively, the "Corporate Solutions Business Unit") and Swiss Re Life Capital Ltd ("Swiss Re Life Capital") and its subsidiaries (collectively, the "Admin Re[®] Business Unit") as well as Swiss Re Specialised Investments Holdings (UK) Ltd.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis, and therefore they should be read in conjunction with the audited Swiss Reinsurance Company Consolidated 2011 annual report.

On 27 April 2012, Swiss Reinsurance Company Ltd transferred the shares of Swiss Re Corporate Solutions and Swiss Re Life Capital through a dividend in-kind to Swiss Re Ltd. Following the transfer, Swiss Re Corporate Solutions and Swiss Re Life Capital ceased to be subsidiaries of Swiss Reinsurance Company Ltd and, therefore, the Corporate Solutions Business Unit and Admin Re[®] Business Unit are no longer part of the Swiss Reinsurance Company Group. Swiss Re Corporate Solutions and Swiss Re Life Capital instead became subsidiaries of Swiss Re Ltd. Risks and benefits related to these entities passed to Swiss Re Ltd as of 1 January 2012. Consequently these financial statements were prepared as if the Corporate Solutions Business Unit and the Admin Re[®] Business Unit had been transferred to Swiss Re Ltd as of 1 January 2012. As the assets and liabilities, as well as the business and operations, of the Corporate Solutions Business Unit and the Admin Re[®] Business Unit were reflected in the Swiss Reinsurance Company Group's financial statements for the third quarter of 2011 and the year-end balance sheet data, but not for the third quarter of 2012 or the first nine months of 2012, period-to-period comparisons are significantly impacted by the transfers.

Effective 25 June 2012 and prior to the sale of Admin Re[®] US to Jackson National Life Insurance Company (Jackson National) by the Swiss Re Group, reinsurance and other obligations under a modified coinsurance agreement were transferred from an affiliated company to the Swiss Reinsurance Company Group's balance sheet. Consequently, from the second quarter of 2012 Aurora National Life Assurance Company was consolidated by the Group. Please refer to Note 6 for more details.

Furthermore, in connection with the completion of the sale of Admin Re[®] US to Jackson National by the Swiss Re Group, certain blocks of business were assumed by the Swiss Reinsurance Company Group mainly by way of retrocession effective 1 July 2012.

On 4 September 2012, the sale of Swiss Re Private Equity Partners AG to BlackRock, Inc. was completed. The sale resulted in a reduction in non-controlling interests of USD 1 400 million related to private equity funds. Swiss Re continues to be invested as a limited partner in the funds. Please refer to Note 6 for further information.

Use of estimates in the preparation of financial statements

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

In the third quarter of 2012, the Group revised its estimate of "other expenses" that it can recharge to its parent company, Swiss Re Ltd. Compared to the first and second quarter 2012, the revision resulted in an increase of "other expenses" in the "Other" segment reflecting the revised estimate for the nine months ended 30 September 2012.

Valuation of financial assets

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Whilst management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 30 September 2012, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 7 November 2012. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In October 2010, the FASB issued "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" (ASU 2010-26), an update to Topic 944 – Financial Services – Insurance. This update limits the definition of deferrable acquisition costs to costs directly related to the successful acquisition or renewal of insurance contracts. The Group adopted this guidance as of 1 January 2012. Please refer to Note 5 and to the statement of shareholder's equity for the impact on deferred acquisition costs and retained earnings, respectively.

In April 2011, the FASB issued "Reconsideration of Effective Control for Repurchase Agreements" (ASU 2011-03), an update to Topic 860 – Transfers and Servicing. The amendments in this update remove from the assessment of effective control for repos and similar agreements the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee. The Group adopted this guidance as of 1 January 2012. The adoption did not have an impact on the Group's financial statements.

In May 2011, the FASB issued "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS" (ASU 2011-04), an update to Topic 820 – Fair Value Measurement. The guidance requires additional fair value disclosures. In addition, the ASU increases the emphasis on the unit of account and introduces more restrictive guidance on the incorporation of premiums and discounts relating to the size of a position of financial instruments held in measuring fair value. The Group adopted this update as of 1 January 2012. Changes in fair value measurements resulting from the application of the new guidance were immaterial. The additional disclosure requirements are reflected in Note 3.

In June 2011, the FASB issued "Presentation of Comprehensive Income" (ASU 2011-05), an update to Topic 220 – Comprehensive Income. In December 2011, an amendment of ASU 2011-05 was issued, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" (ASU 2011-12). Amended ASU 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. The option to present items of other comprehensive income in the statement of changes in equity is eliminated. The Group has adopted this guidance as of 1 January 2012 by adjusting its presentation of net income and other comprehensive income accordingly.

In September 2011, the FASB issued "Testing Goodwill for Impairment" (ASU 2011-08), an update to Topic 350 – Intangibles – Goodwill and Other. The update provides entities with the option of performing a "qualitative" assessment to determine whether further impairment testing is necessary. The Group adopted this guidance as of 1 January 2012. The adoption did not have an impact on the Group's financial statements.

2 Investments

Investment income

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

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2011	2012	2011	2012
Fixed income securities	903	477	2 780	1 391
Equity securities	19	14	64	51
Policy loans, mortgages and other loans	120	24	374	71
Investment real estate	36	33	102	100
Short-term investments	26	23	73	67
Other current investments	-23	9	-72	12
Share in earnings of equity-accounted investees	-14	79	270	373
Cash and cash equivalents	23	12	80	41
Net result from deposit-accounted contracts	44	27	109	110
Deposits with ceding companies	91	145	258	377
Gross investment income	1 225	843	4 038	2 593
Investment expenses	-110	-120	-367	-281
Interest charged for funds held	-32	-3	-99	-7
Net investment income – non-participating	1 083	720	3 572	2 305

Dividends received from investments accounted for using the equity method were nil and USD 28 million for the three months ended 30 September 2011 and 2012, respectively, as well as USD 49 million and USD 97 million for the nine months ended 30 September 2011 and 2012, respectively.

Realised gains and losses

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

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2011	2012	2011	2012
Fixed income securities available-for-sale:				
Gross realised gains	994	535	1 850	1 737
Gross realised losses	-30	-60	-359	-280
Equity securities available-for-sale:				
Gross realised gains	13	51	89	98
Gross realised losses	-178	-27	-190	-55
Other-than-temporary impairments	-84	-37	-200	-128
Net realised investment gains/losses on trading securities	227	25	294	57
Change in net unrealised investment gains/losses on trading securities	287	-2	278	79
Other investments:				
Net realised/unrealised gains/losses	-404	24	-523	-214
Net realised/unrealised gains/losses on insurance-related derivatives	-51	18	12	-77
Foreign exchange gains/losses	186	-184	126	-240
Net realised investment gains/losses – non-participating	960	343	1 377	977

Proceeds from sales of fixed income securities available-for-sale amounted to USD 31 637 million and USD 21 510 million for the three months ended 30 September 2011 and 2012, respectively, and USD 86 060 million and USD 78 338 million for the nine months ended 30 September 2011 and 2012, respectively. Sales of equity securities available-for-sale were USD 1 417 million and USD 464 million for the three months ended 30 September 2011 and 2012, respectively, and USD 2 170 million and USD 888 million for the nine months ended 30 September 2011 and 2012, respectively.

Investment result – unit-linked and with-profit business

The net investment result on unit-linked and with-profit business credited to policyholders amounted to USD –2 344 million and USD 52 million for the three months ended 30 September 2011 and 2012, respectively, and USD –1 688 million and USD 139 million for the nine months ended 30 September 2011 and 2012, respectively, mainly originating from realised gains on equity securities. In the third quarter of 2011, net investment result on unit-linked and with-profit business included results related to the former Admin Re® segment. Following the carve-out effective on 1 January 2012 this business is no longer included in the Group results.

Impairment on fixed income securities related to credit losses

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

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

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

USD millions	2011	2012
Balance as of 1 January	829	515
Effect of change in Group structure ¹		-122
Credit losses for which an other-than-temporary impairment was not previously recognised	118	10
Reductions for securities sold during the period	-307	-128
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	47	46
Impact of increase in cash flows expected to be collected	-57	-46
Impact of foreign exchange movements	-5	6
Balance as of 30 September	625	281

¹ Please refer to Note 1 "Organisation and summary of significant accounting policies".

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December 2011 and 30 September 2012 were as follows:

2011 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than- temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	20 387	1 881	-1		22 267
US Agency securitised products	3 866	144	-3		4 007
States of the United States and political subdivisions of the states	245	24	-6		263
United Kingdom	15 182	1 865	-51		16 996
Canada	3 078	806	-2		3 882
Germany	4 791	200	-51		4 940
France	3 068	45	-52		3 061
Other	6 849	453	-56	-1	7 245
Total	57 466	5 418	-222	-1	62 661
Corporate debt securities	21 467	2 065	-265	-13	23 254
Residential mortgage-backed securities	2 119	30	-154	-110	1 885
Commercial mortgage-backed securities	3 820	222	-141	-38	3 863
Other asset-backed securities	2 112	64	-54	-15	2 107
Fixed income securities available-for-sale	86 984	7 799	-836	-177	93 770
Equity securities available-for-sale	1 907	201	-148		1 960

2012 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than- temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	12 773	731	-13		13 491
US Agency securitised products	3 980	120	-2		4 098
States of the United States and political subdivisions of the states	98	11	-1		108
United Kingdom	9 927	582	-23		10 486
Canada	3 062	809	-1		3 870
Germany	5 389	187	-15		5 561
France	2 799	154	-8		2 945
Other	6 136	408	-20		6 524
Total	44 164	3 002	-83		47 083
Corporate debt securities	13 092	1 270	-17	-29	14 316
Residential mortgage-backed securities	959	30	-45	-14	930
Commercial mortgage-backed securities	2 487	203	-38	-7	2 645
Other asset-backed securities	2 009	34	-17	-3	2 023
Fixed income securities available-for-sale	62 711	4 539	-200	-53	66 997
Equity securities available-for-sale	2 348	301	-60		2 589

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

Investments trading

Fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December 2011 and 30 September 2012 were as follows:

USD millions	2011	2012
Debt securities issued by governments and government agencies	2 957	1 481
Corporate debt securities	214	168
Mortgage- and asset-backed securities	282	181
Fixed income securities trading – non-participating	3 453	1 830
Equity securities trading – non-participating	571	657

Investments held for unit-linked and with-profit business:

Investments held for unit-linked and with-profit business as of 31 December 2011 and 30 September 2012 were as follows:

USD millions	2011		2012	
	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 354	1 741		
Equity securities trading	15 231	951	767	
Investment real estate	828	510		
Short-term investments	734			
Total investments for unit-linked and with-profit business	19 147	3 202	767	0

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity as of 31 December 2011 and 30 September 2012 are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2011 and 30 September 2012, USD 10 274 million and USD 8 018 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2011		2012	
	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	3 020	3 040	3 292	3 326
Due after one year through five years	19 696	20 156	15 513	15 992
Due after five years through ten years	17 955	19 072	11 313	12 146
Due after ten years	38 594	43 977	27 427	30 230
Mortgage- and asset-backed securities with no fixed maturity	7 719	7 525	5 166	5 303
Total fixed income securities available-for-sale	86 984	93 770	62 711	66 997

Assets pledged

As of 31 December 2011 and 30 September 2012, investments with a carrying value of USD 1 900 million and USD 793 million, respectively, were on deposit with regulatory agencies in accordance with local requirements. As of 31 December 2011 and 30 September 2012, investments with a carrying value of approximately USD 9 407 million and USD 10 310 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities. The Group has reviewed the carrying values of investments on deposit with regulatory agencies, and of investments placed on deposit or pledged to secure certain reinsurance liabilities. The comparatives presented have been revised accordingly. The revision has no impact on net income or net equity of the Group.

