

Swiss Re Europe S.A.
**Solvency and
Financial Condition Report**

For the year ended 31 December 2018

Table of contents

Executive summary	3
Section A: Business and performance	5
A1: Business	5
A2: Underwriting performance	7
A3: Investment performance	8
A4: Performance of other activities	8
A5: Any other information	8
Section B: System of governance	9
B1: General information on the system of governance	9
B2: Fit and proper requirements	13
B3: Risk management system including the own risk and solvency assessment	14
B4: Internal control system	15
B5: Internal Audit function	16
B6: Actuarial function	16
B7: Outsourcing	17
B8: Any other information	17
Section C: Risk profile	18
Overview of risk exposure	18
C1: Underwriting risk	19
C2: Financial market risk	20
C3: Credit risk	20
C4: Liquidity risk	21
C5: Operational risk	21
C6: Other material risks	21
C7: Any other information	21
Section D: Valuation for solvency purposes	22
D1: Assets	22
D2: Technical provisions	25
Life business	25
Non-life business	27
D3: Other liabilities	28
D4: Alternative methods of valuation	32
D5: Any other information	32
Section E: Capital management	33
E1: Own funds	33
E2: Solvency Capital Requirement and Minimum Capital Requirement	35
E3: Duration-based equity risk	35
E4: Differences between the standard formula and the internal model	36
E5: Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement	37
E6: Any other information	37
Glossary	38

Executive summary

Business and performance

- Swiss Re Europe S.A. (“the Company”) is authorised by the Luxembourg Finance Minister to conduct all types of reinsurance business and operates through a number of branches in the European Union (EU). The main classes of business are property, liability, life and health reinsurance. Main geographical areas by location of the ceding undertakings are the United Kingdom (UK), Germany, Spain, France and Canada.
- The underwriting performance for 2018 was a profit of EUR 287 million (2017: EUR 149 million). The non-life technical result was positive, driven by reserve releases. In addition, natural catastrophes in 2018 did not have a significant impact on the Company. The life technical result was also positive, primarily due to expected profits and releases on provision for adverse deviation.
- Investment income in 2018 amounted to EUR 386 million (2017: EUR 426 million) and the investment charges to EUR 179 million (2017: EUR 124 million). The decrease in investment income is primarily from lower realised gains on investments. Meanwhile, the increase in investment charges was due to value adjustments on private equity investments and equities.

System of governance

- The governance and organisational structure of the Company is set out in the Company’s Articles of Association, Terms of Reference and Charters of Duties. These define the responsibilities and authority of the members of the Board and Committees.
- There were no significant changes to the system of governance in 2018. Effective 14 December 2018, the Board approved a new Material Transaction Approval Process Framework, the dissolution of the Material Transaction Sub-Committee of the Company and required amendments to the Terms of Reference and the Management Committee Charter. In accordance with the provisions of the Luxembourg law dated 7 December 2015 on the insurance sector (as amended) and Circular letter 18/10 issued by Commissariat aux Assurances (CAA) and dated 23 October 2018, the Board appointed a person who, within the management of the Company, is responsible for the distribution of (re)insurance products.
- The Company uses an internal model for the purposes of calculating the Solvency Capital Requirement (SCR). The CAA approved the internal model and its associated governance framework for use in calculating the Company’s SCR under Solvency II on 17 December 2015. The Company’s internal model governance framework sets out the requirements for model development standards, the governance around changes to the internal model, validation of the internal model and data quality standards.
- The Board carries out an annual evaluation of its system of governance against relevant best practice standards. During the reviews performed in 2018, the Board concluded that the system of governance is adequate to the nature, scale and complexity of the risks inherent in its business.

Risk profile

- The risk profile of the Company remains broadly unchanged. For property and casualty, the main exposures of the Company are to non-life claims inflation, European windstorm and Canadian property risks (Canadian windstorm and Earthquake Pacific Northwest). For life and health, the main exposures are to mortality trend and lethal pandemic risk factors. Financial market risk is driven by equity, credit spread and real estate exposures.
- The Company has a significant risk concentration derived from intra-group retrocession (IGR) arrangements with Swiss Reinsurance Company Ltd (SRZ), which maintains a strong capital position.
- The Company’s exposure to the liquidity risk is driven by the potential impact of extreme losses, collateral requirements and investments into illiquid assets. Recent analysis indicates that the Company’s liquidity position is sufficient to meet expected liquidity requirements after a large loss event.

Valuation for solvency purposes

Invested assets

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

Life technical provisions

The total life net technical provision of EUR -64 million (2017: EUR -50 million) under Solvency II valuation is compared to the Company Statutory amount of EUR 1 685 million (2017: EUR 1 767 million). The main differences between the valuations are the following:

- Statutory margins are included in the statutory reserves, whereas Solvency II technical provisions is the best estimate (excluding risk margin).
- Client balances and risk margin are included in Solvency II technical provisions and not in Statutory reserves.

Executive summary

Non-life technical provisions

The total non-life net technical provision of EUR 3 804 million (2017: EUR 4 061 million) under Solvency II valuation is compared to the Company Statutory amount of EUR 4 529 million (2017: EUR 4 764 million). Solvency II being an economic valuation framework, and the Company Statutory valuation being an accounting valuation framework, the key differences are the following:

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

Other assets and liabilities

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

Capital management

- The eligible amount of own funds to cover the Company's SCR for 2018 is EUR 2 345 million (2017: EUR 2 298 million).
- As at 31 December 2018, the Company's SCR was EUR 745 million (2017: EUR 905 million) and the Minimum Capital Requirement (MCR) was EUR 335 million (2017: EUR 407 million). The decrease in SCR is driven by lower volumes for Property and Casualty with a reduction in the proportion of natural catastrophe (nat cat) exposures and the reduction in Financial Market risk following changes in investment allocation and market movements.
- The solvency ratio expressed as eligible own funds as a percentage of the SCR as at 31 December 2018 was equal to 315% (2017: 254%).

Section A: Business and performance

A1: Business

Full name and legal form

Swiss Re Europe S.A. ("the Company") was incorporated on 5 December 1986 as a limited liability company (*société anonyme*) under the laws of the Grand-Duchy of Luxembourg, with registered office at 2A, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B25242. The Company's legal entity identifier (LEI) is 549300CJ7LW6QSGIL444.

Supervisory authority

The Company is authorised by the Luxembourg Finance Minister to conduct all types of reinsurance business and operates through a number of branches in the European Union¹. The Company is supervised by the Commissariat aux Assurances (CAA).

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

Ultimate parent company and group supervisor

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

Swiss Financial Market Supervisory Authority FINMA
Laupenstrasse 27
CH – 3003 Bern