As of 31 December 2011 and 30 September 2012, securities of USD 7 823 million and USD 13 024 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 8 681 million and USD 10 554 million, respectively, were recognised in accrued expenses and other liabilities.

As of 30 September 2012, a real estate portfolio with a carrying value of USD 260 million serves as collateral for short-term senior operational debt of USD 692 million.

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

As of 31 December 2011 and 30 September 2012, the fair value of the government and corporate bond securities received as collateral was USD 4 241 million and USD 4 764 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2011 and 30 September 2012 was nil and USD 1 932 million respectively. The sources of the collateral are reverse repurchase agreements and derivative transactions.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2011 and 30 September 2012. As of 31 December 2011 and 30 September 2012, USD 144 million and USD 24 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 4 million and USD 36 million, respectively, to declines in value for more than 12 months.

2011 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	337	1			337	1
US Agency securitised products	500	3			500	3
States of the United States and political subdivisions of the states	37	1	40	5	77	6
United Kingdom	2832	50	47	1	2879	51
Canada	79	1	2	1	81	2
Germany	1027	50	10	1	1037	51
France	1133	52	4		1137	52
Other	1210	44	142	13	1352	57
Total	7155	202	245	21	7400	223
Corporate debt securities	2760	145	700	133	3460	278
Residential mortgage-backed securities	829	111	702	153	1531	264
Commercial mortgage-backed securities	812	123	342	56	1154	179
Other asset-backed securities	662	15	184	54	846	69
Total	12218	596	2173	417	14391	1013

2012 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2403	13	9		2412	13
US Agency securitised products	191	2			191	2
States of the United States and political subdivisions of the states	37	1			37	1
United Kingdom	1836	23			1836	23
Canada	109	1	2		111	1
Germany	1240	15	9		1249	15
France	413	8			413	8
Other	912	17	40	3	952	20
Total	7141	80	60	3	7201	83
Corporate debt securities	925	10	274	36	1199	46
Residential mortgage-backed securities	276	12	301	47	577	59
Commercial mortgage-backed securities	352	31	236	14	588	45
Other asset-backed securities	234	9	113	11	347	20
Total	8928	142	984	111	9912	253

Mortgages, loans and real estate

As of 31 December 2011 and 30 September 2012, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2011	2012
Policy loans	3 664	272
Mortgage loans	1 336	645
Other loans	3 325	3 641
Investment real estate	645	697

The fair value of the real estate as of 31 December 2011 and 30 September 2012 was USD 2 215 million and USD 2 330 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2011 and 30 September 2012, the Group's investment in mortgages and other loans included USD 270 million and USD 276 million, respectively, of loans due from employees, and USD 357 million and USD 382 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2011 and 30 September 2012, investments in real estate included USD 6 million and nil, respectively, of real estate held for sale.

Depreciation expense related to income-producing properties was USD 15 million and USD 16 million for the nine months ended 30 September 2011 and 2012, respectively. Accumulated depreciation on investment real estate totalled USD 460 million and USD 538 million as of 31 December 2011 and 30 September 2012, respectively.

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

3 Fair value disclosures

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

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

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

Level 2 inputs are market based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. In the third quarter of 2012, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

Governance around level 3 fair valuation

The Group's Senior Risk Committee, chaired by the Group Chief Risk Officer, has a primary responsibility for governing and overseeing all of the Group's valuation policies and operating parameters (including level 3 measurements). The Senior Risk Committee delegates the responsibility for implementation and overseeing of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee, which is a management control committee. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

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

The Risk function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values and is empowered to challenge vendor- and model-based valuations.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2011 and 30 September 2012, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2011 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	20 383	75 701	1 139		97 223
Debt securities issued by US government and government agencies	20 383	2 170			22 553
US Agency securitised products		4 018			4 018
Debt securities issued by non-US governments and government agencies		39 047			39 047
Corporate debt securities		22 357	1 111		23 468
Residential mortgage-backed securities		2 031	4		2 035
Commercial mortgage-backed securities		3 962	8		3 970
Other asset-backed securities		2 116	16		2 132
Fixed income securities backing unit-linked and with-profit life and health policies		4 095			4 095
Equity securities	18 161	483	69		18 713
Equity securities backing unit-linked and with-profit life and health policies	16 173	9			16 182
Equity securities held for proprietary investment purposes	1 988	474	69		2 531
Derivative financial instruments	50	7 010	2 646	-7 252	2 454
Interest rate contracts ²		4 147	1 471		5 618
Foreign exchange contracts	3	866	112		981
Derivative equity contracts ²	40	1 400	41		1 481
Credit contracts		391	986		1 377
Other contracts	7	206	36		249
Other assets	2 773	1 860	2 041		6 674
Total assets at fair value	41 367	89 149	5 895	-7 252	129 159
Liabilities					
Derivative financial instruments	-33	-4 902	-5 875	5 950	-4 860
Interest rate contracts ²	-16	-3 439	-1 075		-4 530
Foreign exchange contracts	-4	-764	-66		-834
Derivative equity contracts ²	-6	-376	-170		-552
Credit contracts		-238	-1 075		-1 313
Other contracts	-7	-85	-3 489		-3 581
Liabilities for life and health policy benefits			-341		-341
Accrued expenses and other liabilities	-2 926	-3 546	-2 331		-8 803
Total liabilities at fair value	-2 959	-8 448	-8 547	5 950	-14 004

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

² The Group has revised the classification of certain derivative instruments from interest rate contracts to equity contracts. The revision has no impact on net income and shareholders' equity of the Group.

2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 916	55 318	593		68 827
Debt securities issued by US government and government agencies	12 916	712			13 628
US Agency securitised products		4 106			4 106
Debt securities issued by non-US governments and government agencies		30 830			30 830
Corporate debt securities		13 898	586		14 484
Residential mortgage-backed securities		996			996
Commercial mortgage-backed securities		2 744	7		2 751
Other asset-backed securities		2 032			2 032
Fixed income securities backing unit-linked and with-profit life and health policies					
Equity securities	3 431	513	69		4 013
Equity securities backing unit-linked and with-profit life and health policies	767				767
Equity securities held for proprietary investment purposes	2 664	513	69		3 246
Derivative financial instruments	92	7 402	1 273	-6 685	2 082
Interest rate contracts	11	5 766			5 777
Foreign exchange contracts	8	655			663
Derivative equity contracts	68	545	731		1 344
Credit contracts		246	432		678
Other contracts	5	190	110		305
Other assets	3 701	2 177	2 173		8 051
Total assets at fair value	20 140	65 410	4 108	-6 685	82 973
Liabilities					
Derivative financial instruments	-46	-5 681	-3 691	5 486	-3 932
Interest rate contracts	-27	-4 400			-4 427
Foreign exchange contracts	-5	-502			-507
Derivative equity contracts	-8	-387	-241		-636
Credit contracts		-313	-443		-756
Other contracts	-6	-79	-3 007		-3 092
Liabilities for life and health policy benefits			-298		-298
Accrued expenses and other liabilities	-3 857	-3 720	-2 422		-9 999
Total liabilities at fair value	-3 903	-9 401	-6 411	5 486	-14 229

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

Transfers between level 1 and level 2

Transfers between level 1 and level 2 for the three and nine months ended 30 September 2012 were as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)
2012				
USD millions				
Assets				
Transfer into ¹	5	112	189	2 333
Transfer out of ¹	-5	-7	-71	-1 344
Liabilities				
Transfer into ¹		-93		-1 924
Transfer out of ¹				589

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer. With the introduction of ASU No. 2011-4, the Group has reassessed the observability of fair value inputs. Yield curves for instruments with maturities above 20 years were deemed observable and related positions were therefore reclassified from level 3 to level 2. The inputs of one level 2 position were assessed to be unobservable, the respective assets and liabilities were therefore shifted to level 3.

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

As of 31 December 2011 and 30 September 2012, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2011 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	US Agency securitised products	Other asset-backed securities
Assets					
Balance as of 1 January 2011	1 748	7	3	0	123
Realised/unrealised gains/losses:					
Included in net income	-1	-4	-5		-15
Included in other comprehensive income	-1	4			-15
Purchases ²	76		49	10	163
Issuances ²					
Sales ²	-670		-30		-218
Settlements ²	-147	-3			-12
Transfers into level 3 ¹	223	4	17		10
Transfers out of level 3 ¹	-99	-3	-28	-10	-21
Impact of foreign exchange movements	-18	-1	2		1
Closing balance as of 31 December 2011	1 111	4	8	0	16

Liabilities

Balance as of 1 January 2011					
Realised/unrealised gains/losses:					
Included in net income					
Included in other comprehensive income					
Purchases ²					
Issuances ²					
Sales ²					
Settlements ²					
Transfers into level 3 ¹					
Transfers out of level 3 ¹					
Impact of foreign exchange movements					
Closing balance as of 31 December 2011					

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

² ASU No. 2010-06, gross presentation of activity within level 3 roll forward, presenting separately information about purchases, issuances, sales, and settlements. The standard needs to be applied prospectively.

³ The Group has revised the classification of certain derivative instruments from interest rate contracts to equity contracts. The revision has no impact on net income and shareholders' equity of the Group.

Equity securities held for proprietary investment purposes	Derivative interest rate contracts ³	Derivative foreign exchange contracts	Derivative equity contracts ³	Derivative credit contracts	Other derivative contracts	Other assets	Total
203	839	162	0	1 214	202	1 411	5 912
38	851	-63	1	-77	-48	39	716
4						20	12
21	206	95	11	163		1 136	1 930
-196	-397	-85	-1	-239	-134	-501	-2 471
	13			-23	20	-1	-153
1			41			9	305
	-41		-11	-52		-70	-335
-2		3			-4	-2	-21
69	1 471	112	41	986	36	2 041	5 895
Liabilities for life and health policy benefits	Derivative interest rate contracts ³	Derivative foreign exchange contracts	Derivative equity contracts ³	Derivative credit contracts	Other derivative contracts	Accrued expenses and other liabilities	Total
-271	-825	-72	-56	-1 007	-2 572	-2 349	-7 152
-69	-413	13	2	-158	-771		-1 396
		-7					-7
	46			90	8		144
	1			1	-154		-152
			-116				-116
	116						116
-1				-1		18	16
-341	-1 075	-66	-170	-1 075	-3 489	-2 331	-8 547

2012 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Other asset-backed securities
Assets				
Balance as of 1 January 2012	1 111	4	8	16
Effect of change in Group structure ¹	-520		-5	
Realised/unrealised gains/losses:				
Included in net income	3			
Included in other comprehensive income	20			
Purchases	4			19
Issuances				
Sales	-18			-19
Settlements	-21			-9
Transfers into level 3 ²	18		5	
Transfers out of level 3 ²	-11	-4	-1	-7
Impact of foreign exchange movements				
Closing balance as of 30 September 2012	586	0	7	0
Liabilities				
Balance as of 1 January 2012				
Effect of change in Group structure ¹				
Realised/unrealised gains/losses:				
Included in net income				
Included in other comprehensive income				
Purchases				
Issuances				
Sales				
Settlements				
Transfers into level 3 ²				
Transfers out of level 3 ²				
Impact of foreign exchange movements				
Closing balance as of 30 September 2012				

¹ Please refer to Note 1 "Organisation and summary of significant accounting policies".

² Transfers are recognised at the date of the event or change in circumstances that caused the transfer. With the introduction of ASU No. 2011-4 the Group has reassessed the observability of fair value inputs. Yield curves for instruments with maturities above 20 years were deemed observable, and related positions were therefore reclassified to level 2. The inputs of one level 2 position were assessed to be unobservable, the respective assets and liabilities were therefore shifted to level 3.

Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
69	1 471	112	41	986	36	2 041	5 895
						-32	-557
16	1		-97	-127	17	-6	-193
2						90	112
					39	266	328
-18	-1			-9	1	-137	-201
	-1			-73	-4		-108
	3		828	38	21	32	945
	-1 473	-112	-41	-383		-75	-2 107
						-6	-6
69	0	0	731	432	110	2 173	4 108
Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Accrued expenses and other liabilities	Total
-341	-1 075	-66	-170	-1 075	-3 489	-2 331	-8 547
			54		-45		9
43			42	289	347		721
	-2		-14				-16
	2		97		68		167
				2	-132		-130
			-366		-12		-378
	1 075	66	116	343	256		1 856
				-2		-91	-93
-298	0	0	-241	-443	-3 007	-2 422	-6 411

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

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the nine months ended 30 September 2011 and 2012 were as follows:

USD millions	2011	2012
Gains/losses included in net income for the period	-760	528
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	-1 014	384

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Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 30 September 2012 were as follows:

USD millions

Assets

Corporate debt securities

Surplus notes with a mortality underlying

Private placement corporate debt

Private placement credit tenant leases

Derivative equity contracts

OTC equity option referencing correlated equity indices

Derivative credit contracts

Credit default swaps referencing various asset-backed securities (ABS)

Credit correlation tranche transactions

Liabilities

Derivative equity contracts

OTC equity option referencing correlated equity indices

Option contract referencing a private equity underlying

Derivative credit contracts

Credit default swaps referencing various asset-backed securities (ABS)

Credit correlation tranche transactions

Other derivative contracts and liabilities for life and health policy benefits

Variable annuity and fair valued GMDB contracts

Embedded derivatives in Mod-Co and Coinsurance with Funds Withheld treaties

¹ Represents average input value for the reporting period.

Fair value as of 30 September 2012	Valuation technique	Unobservable input	Range (weighted average)
586			
159	Discounted cash flow model	Illiquidity premium	75 bps (na)
380	Corporate spread matrix	Illiquidity premium	15 bps – 500 bps (103 bps)
45	Discounted cash flow model	Illiquidity premium	75 bps – 250 bps (116 bps)
731			
731	Proprietary option model	Correlation	-30% – 100% (35%) ¹
432			
111	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	25% – 100% (76%)
318	Base correlation model	Correlation	32% – 83% (58%) ¹
-241			
-86	Proprietary option model	Correlation	-30% – 100% (35%) ¹
-151	Option model	Volatility	120% – 160% (140%) ¹
		Growth rate	4% (n.a.)
-443			
-88	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	25% – 100% (76%)
-347	Base correlation model	Correlation	32% – 83% (58%) ¹
-3305			
-2978	Discounted cash flow model	Risk margin	4% (n.a.)
		Volatility	4% – 48%
		Lapse	0.5% – 14%
		Mortality adjustment	-2% – 0%
		Withdrawal rate	0% – 90%
-181	Discounted cash flow model	Lapse	3% – 10%
		Mortality adjustment	80% (n.a.)

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's surplus notes, private placement debt securities and private placement credit tenant leases is illiquidity premium. Significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement.

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

The significant unobservable input used in the fair value measurement of the Group's credit default swaps referencing ABS is a current up-front credit default swap premium. Where the Group is long protection, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short protection, a significant decrease (increase) in this input in isolation would result in a significantly higher (lower) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's credit correlation tranche transactions is correlation. Where the Group is long correlation, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's option referencing private equity underlying are: volatility and growth rate. Where the Group is long vega, a significant increase (decrease) in volatility in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short vega, a significant increase (decrease) in volatility in isolation would result in a significantly lower (higher) fair value measurement. Where the Group is long delta, a significant increase (decrease) in the growth rate in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short delta, a significant increase (decrease) in the growth rate in isolation would result in a significantly lower (higher) fair value measurement.

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

The significant unobservable inputs underlying the fair valuation of an embedded derivative bifurcated from the Group's modified coinsurance (Mod-Co) and Coinsurance with Funds Withheld treaties are lapse and mortality adjustment to published mortality tables; both are applied to build an expectation of cash flows associated with the underlying block of term business. Both inputs are not expected to significantly fluctuate over time.

Other assets measured at net asset value

Other assets measured at net asset value as of 31 December 2011 and 30 September 2012, respectively, were as follows:

USD millions	2011 Fair value	2012 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	679	634	362	non-redeemable	na
Hedge funds	1 030	1 161		redeemable ¹	90 – 180 days ²
Private equity direct	171	94		non-redeemable	na
Real estate funds	172	225	11	non-redeemable	na
Total	2 052	2 114	373		

¹ The redemption frequency varies from monthly to three years.

² Cash distribution can be delayed for up to three years depending on the sale of the underlyings.

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

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

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

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

Fair value option

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

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

Equity securities trading

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

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2011 and 30 September 2012 were as follows:

USD millions	2011	2012
Assets		
Equity securities trading	571	657
of which at fair value pursuant to the fair value option	455	497
Liabilities		
Liabilities for life and health policy benefits	-39 044	-20 492
of which at fair value pursuant to the fair value option	-341	-298

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

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the nine months ended 30 September 2011 and 2012 were as follows:

USD millions	2011	2012
Equity securities trading	-17	42
Liabilities for life and health policy benefits	-95	44
Total	-112	86

Fair value changes from equity securities trading are reported in "Net realised investment gains/losses". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

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

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 30 September 2012, were as follows:

2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Policy loans			272	272
Mortgage loans			645	645
Other loans			3 641	3 641
Investment real estate			2 330	2 330
Total assets			6 888	6 888
Liabilities				
Debt		-9 642	-11 124	-20 766
Total liabilities		-9 642	-11 124	-20 766

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

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

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

4 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2011 and 30 September 2012, the fair values and notional amounts of the derivatives outstanding were as follows:

As of 31 December 2011 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts ¹	145 712	4 739	-4 526	213
Foreign exchange contracts	28 714	981	-766	215
Equity contracts ¹	17 332	1 481	-552	929
Credit contracts	45 241	1 377	-1 313	64
Other contracts	24 039	249	-3 581	-3 332
Total	261 038	8 827	-10 738	-1 911
Derivatives designated as hedging instruments				
Interest rate contracts	2 914	879	-4	875
Foreign exchange contracts	2 077		-68	-68
Total	4 991	879	-72	807
Total derivative financial instruments	266 029	9 706	-10 810	-1 104
Amount offset				
Where a right of setoff exists		-5 756	5 756	
Due to cash collateral		-1 496	194	
Total net amount of derivative financial instruments		2 454	-4 860	-2 406

As of 30 September 2012 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts ¹	138 417	4 897	-4 427	470
Foreign exchange contracts	26 223	663	-454	209
Equity contracts ¹	18 458	1 344	-636	708
Credit contracts	39 117	678	-756	-78
Other contracts	24 235	305	-3 092	-2 787
Total	246 450	7 887	-9 365	-1 478
Derivatives designated as hedging instruments				
Interest rate contracts	2 836	880		880
Foreign exchange contracts	779		-53	-53
Total	3 615	880	-53	827
Total derivative financial instruments	250 065	8 767	-9 418	-651
Amount offset				
Where a right of setoff exists		-5 169	5 169	
Due to cash collateral		-1 516	317	
Total net amount of derivative financial instruments		2 082	-3 932	-1 850

¹ The Group has revised the classification of certain derivative instruments from interest rate contracts to equity contracts. The revision has no impact on net income and shareholders' equity of the Group.

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets", and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2011 and 30 September 2012.

Non-hedging activities

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

USD millions	For the three months ended 30 September		For the nine months ended 30 September	
	2011	2012	2011	2012
Derivatives not designated as hedging instruments				
Interest rate contracts ¹	-98	-152	-159	-187
Foreign exchange contracts ¹	320	148	253	-69
Equity contracts ¹	643	-144	467	-441
Credit contracts	110	28	-17	-84
Other contracts	-992	67	-773	430
Total gain/loss recognised in income	-17	-53	-229	-351

¹ The Group has revised the amounts for interest, foreign exchange and equity contracts in the periods presented. The changes reflect the reclassification of certain interest rate contracts to equity contracts and the exclusion of certain foreign exchange transactions which did not qualify as derivative instruments under ASC 815. The revision has no impact on net income and shareholders' equity of the Group.

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 30 September 2012, the following hedging relationships were outstanding:

Fair value hedges

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

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

2012 USD millions	For the three months ended September 30		For the nine months ended September 30	
	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	-7	8	34	-29
Foreign exchange contracts	1	-4	-27	13
Total gain/loss recognised in income	-6	4	7	-16

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2011 and the nine months ended 30 September 2012, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 397 million and a gain of USD 206 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2011 and 30 September 2012 was approximately USD 3 950 million and USD 3 598 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, net of cash collateral.

Credit risk-related contingent features

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 1 538 million and USD 1 232 million as of 31 December 2011 and 30 September 2012, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 194 million and USD 317 million as of 31 December 2011 and 30 September 2012, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 915 million in additional collateral would have had to be posted as of 30 September 2012. The total equals the amount needed to settle the instruments immediately as of 30 September 2012.

Credit derivatives written/sold

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

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2011 and 30 September 2012, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

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

The Group has purchased protection to manage the performance/payment risks related to credit derivatives and other credit risks. As of 31 December 2011 and 30 September 2012, the total purchased credit protection based on notional values was USD 26 367 million and USD 20 698 million, respectively, of which USD 8 159 million and USD 8 165 million, respectively, were related to identical underlyings for which the Group sold credit protection. For tranching indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

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

As of 31 December 2011 and 30 September 2012, the fair values and maximum potential payout of the written credit derivatives outstanding were as follows:

As of 31 December 2011 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)			Total maximum potential payout
		0-5 years	5-10 years	Over 10 years	
Credit Default Swaps					
Credit spread in basis points					
0 – 250	-89	3 874	1 692	17	5 583
251 – 500	-40	95		143	238
501 – 1 000	-17	145		37	182
Greater than 1 000	-331	154	5	495	654
Total	-477	4 268	1 697	692	6 657
Credit Index Products					
Credit spread in basis points					
0 – 250	-280	11 778	134		11 912
251 – 500	-57		106		106
501 – 1 000	-47	12	71		83
Greater than 1 000	-56		116		116
Total	-440	11 790	427	0	12 217
Total Return Swaps					
Credit spread in basis points					
No credit spread available	100	997			997
Total	100	997	0	0	997
Total credit derivatives written/sold	-817	17 055	2 124	692	19 871

As of 30 September 2012 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)			Total maximum potential payout
		0–5 years	5–10 years	Over 10 years	
Credit Default Swaps					
Credit spread in basis points					
0 – 250	-50	2 138	2 929		5 067
251 – 500	-36	58		145	203
501 – 1 000	-10	14		33	47
Greater than 1 000	-293	313		484	797
Total	-389	2 523	2 929	662	6 114
Credit Index Products					
Credit spread in basis points					
0 – 250	15	11 732		32	11 764
251 – 500	-24	464			464
501 – 1 000	10	77			77
Greater than 1 000					0
Total	1	12 273	0	32	12 305
Total Return Swaps					
Credit spread in basis points					
No credit spread available	64	728			728
Total	64	728	0	0	728
Total credit derivatives written/sold	-324	15 524	2 929	694	19 147

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

For the year ended 31 December 2011 and nine months ended 30 September 2012, the DAC were as follows:

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Total
Opening balance as of 1 January 2011	819	2 743	9	3 571
Deferred	2 233	254	199	2 686
Effect of acquisitions/disposals and retrocessions	-1		-9	-10
Amortisation	-1 798	-313	-188	-2 299
Effect of foreign currency translation	-6	-21	2	-25
Closing balance as of 31 December 2011	1 247	2 663	13	3 923

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January 2012	1 247	2 663	13	3 923
Effect of change in Group structure ¹			-17	-17
Cumulative effect of adoption of ASU No. 2010-26		-35		-35
Deferred	1 470	331	7	1 808
Effect of acquisitions/disposals and retrocessions			2	2
Amortisation	-1 683	-281	-10	-1 974
Effect of foreign currency translation	16	48		64
Closing balance as of 30 September 2012	1 050	2 726	-5	3 771

¹ Please refer to Note 1 "Organisation and summary of significant accounting policies".

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

As of 1 January 2012, the Group adopted ASU 2010-26 "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" (ASU 2010-26). This new guidance limits the definition of deferrable acquisition costs to costs directly related to the successful acquisition or renewal of insurance contracts. The Group chose to adopt the standard retroactively. Due to immateriality, the release of USD 35 million of DAC not qualifying for deferral under the update was recognised against retained earnings as of 1 January 2012. Consequently, prior-period information has not been retrospectively adjusted. The impact of the guidance on the Group is immaterial.

For the year ended 31 December 2011 and nine months ended 30 September 2012, the PVFP was as follows:

USD millions	2011			2012		
	Life & Health Reinsurance	Other ¹	Total	Life & Health Reinsurance	Other	Total
Opening balance	1 736	2 829	4 565	1 674	2 552	4 226
Effect of change in Group structure ²					-2 552	-2 552
Effect of acquisitions/disposals and retrocessions	112	135	247	-206	615	409
Amortisation	-218	-413	-631	-160	-4	-164
Interest accrued on unamortised PVFP	54	177	231	42		42
Effect of foreign currency translation	-10	-10	-20	36		36
Effect of change in unrealised gains/losses		-166	-166		3	3
Closing balance	1 674	2 552	4 226	1 386	614	2 000

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Admin Re[®] business segment has been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

² Please refer to Note 1 "Organisation and summary of significant accounting policies".

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

6 Acquisitions and disposals

Disposal of Swiss Re Private Equity Partners AG

The sale of Swiss Re Private Equity Partners AG, the management company of the Group's private equity fund-of-fund business, to BlackRock, Inc. was completed on 4 September 2012. As a result of the transaction, the Group recognised a gain of USD 38 million. The sale resulted in a reduction in non-controlling interests of USD 1 400 million related to private equity funds. The Group continues to be invested as a limited partner in the funds and recognises its share in the funds at the reported net asset value, accounting for them under the equity method of accounting.

Acquisition of New California Holdings, Inc.

In 2000, the Group and the shareholders of New California Holdings, Inc. entered into a put/call agreement for the acquisition of New California Holdings, Inc., which is the parent company of Aurora National Life Assurance Company. The latter was already fully consolidated by the Group as a VIE from 1 January, 2010 due to an update to Topic 810 – Consolidation, because the majority of the mortality, investment and expense risk was passed on to the Group via a modified coinsurance agreement. As the modified coinsurance agreement only covered 95% of Aurora's business, the Group reported a non-controlling interest from the consolidation of this VIE. Please refer also to Note 13.

On 29 August, 2012, the Group closed the acquisition of New California Holdings, Inc., which was immediately merged into its subsidiary Aurora National Life Assurance Company. The only significant balance sheet item of New California Holdings, Inc. was its investment in Aurora National Life Assurance Company. Therefore the impact on the Group's balance sheet and income statement from this acquisition is not material, considering the consolidation of Aurora National Life Assurance Company as a VIE in prior reporting periods.

New California Holdings, Inc. was acquired for USD 548 million in cash. As of the acquisition date, the Group also fully owns Aurora National Life Assurance Company and consequently no longer reports any non-controlling interest related to this entity.

7 Debt and contingent capital instruments

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

The Group's debt as of 31 December 2011 and 30 September 2012 was as follows:

USD millions	2011	2012
Senior financial debt	279	2 078
Senior operational debt	3 822	3 263
Short-term debt – financial and operational debt	4 101	5 341
Senior financial debt	2 976	4 223
Senior operational debt	4 854	1 741
Subordinated financial debt	3 587	4 250
Subordinated operational debt	5 124	5 315
Long-term debt – financial and operational debt	16 541	15 529
Total carrying value	20 642	20 870
Total fair value	19 996	20 766

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the periods ended 30 September 2011 and 2012 was as follows:

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2011	2012	2011	2012
Senior financial debt	23	36	61	124
Senior operational debt	61	28	229	88
Subordinated financial debt	59	64	174	173
Subordinated operational debt	65	62	193	187
Total	208	190	657	572

Interest expenses on contingent capital instruments for the three months and nine months ended 30 September 2012 were USD 18 million and USD 39 million, respectively.

Long-term debt issued in 2012

In July 2012, SRZ issued a 30-year subordinated fixed-to-floating rate loan note which is callable after 10 years. The instrument has a face value of EUR 500 million, with a fixed coupon of 6.625% per annum until the first optional redemption date (1 September 2022).

Contingent capital instruments issued in 2012

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

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

Both instruments may be converted, at the option of SRZ, into Swiss Re Ltd shares at any time at market or within six months following a solvency event at a pre-set floor price. These instruments are referred to in these financial statements as "contingent capital instruments".

8 Insurance information

For the three months ended 30 September

Premiums earned and fees assessed against policyholders

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Total
Premiums earned, thereof:				
Direct		7	709	716
Reinsurance	3 814	2 558	177	6 549
Intra-group transactions (assumed and ceded)	-75	29	46	0
Premiums earned before retrocession to external parties	3 739	2 594	932	7 265
Reinsurance ceded to external parties	-861	-480	-187	-1 528
Net premiums earned	2 878	2 114	745	5 737

Fee income from policyholders, thereof:

Direct			154	154
Reinsurance		23	39	62
Intra-group transactions (assumed and ceded)		4	-4	0
Gross fee income before retrocession to external parties		27	189	216
Fee income ceded to external parties		-5	1	-4
Net fee income	0	22	190	212

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

For the three months ended 30 September

Premiums earned and fees assessed against policyholders

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		51	20	71
Reinsurance	4 412	2 689	51	7 152
Intra-group transactions (assumed and ceded)	4		-4	0
Premiums earned before retrocession to external parties	4 416	2 740	67	7 223
Reinsurance ceded to external parties	-1 120	-489	-13	-1 622
Net premiums earned	3 296	2 251	54	5 601
Fee income from policyholders, thereof:				
Direct			6	6
Reinsurance		14	10	24
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		14	16	30
Fee income ceded to external parties				0
Net fee income	0	14	16	30

For the nine months ended 30 September

Premiums earned and fees assessed against policyholders

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Total
Premiums earned, thereof:				
Direct		20	2 199	2 219
Reinsurance	9 608	7 497	460	17 565
Intra-group transactions (assumed and ceded)	-47	81	-34	0
Premiums earned before retrocession to external parties	9 561	7 598	2 625	19 784
Reinsurance ceded to external parties	-2 067	-1 391	-550	-4 008
Net premiums earned	7 494	6 207	2 075	15 776

Fee income from policyholders, thereof:

Direct			491	491
Reinsurance		64	118	182
Intra-group transactions (assumed and ceded)		12	-12	0
Gross fee income before retrocession to external parties		76	597	673
Fee income ceded to external parties		-12	1	-11
Net fee income	0	64	598	662

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

For the nine months ended 30 September

Premiums earned and fees assessed against policyholders

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		95	63	158
Reinsurance	12 107	7 823	54	19 984
Intra-group transactions (assumed and ceded)	14		-14	0
Premiums earned before retrocession to external parties	12 121	7 918	103	20 142
Reinsurance ceded to external parties	-2 924	-1 376	-33	-4 333
Net premiums earned	9 197	6 542	70	15 809
Fee income from policyholders, thereof:				
Direct			6	6
Reinsurance		55	11	66
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		55	17	72
Fee income ceded to external parties				0
Net fee income	0	55	17	72

For the three months ended 30 September

Claims and claim adjustment expenses

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Claims paid, thereof:					
Gross claims paid to external parties	-2 339	-2 258	-1 409		-6 006
Intra-group transactions (assumed and ceded)	-305	-26	331		0
Claims before receivables from retrocession to external parties	-2 644	-2 284	-1 078		-6 006
Receivables from retrocession to external parties	375	545	183		1 103
Net claims paid	-2 269	-1 739	-895	0	-4 903

Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:

Gross – with external parties	528	96	343	2	969
Intra-group transactions (assumed and ceded)	126	-8	-118		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to third parties	654	88	225	2	969
Reinsurance ceded to external parties	105	-80	-31		-6
Net unpaid claims and claim adjustment expenses; life and health benefits	759	8	194	2	963
Claims and claim adjustment expenses; life and health benefits	-1 510	-1 731	-701	2	-3 940

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Acquisition costs

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-725	-512	-258	-4	-1 499
Intra-group transactions (assumed and ceded)	4	-8	4		0
Acquisition costs before impact of retrocession to external parties	-721	-520	-254	-4	-1 499
Retrocession to external parties	253	95	36		384
Net acquisition costs	-468	-425	-218	-4	-1 115

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

For the three months ended 30 September

Claims and claim adjustment expenses

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Claims paid, thereof:					
Gross claims paid to external parties	-2 743	-2 398	-158		-5 299
Intra-group transactions (assumed and ceded)	-5		5		0
Claims before receivables from retrocession to external parties	-2 748	-2 398	-153		-5 299
Receivables from retrocession to external parties	402	875	8		1 285
Net claims paid	-2 346	-1 523	-145	0	-4 014
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	880	236	-18		1 098
Intra-group transactions (assumed and ceded)	-13		13		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to third parties	867	236	-5		1 098
Reinsurance ceded to external parties	120	-479	63		-296
Net unpaid claims and claim adjustment expenses; life and health benefits	987	-243	58	0	802
Claims and claim adjustment expenses; life and health benefits	-1 359	-1 766	-87	0	-3 212

Acquisition costs

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-890	-513	-11		-1 414
Intra-group transactions (assumed and ceded)					0
Acquisition costs before impact of retrocession to external parties	-890	-513	-11		-1 414
Retrocession to external parties	337	80	-3		414
Net acquisition costs	-553	-433	-14	0	-1 000

For the nine months ended 30 September

Claims and claim adjustment expenses

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Claims paid, thereof:					
Gross claims paid to external parties	-6 648	-6 261	-3 872		-16 781
Intra-group transactions (assumed and ceded)	-971	-96	1 067		0
Claims before receivables from retrocession to external parties	-7 619	-6 357	-2 805		-16 781
Receivables from retrocession to external parties	1 031	1 508	563		3 102
Net claims paid	-6 588	-4 849	-2 242	0	-13 679

Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:

Gross – with external parties	-670	180	683	7	200
Intra-group transactions (assumed and ceded)	829	26	-855		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to third parties	159	206	-172	7	200
Reinsurance ceded to external parties	728	-121	-33		574
Net unpaid claims and claim adjustment expenses; life and health benefits	887	85	-205	7	774
Claims and claim adjustment expenses; life and health benefits	-5 701	-4 764	-2 447	7	-12 905

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Acquisition costs

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-1 938	-1 493	-567	-1	-3 999
Intra-group transactions (assumed and ceded)	-45	-25	70		0
Acquisition costs before impact of retrocession to external parties	-1 983	-1 518	-497	-1	-3 999
Retrocession to external parties	635	236	119		990
Net acquisition costs	-1 348	-1 282	-378	-1	-3 009

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

For the nine months ended 30 September

Claims and claim adjustment expenses

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Claims paid, thereof:					
Gross claims paid to external parties	-7 830	-6 338	-182		-14 350
Intra-group transactions (assumed and ceded)	-7		7		0
Claims before receivables from retrocession to external parties	-7 837	-6 338	-175		-14 350
Receivables from retrocession to external parties	1 237	1 770	15		3 022
Net claims paid	-6 600	-4 568	-160	0	-11 328
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	1 794	79	-35		1 838
Intra-group transactions (assumed and ceded)	-14		14		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to third parties	1 780	79	-21		1 838
Reinsurance ceded to external parties	333	-440	67		-40
Net unpaid claims and claim adjustment expenses; life and health benefits	2 113	-361	46	0	1 798
Claims and claim adjustment expenses; life and health benefits	-4 487	-4 929	-114	0	-9 530

Acquisition costs

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-2 632	-1 572	-16		-4 220
Intra-group transactions (assumed and ceded)	-3		3		0
Acquisition costs before impact of retrocession to external parties	-2 635	-1 572	-13		-4 220
Retrocession to external parties	914	225	1		1 140
Net acquisition costs	-1 721	-1 347	-12	0	-3 080

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2011 and 30 September 2012 were as follows:

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Assets					
Reinsurance recoverable	4 951	2 902	13 502	-9 518	11 837
Deferred acquisition costs	1 247	2 663	13		3 923
Liabilities					
Unpaid claims and claim adjustment expenses	49 451	9 310	14 148	-8 031	64 878
Life and health policy benefits		18 367	21 424	-747	39 044
Policyholder account balances		2 423	32 486	-747	34 162

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable	5 321	2 407	501	-22	8 207
Deferred acquisition costs	1 050	2 726	-5		3 771
Liabilities					
Unpaid claims and claim adjustment expenses	47 841	9 285	932	-24	58 034
Life and health policy benefits		17 347	3 145		20 492
Policyholder account balances		1 386	5 035		6 421

Reinsurance receivables

Reinsurance receivables as of 31 December 2011 and 30 September 2012 were as follows:

USD millions	2011	2012
Premium receivables invoiced	1 681 ¹	1 059
Receivables from ceded re/insurance business	747 ¹	278
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	707	1 329
Recognised allowance	-132	-83

¹ The Group has revised its classification of reinsurance receivables and, as a result, the notional amounts of some receivables that were previously classified as premium receivables invoiced are now classified as receivables from ceded re/insurance business.

Sales inducements

Sales inducements are offered to contract holders of certain universal life and annuity products. The amounts deferred equal the sum of persistency bonuses credited to the account value, plus the non-interest related increase in the persistency bonus liability. These costs are amortised in constant proportion to estimated gross profits over the life of the contract, using the credited interest rates as the discount rate.

Sales inducements as of 31 December 2011 and 30 September 2012 were as follows:

USD millions	2011	2012
Balance as of 1 January	1 019	1 020
Impact of carve-outs due to new Group structure	-	-82
Sales inducements deferred	265	263
Sales inducements amortised	-257	-154
Impact of foreign exchange and other movements	-7	35
Unamortised balance of sales inducements	1 020	1 082

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The amount of policyholder dividend expense for the three months ended 30 September 2011 and 2012 was USD 7 million and USD 2 million, respectively. For the nine months ended 30 September 2011 and 2012, the policyholder dividend expense amounted to USD 48 million and USD 9 million, respectively.

9 Premiums written

For the three months ended 30 September

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Gross premiums written, thereof:					
Direct		7	799		806
Reinsurance	3 293	2 504	197		5 994
Intra-group transactions (assumed)	35	40	213	-288	0
Gross premiums written	3 328	2 551	1 209	-288	6 800
Intra-group transactions (ceded)	-213		-75	288	0
Gross premiums written before retrocession to external parties	3 115	2 551	1 134		6 800
Reinsurance ceded to external parties	-639	-479	-250		-1 368
Net premiums written	2 476	2 072	884	0	5 432

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		114	35		149
Reinsurance	3 259	2 603	46		5 908
Intra-group transactions (assumed)	7			-7	0
Gross premiums written	3 266	2 717	81	-7	6 057
Intra-group transactions (ceded)			-7	7	0
Gross premiums written before retrocession to external parties	3 266	2 717	74		6 057
Reinsurance ceded to external parties	-901	-486	-25		-1 412
Net premiums written	2 365	2 231	49	0	4 645

For the nine months ended 30 September

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Gross premiums written, thereof:					
Direct		20	2 203		2 223
Reinsurance	12 520	7 546	479		20 545
Intra-group transactions (assumed)	347	81	436	-864	0
Gross premiums written	12 867	7 647	3 118	-864	22 768
Intra-group transactions (ceded)	-436		-428	864	0
Gross premiums written before retrocession to external parties	12 431	7 647	2 690		22 768
Reinsurance ceded to external parties	-2 554	-1 389	-633		-4 576
Net premiums written	9 877	6 258	2 057	0	18 192

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		225	69		294
Reinsurance	12 748	7 858	49		20 655
Intra-group transactions (assumed)	13			-13	0
Gross premiums written	12 761	8 083	118	-13	20 949
Intra-group transactions (ceded)			-13	13	0
Gross premiums written before retrocession to external parties	12 761	8 083	105		20 949
Reinsurance ceded to external parties	-2 570	-1 366	-42		-3 978
Net premiums written	10 191	6 717	63	0	16 971

10 Benefit plans

Defined benefit pension plans and post-retirement benefits

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

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

Components of net periodic benefit cost

The components of pension and post-retirement cost for the nine months ended 30 September 2011 and 2012 were as follows:

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

2012 USD millions	Swiss plans	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	80	4	4	88
Interest cost	58	56	10	124
Expected return on assets	-75	-56		-131
Amortisation of:				
Net gain/loss	33	9	-6	36
Prior service cost			-9	-9
Effect of settlement, curtailment and termination	1	1		2
Net periodic benefit cost	97	14	-1	110

Employer's contributions for 2012

For the nine months ended 30 September 2012, the Group contributed USD 129 million to its defined benefit pension plans and USD 12 million to other post-retirement plans, compared to USD 121 million and USD 12 million, respectively, in the same period of 2011.

The expected 2012 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 September 2012 for latest information, amount to USD 151 million and USD 16 million, respectively.

11 Commitments and contingent liabilities

In 2010, Berkshire Hathaway through its affiliate, Berkshire Hathaway Life Insurance Company of Nebraska, entered into a coinsurance agreement with Swiss Re Life & Health America Inc. (the "Co-insurance Agreement") and a stop loss agreement with Swiss Reinsurance Company Ltd in respect of Swiss Re's U.S. pre-2004 yearly renewable term life business. The agreements limit Berkshire Hathaway's exposure to USD 1.5 billion.

On the basis of its perception of the performance of the retroceded business and losses incurred to date, Berkshire Hathaway has served notice under the Co-insurance Agreement setting forth various specific and general allegations and alleging damages of between USD 0.5 and 1.0 billion.

As required by the Co-insurance Agreement, the parties have met to discuss the allegations and have exchanged, and continue to exchange, proposals to resolve the dispute. Failure to resolve the dispute could result in commencement of arbitration proceedings. If arbitration proceedings are commenced, there is no guarantee that arbitrators would agree with the Group's position and findings against the Group could have a material adverse effect on its financial condition and results of operations.

The Group believes that these claims are without merit.

12 Information on business segments

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

On 17 February 2011, the Group announced the implementation of a new organisational structure, to be reflected in the Group financial statements from the first quarter of 2012. On 27 April 2012, SRZ transferred the Corporate Solutions entities and the Admin Re[®] entities through a dividend in-kind to Swiss Re Ltd and, as a result, the Corporate Solutions Business Unit and the Admin Re[®] Business Unit are no longer owned by SRZ. Under the new structure, the former Asset Management segment of the Swiss Re Group is split among business segments to ensure invested assets correspond to reinsurance liabilities. The assets and liabilities related to specific transactions have been allocated to the respective business segments.

The Group presents two core operating business segments: Property & Casualty Reinsurance and Life & Health Reinsurance.

Property & Casualty Reinsurance and Life & Health Reinsurance

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

Property & Casualty includes the business lines property, casualty including motor, and specialty. Life & Health is split into two sub-segments.

Other

Items not allocated to the business segments are included in the "Other" column which encompasses non-core activities. The "Other" column includes mainly certain costs not allocated to the Reinsurance business segments, certain Treasury activities as well as the remaining non-core activities which have been in run-off since November 2007. For the comparative period presented, the Corporate Solutions and Admin Re[®] segments have also been included in this column. Effective 1 January 2012, these operating segments are no longer included in the results of the Swiss Reinsurance Company Group. Please refer to Note 1 "Organisation and summary of significant accounting policies" under "Basis for presentation" for further information.

In connection with the sale of Admin Re[®] US to Jackson National by the Swiss Re Group, certain blocks of business were retained by the Swiss Re Group mainly by way of retrocession to Group legal entities effective 1 July 2012. This business is shown as part of the "Other" column.

In the third quarter of 2012, the Group revised its estimate of "other expenses" that it can recharge to its parent company, Swiss Re Ltd. Compared to the first and second quarter of 2012, the revision resulted in an increase of "other expenses" in the "Other" segment reflecting the revised estimate for the nine months ended 30 September 2012.

Consolidation

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

Each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment are determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. This consideration determined each segment's initial capital position under the new structure.

The segment income statement follows the segmental balance sheets and provides enhanced information regarding investment income, realised investment gains and losses, interest expense, and tax expense and benefit. Investment income is the actual income earned on the invested assets. Investment gains and losses are based on the asset portfolios assigned to the segment. Interest expense is incurred from the segment's capital funding position, and tax is derived from legal entity tax obligations.

The 2011 comparative information has been restated and is presented based on the 2012 presentation. The accounting policies of the business segments are in line with those described in the summary of significant accounting policies (see Note 1 to the Group's annual consolidated financial statements).

a) Business segments – income statement

For the three months ended 30 September 2011

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Revenues					
Premiums earned	2 878	2 114	745		5 737
Fee income from policyholders		22	190		212
Net investment income – non-participating	225	418	468	-28	1 083
Net realised investment gains – non-participating	170	548	242		960
Net investment result – unit-linked and with-profit		-89	-2 255		-2 344
Other revenues	12		1	-3	10
Total revenues	3 285	3 013	-609	-31	5 658
Expenses					
Claims and claim adjustment expenses	-1 510		-391	6	-1 895
Life and health benefits		-1 731	-310	-4	-2 045
Return credited to policyholders		82	2 111		2 193
Acquisition costs	-468	-425	-218	-4	-1 115
Other expenses	-366	-202	-369	14	-923
Interest expenses	-39	-153	-41	19	-214
Total expenses	-2 383	-2 429	782	31	-3 999
Income before income tax expense	902	584	173	0	1 659
Income tax expense	-84	-92	-33		-209
Net income before attribution of non-controlling interests	818	492	140	0	1 450
Income attributable to non-controlling interests	-87		-7		-94
Net income after attribution of non-controlling interests	731	492	133	0	1 356
Interest on contingent capital instruments					0
Net income attributable to common shareholder	731	492	133	0	1 356
Claims ratio in %	52.5				
Expense ratio in %	29.0				
Combined ratio in %	81.5				
Management expense ratio in %		7.9			
Benefit ratio in %		76.7			

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Business segments – income statement

For the three months ended 30 September 2012

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	3 296	2 251	54		5 601
Fee income from policyholders		14	16		30
Net investment income – non-participating	329	294	91	6	720
Net realised investment gains/losses – non-participating	82	271	-10		343
Net investment result – unit-linked and with-profit		52			52
Other revenues	24	1	2	-6	21
Total revenues	3 731	2 883	153	0	6 767
Expenses					
Claims and claim adjustment expenses	-1 359			-2	-1 361
Life and health benefits		-1 766	-87	2	-1 851
Return credited to policyholders		-54	-82		-136
Acquisition costs	-553	-433	-14		-1 000
Other expenses	-371	-219	-260		-850
Interest expenses	-34	-144	-6		-184
Total expenses	-2 317	-2 616	-449	0	-5 382
Income/loss before income tax expense	1 414	267	-296	0	1 385
Income tax expense	-361	-67	-102		-530
Net income/loss before attribution of non-controlling interests	1 053	200	-398	0	855
Income attributable to non-controlling interests	-18		-2		-20
Net income/loss after attribution of non-controlling interests	1 035	200	-400	0	835
Interest on contingent capital instruments	-5	-13			-18
Net income/loss attributable to common shareholder	1 030	187	-400	0	817
Claims ratio in %	41.3				
Expense ratio in %	28.0				
Combined ratio in %	69.3				
Management expense ratio in %		8.6			
Benefit ratio in %		79.0			

Business segments – income statement

For the nine months ended 30 September 2011

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Revenues					
Premiums earned	7 494	6 207	2 075		15 776
Fee income from policyholders		64	598		662
Net investment income – non-participating	1 056	1 194	1 400	-78	3 572
Net realised investment gains – non-participating	320	716	341		1 377
Net investment result – unit-linked and with-profit		-63	-1 625		-1 688
Other revenues	29		9	-3	35
Total revenues	8 899	8 118	2 798	-81	19 734
Expenses					
Claims and claim adjustment expenses	-5 701		-1 070	20	-6 751
Life and health benefits		-4 764	-1 377	-13	-6 154
Return credited to policyholders		34	1 237		1 271
Acquisition costs	-1 348	-1 282	-378	-1	-3 009
Other expenses	-964	-520	-788	23	-2 249
Interest expenses	-115	-439	-143	52	-645
Total expenses	-8 128	-6 971	-2 519	81	-17 537
Income before income tax expense	771	1 147	279	0	2 197
Income tax expense	-78	-116	-159		-353
Net income before attribution of non-controlling interests	693	1 031	120	0	1 844
Income attributable to non-controlling interests	-209		-8		-217
Net income after attribution of non-controlling interests	484	1 031	112	0	1 627
Interest on contingent capital instruments					0
Net income attributable to common shareholder	484	1 031	112	0	1 627
Claims ratio in %	76.0				
Expense ratio in %	30.9				
Combined ratio in %	106.9				
Management expense ratio in %		7.0			
Benefit ratio in %		75.1			

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Business segments – income statement

For the nine months ended 30 September 2012

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	9 197	6 542	70		15 809
Fee income from policyholders		55	17		72
Net investment income – non-participating	1 137	1 033	122	13	2 305
Net realised investment gains – non-participating	302	610	65		977
Net investment result – unit-linked and with-profit		138	1		139
Other revenues	80	2	2	-13	71
Total revenues	10 716	8 380	277	0	19 373
Expenses					
Claims and claim adjustment expenses	-4 487		-25		-4 512
Life and health benefits		-4 929	-89		-5 018
Return credited to policyholders		-181	-82		-263
Acquisition costs	-1 721	-1 347	-12		-3 080
Other expenses	-977	-579	-267		-1 823
Interest expenses	-77	-438	-45		-560
Total expenses	-7 262	-7 474	-520	0	-15 256
Income/loss before income tax expense	3 454	906	-243	0	4 117
Income tax expense	-901	-236	-115		-1 252
Net income/loss before attribution of non-controlling interests	2 553	670	-358	0	2 865
Income attributable to non-controlling interests	-133		-2		-135
Net income/loss after attribution of non-controlling interests	2 420	670	-360	0	2 730
Interest on contingent capital instruments	-13	-26			-39
Net income/loss attributable to common shareholder	2 407	644	-360	0	2 691
Claims ratio in %	48.8				
Expense ratio in %	29.3				
Combined ratio in %	78.1				
Management expense ratio in %		7.6			
Benefit ratio in %		75.8			

Business segments – total assets

As of 31 December 2011

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other ¹	Consolidation	Total
Total assets	87 888	63 831	96 154	-19 753	228 120

¹ For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re[®] business segments have been included in the "Other" column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Business segments – total assets

As of 30 September 2012

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets	96 284	61 852	19 443	-6 819	170 760

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

For the three months ended 30 September

2011				
USD millions	Property	Casualty	Specialty	Total
Premiums earned	1 546	849	483	2 878
Expenses				
Claims and claim adjustment expenses	-791	-653	-66	-1 510
Acquisition costs	-166	-192	-110	-468
Other expenses	-176	-105	-85	-366
Total expenses before interest expenses	-1 133	-950	-261	-2 344
Underwriting result	413	-101	222	534
Net investment income				225
Net realised investment gains/losses				170
Other revenues				12
Interest expenses				-39
Income before income tax expenses				902
Claims ratio in %	51.2	76.9	13.6	52.5
Expense ratio in %	22.1	35.0	40.4	29.0
Combined ratio in %	73.3	111.9	54.0	81.5

2012				
USD millions	Property	Casualty	Specialty	Total
Premiums earned	1 704	1 119	473	3 296
Expenses				
Claims and claim adjustment expenses	-612	-644	-103	-1 359
Acquisition costs	-177	-280	-96	-553
Other expenses	-195	-117	-59	-371
Total expenses before interest expenses	-984	-1 041	-258	-2 283
Underwriting result	720	78	215	1 013
Net investment income				329
Net realised investment gains/losses				82
Other revenues				24
Interest expenses				-34
Income before income tax expenses				1 414
Claims ratio in %	35.9	57.5	21.7	41.3
Expense ratio in %	21.8	35.5	32.8	28.0
Combined ratio in %	57.7	93.0	54.5	69.3

Property & Casualty Reinsurance business segment – by line of business

For the nine months ended 30 September

2011 USD millions	Property	Casualty	Specialty	Total
Premiums earned	3 583	2 359	1 552	7 494
Expenses				
Claims and claim adjustment expenses	-3 641	-1 516	-544	-5 701
Acquisition costs	-463	-526	-359	-1 348
Other expenses	-453	-279	-232	-964
Total expenses before interest expenses	-4 557	-2 321	-1 135	-8 013
Underwriting result	-974	38	417	-519
Net investment income				1 056
Net realised investment gains/losses				320
Other revenues				29
Interest expenses				-115
Income before income tax expenses				771
Claims ratio in %	101.6	64.3	35.0	76.0
Expense ratio in %	25.6	34.1	38.1	30.9
Combined ratio in %	127.2	98.4	73.1	106.9

2012 USD millions	Property	Casualty	Specialty	Total
Premiums earned	4 241	3 505	1 451	9 197
Expenses				
Claims and claim adjustment expenses	-1 840	-2 136	-511	-4 487
Acquisition costs	-529	-892	-300	-1 721
Other expenses	-507	-294	-176	-977
Total expenses before interest expenses	-2 876	-3 322	-987	-7 185
Underwriting result	1 365	183	464	2 012
Net investment income				1 137
Net realised investment gains/losses				302
Other revenues				80
Interest expenses				-77
Income before income tax expenses				3 454
Claims ratio in %	43.4	61.0	35.2	48.8
Expense ratio in %	24.4	33.8	32.8	29.3
Combined ratio in %	67.8	94.8	68.0	78.1

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

For the three months ended 30 September

2011 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 501	613	2 114
Fee income from policyholders	22		22
Net investment income – non-participating	280	138	418
Net investment income – unit-linked and with-profit	12		12
Net realised investment gains/losses – unit-linked and with-profit	-101		-101
Net realised investment gains/losses – insurance-related derivatives	108	-11	97
Other revenues			0
Total revenues before non-participating realised gains/losses	1 822	740	2 562
Expenses			
Life and health benefits	-1 334	-397	-1 731
Return credited to policyholders	82		82
Acquisition costs	-318	-107	-425
Other expenses	-159	-43	-202
Total expenses before interest expenses	-1 729	-547	-2 276
Operating income	93	193	286
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			451
Interest expenses			-153
Income before income tax expenses			584
Management expense ratio in %	8.8	5.8	7.9
Benefit ratio ¹ in %	81.6	64.8	76.7

¹ The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Life & Health Reinsurance business segment – by line of business

For the three months ended 30 September

2012 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 473	778	2 251
Fee income from policyholders	14		14
Net investment income – non-participating	186	108	294
Net investment income – unit-linked and with-profit	18		18
Net realised investment gains/losses – unit-linked and with-profit	34		34
Net realised investment gains/losses – insurance-related derivatives	-17		-17
Other revenues	1		1
Total revenues before non-participating realised gains/losses	1 709	886	2 595
Expenses			
Life and health benefits	-1 131	-635	-1 766
Return credited to policyholders	-54		-54
Acquisition costs	-313	-120	-433
Other expenses	-151	-68	-219
Total expenses before interest expenses	-1 649	-823	-2 472
Operating income	60	63	123
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			288
Interest expenses			-144
Income before income tax expenses			267
Management expense ratio in %	9.0	7.7	8.6
Benefit ratio ¹ in %	77.6	81.6	79.0

¹ The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Life & Health Reinsurance business segment – by line of business

For the nine months ended 30 September

2011 USD millions	Life	Health	Total
Revenues			
Premiums earned	4 476	1 731	6 207
Fee income from policyholders	64		64
Net investment income – non-participating	764	430	1 194
Net investment income – unit-linked and with-profit	20		20
Net realised investment gains/losses – unit-linked and with-profit	-83		-83
Net realised investment gains/losses – insurance-related derivatives	96	-8	88
Other revenues			0
Total revenues before non-participating realised gains/losses	5 337	2 153	7 490
Expenses			
Life and health benefits	-3 587	-1 177	-4 764
Return credited to policyholders	34		34
Acquisition costs	-968	-314	-1 282
Other expenses	-414	-106	-520
Total expenses before interest expenses	-4 935	-1 597	-6 532
Operating income	402	556	958
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			628
Interest expenses			-439
Income before income tax expenses			1 147
Management expense ratio in %	7.8	4.9	7.0
Benefit ratio ¹ in %	77.9	68.0	75.1

¹ The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Life & Health Reinsurance business segment – by line of business

For the nine months ended 30 September

2012 USD millions	Life	Health	Total
Revenues			
Premiums earned	4 430	2 112	6 542
Fee income from policyholders	55		55
Net investment income – non-participating	688	345	1 033
Net investment income – unit-linked and with-profit	24		24
Net realised investment gains/losses – unit-linked and with-profit	114		114
Net realised investment gains/losses – insurance-related derivatives	-74	-2	-76
Other revenues	2		2
Total revenues before non-participating realised gains/losses	5 239	2 455	7 694
Expenses			
Life and health benefits	-3 319	-1 610	-4 929
Return credited to policyholders	-181		-181
Acquisition costs	-980	-367	-1 347
Other expenses	-425	-154	-579
Total expenses before interest expenses	-4 905	-2 131	-7 036
Operating income	334	324	658
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			686
Interest expenses			-438
Income before income tax expenses			906
Management expense ratio in %	8.2	6.3	7.6
Benefit ratio ¹ in %	75.6	76.2	75.8

¹ The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

13 Variable interest entities

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

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

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

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

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

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

Modified coinsurance agreement

The Group assumes insurance risk via a modified coinsurance agreement from Aurora National Life Assurance Company. Until the second quarter of 2012, Aurora National Life Assurance Company was recognised as a VIE in which the Group qualified as the primary beneficiary and consolidated the entity (for further details please refer to Annual Report 2011).

In the third quarter of 2012, a put/call option to acquire the parent of Aurora National Life Assurance Company, New California Holdings Inc., was exercised. As a result, Aurora National Life Assurance Company is wholly owned by SRZ and does not qualify as a VIE. The related non-controlling interests are no longer reported. Please refer to Note 6 for further information.

Insurance-linked and credit-linked securitisations

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

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

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

As of 30 September 2012, the total assets of the insurance-linked and credit-linked securitisation vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 504 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 62 million.

Swaps in trusts

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

Debt financing vehicles

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

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

The total assets of the debt financing vehicles in which the Group is the primary beneficiary were USD 7 636 million as of 30 September 2012.

Investment vehicles

As of 30 September 2012, this VIE category has been introduced to disclose the new VIEs resulting from the sale of Swiss Re Private Equity Partners AG (please see Note 6). Another private equity limited partnership, previously reported in the category "Other", has been included in this category.

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

As of 30 September 2012, the total assets of investment vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 306 million.

Other

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

As of 30 September 2012, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 3 451 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 754 million.

The Group did not provide financial or other support to any VIEs during 2012 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December 2011 and 30 September 2012:

USD millions	2011		2012	
	Carrying value	Whereof restricted:	Carrying value	Whereof restricted:
Fixed income securities available-for-sale	9254	9254	7022	7022
Policy loans, mortgages and other loans	191	191		
Short-term investments	998	998	587	587
Other invested assets	202	202	233	233
Cash and cash equivalents	928	928	211	211
Accrued investment income	78	78	50	50
Premiums and other receivables	9	9		
Reinsurance recoverable on unpaid claims and policy benefits	7	7		
Funds held by ceding companies	2	2		
Income taxes recoverable	1	1		
Acquired present value of future profits	23	23		
Other assets	273	253	349	329
Total assets	11 966	11 946	8 452	8 432
	Carrying value	Whereof limited recourse:	Carrying value	Whereof limited recourse:
Unpaid claims and claim adjustment expenses	15	15		
Liabilities for life and health policy benefits	1 165	1 165		
Policyholder account balances	1 365	1 365		
Reinsurance balances payable	5	5		
Deferred and other non-current taxes	180	180		
Short-term debt	973	973	505	505
Accrued expenses and other liabilities	633	633	496	496
Long-term debt	5 172	5 172	5 315	5 315
Total liabilities	9 508	9 508	6 316	6 316

The above USD 11 966 million total assets as of year-end 2011 include USD 3 473 million total assets of the modified coinsurance agreement.

As of 30 September 2012, the consolidation of the VIEs resulted in non-controlling interests in the balance sheet of nil (31 December 2011: USD 414 million). The non-controlling interests in income were USD 7 million and USD 1 million net of tax for the nine months ended 30 September 2011 and 2012, respectively. All non-controlling interests were related to Aurora National Life Assurance Company, which has been fully owned by Swiss Re since the third quarter of 2012. Therefore, the non-controlling interests are no longer reported (see above under "Modified coinsurance agreement" and Note 6 for further information).

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2011 and 30 September 2012:

USD millions	2011	2012
Fixed income securities:		
Available-for-sale	99	89
Trading	20	12
Other invested assets	680	1 127
Total assets	799	1 228
Short-term debt	393	390
Accrued expenses and other liabilities	509	372
Total liabilities	902	762

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2011 and 30 September 2012:

USD millions	Total assets	Total liabilities	Maximum exposure to loss	2011 Difference between exposure and liabilities	2012		Maximum exposure to loss	Difference between exposure and liabilities
					Total assets	Total liabilities		
Insurance-linked/Credit-linked securitisations	261		1 168	1 168	228		855	855
Swaps in trusts	212	316	- ¹	-	160	221	- ¹	-
Investment vehicles					802		802	802
Other	326	586	1 152	566	38	541	1 116	575
Total	799	902	-¹	-	1 228	762	-¹	-

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

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities of USD 541 million recognised for the "Other" category relate mainly to collateral received.

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14 Related parties

Insurance activities

The Group assumes and cedes certain re/insurance contracts from/to affiliated companies within the Swiss Re Group, but outside Swiss Reinsurance Company Consolidated, resulting in the following related party transactions on the income statement and balance sheet:

For the three months ended 30 September 2012				
USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums earned	-72	60	12	0
Fee income from policyholders		9		9
Net investment income – non-participating	19	56		75
Total revenues	-53	125	12	84
Claims and claim adjustment expenses	183		-6	177
Life and health benefits		-79		-79
Return credited to policyholders		-42		-42
Acquisition costs	19	-6	-7	6
Total expenses	202	-127	-13	62
For the nine months ended 30 September 2012				
USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums earned	-212	127	36	-49
Fee income from policyholders		16		16
Net investment income – non-participating	58	102		160
Total revenues	-154	245	36	127
Claims and claim adjustment expenses	232		-17	215
Life and health benefits		-132		-132
Return credited to policyholders		-64		-64
Acquisition costs	42	-19	-16	7
Total expenses	274	-215	-33	26
As of 30 September 2012				
USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums and other receivables	57	29	12	98
Reinsurance recoverable on unpaid claims and policy benefits	209	25		234
Funds held by ceding companies	2 121	2		2 123
Deferred acquisition costs	-29		10	-19
Other assets	582		1	583
Total assets	2 940	56	23	3 019
Unpaid claims and claim adjustment expenses	7 243	18	41	7 302
Liabilities for life and health policy benefits		12		12
Unearned premiums	97		28	125
Funds held under reinsurance treaties			1	1
Reinsurance balances payable	485		2	487
Total liabilities	7 825	30	72	7 927

Investment activities

The Group conducts various investing activities with affiliated companies in the Swiss Re Group. These include loans, funding agreements and derivatives. These activities result in the following related party transactions on the balance sheet. Corresponding income statement amounts are not material.

As of 30 September 2012

USD millions	Corporate Solutions	Admin Re®	Other	Total
Policy loans, mortgages and other loans		630	570	1 200
Accrued investment income		12		12
Other invested assets	1		28	29
Accrued expenses and other liabilities			4	4

Financing activities

The Group enters into various financing activities where it borrows funds from affiliated companies in the Swiss Re Group. These activities result in the following related party transactions on the balance sheet. Corresponding income statement amounts are not material.

As of 30 September 2012

USD millions	Other	Total
Policy loans, mortgages and other loans	2 422 ¹	2 422
Accrued investment income	6 ¹	6
Short-term debt	2 370	2 370
Accrued expenses and other liabilities	2 428 ¹	2 428

¹ The counterparty of these balances is Swiss Re Specialised Investments Holdings (UK) Ltd. The balances are part of two funding transactions of the Swiss Re Group.

Issued in	Instrument	Maturity	Currency	Nominal in millions	Interest rate	Book value in USD millions
2005	Senior note	2028	GBP	100	1 month LIBOR	162
2008	Senior note	2028	GBP	240	4.98%	388
2009	Senior note	2012	GBP	101	1 month LIBOR –12.5 bps	163
2012	Senior note	2014	GBP	120	2.41%	194
2012	Senior note	2013	CHF	1 245	10 month LIBOR +0.825%	1 325
2012	Senior note	2012	CHF	85	3 month LIBOR	138
Total short-term debt as of 30 September 2012						2 370

Operating transactions

The Group enters into various arrangements with affiliated companies in the Swiss Re Group for the provision of services. These activities result in the following related party transactions on the income statement and balance sheet:

For the three months ended 30 September 2012				
USD millions	Corporate Solutions	Admin Re®	Other	Total
Net investment income – non-participating	3			3
Other revenues	3	12		15
Other expenses	96	35	-171	-40
For the nine months ended 30 September 2012				
USD millions	Corporate Solutions	Admin Re®	Other	Total
Net investment income – non-participating		1		1
Other revenues	9	26		35
Other expenses	344	95	-122	317
As of 30 September 2012				
USD millions	Corporate Solutions	Admin Re®	Other	Total
Other assets	304	77	6	387
Accrued investment income	1			1
Accrued expenses and other liabilities	24	-2	105	127

Effective 25 June 2012, due to the sale of Admin Re® US to Jackson National by the Swiss Re Group, reinsurance and other obligations under a modified coinsurance agreement were transferred from an affiliated company to the Swiss Reinsurance Company Group's balance sheet. Subsequently in the second quarter of 2012, Aurora National Life Assurance Company, which is a VIE to the Group, was consolidated. Consolidation resulted mainly in additional investments of USD 3 983 million, liabilities for life and health policy benefits of USD 1 350 million, policyholder account balances of USD 1 310 million, and net unrealised investment gains of USD 318 million. Retained earnings were increased by USD 191 million and non-controlling interests by USD 540 million. Assets and liabilities were recognised at carrying amounts in accordance with US GAAP transactions between entities under common control guidance.

As of 31 December 2011, the Swiss Reinsurance Company Group was a party to various transactions with Swiss Re Specialised Investments Holdings (UK) Ltd ("SRSIH"). These transactions consisted of USD 2 686 million of loans granted to SRSIH and USD 685 million of other loans granted to equity accounted investees of SRSIH and accrued expenses and other liabilities in respect of SRSIH of USD 2 331 million. Related income statement amounts were not material.

15 Subsequent events

Hurricane Sandy, which made landfall in New Jersey on the evening of 29 October 2012 (EDT), caused high winds and storm surge, resulting in extensive flooding. Estimating claims is particularly complex due to the combined impact of prolonged power outages, disruptions to public transport and damage to other infrastructure. As a result of these factors, it is not possible to provide a reliable claims estimate at this time.

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Note on risk factors

General impact of adverse market conditions and deterioration in global financial markets

For much of 2012, there has been deterioration in bank funding markets, depressed volumes of capital markets activity overall, sharply higher yields on sovereign debt of Italy and Spain and significant capital outflows from banks in certain euro area countries. It remains unclear whether European Union leaders will be able to deliver on proposals reached at the end of June (around the creation of a banking union and recapitalisation of banks through direct equity injections) and whether the proposed steps (without greater integration and greater levels of supervision) will be sufficient to adequately address the sovereign debt crisis. An exit of one or more countries from the euro (and related redenomination of obligations and imposition of capital and exchange controls) cannot be ruled out. At the same time, there remains continued need for structural reforms in a number of economies and lack of consensus over the virtue and efficacy of austerity-led versus growth-led reforms.

The uncertainty around the future of the euro and the volatility in the financial and credit markets could increase the severity and duration of economic recession, cause more economic turmoil in the near term, cause further disruptions in the global financial markets and impact foreign currency exchange rates. These developments in turn could have an adverse impact on the Group's investment results, the Group's ability to access the capital markets and the bank funding market, the ability of counterparties to meet their obligations to the Group and the short-term outlook for the life insurance industry, particularly in North America and Europe, with a corresponding negative impact on the Group's Life & Health business. Concerns over the stability of the euro could also have a broad effect on contractual arrangements denominated in, or otherwise tied to, the euro.

The foregoing developments could have material adverse effects on our industry and on us.

Regulatory changes

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

Legislative initiatives directly impacting the Group's industry include the establishment of a pan-European regulator for insurance companies, the European Insurance and Occupational Pension Authority, which gained its regulatory powers on 1 January 2011 and will be able to overrule national regulators in certain circumstances. In addition, SRZ is subject to the Swiss Solvency Test, and will be subject to Solvency II, which was expected to be transposed into law in June 2013 and become binding on insurers in January 2014, but which could be delayed to as late as 2016. In the US, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury.

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

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

Market risk

Volatility and disruption in the global financial markets can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments. With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has discontinued writing new variable annuity business and has an extensive hedging programme covering its existing variable annuity business, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

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

Credit risk

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

Liquidity risks

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

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

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

Counterparty risks

The Group's general exposure to counterparty risk was heightened during the credit crisis, and this risk could still be exacerbated to the extent defaults, or concerns about possible defaults, by certain market participants trigger more systemic concerns about liquidity. Losses due to defaults by counterparties, including issuers of investment securities (which include structured securities) or derivative instrument counterparties, could adversely affect the Group. In addition, trading counterparties, counterparties under swaps and other derivative contracts, and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could also have a material adverse impact on the Group.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated. The Group's most significant single counterparty risk is in respect of Berkshire Hathaway Inc., with which it has a quota share arrangement (which expires at the end of 2012), an adverse development cover and a retrocession arrangement in respect of a closed block of US individual life reinsurance business.

Risks relating to credit rating downgrades

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

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

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

Legal and regulatory risks

The Group has been named, from time to time, as a defendant in various legal actions in connection with its operations. The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, such as market abuse regulations, anti-bribery legislation, anti-money laundering legislation and trade sanctions legislation. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm its business.

Insurance, operational and other risks

As part of the Group's ordinary course of operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, industrial accidents, explosions, industrial actions, fires and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events), changes in the insurance industry that affect ceding companies, competitive conditions, cyclicity of the industry, risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values), risks arising from the Group's dependence on policies, procedures and expertise of ceding companies, risks related to investments in emerging markets, and risks related to the failure of operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group. Any of the foregoing, as well as other concerns in respect of the Group's business, could also give rise to reputational risk.

Use of models; accounting matters

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

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

Risks related to realignment of the Swiss Re corporate structure

Following full implementation of the realignment of the Swiss Re Group's corporate structure to reflect the separation from, and transfer of the Corporate Solutions business unit and the Admin Re[®] business unit from SRZ to Swiss Re Ltd, with a changed legal entity profile, the Reinsurance business unit and its constituent subsidiaries have been and will be impacted differently than would have been the case under SRZ's historical structure, including, without limitation, in respect of legal and regulatory requirements (including as to capital and liquidity), ratings considerations, and lender and other counterparty considerations. Among other things, the realigned Group's asset base has changed, and capital, funding, reserve and cost allocations have been and will be adjusted across the three business units, as a result of which the realigned Group's liquidity and capital profiles have changed.

Cautionary note on forward-looking statements

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

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

- further instability affecting the global financial system and developments related thereto, including as a result of concerns over, or adverse developments relating to, sovereign debt of euro area countries;
- further deterioration in global economic conditions;
- the Group’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group’s financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group’s investment assets;
- changes in the Group’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that the Group’s hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of Group companies, and developments adversely affecting the Group’s ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting the Group’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies;

- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy securities in any jurisdiction, including the US. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

Corporate calendar and contact information

Corporate calendar

15 March 2013
2012 annual results

2 May 2013
First quarter 2013 results

8 August 2013
Second quarter 2013 results

7 November 2013
Third quarter 2013 results

Contact information

Investor Relations
Telephone +41 43 285 4444
Fax +41 43 282 4444
investor_relations@swissre.com

Media Relations
Telephone +41 43 285 7171
Fax +41 43 282 7171
media_relations@swissre.com

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This report is available only at: www.swissre.com

Swiss Reinsurance Company Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

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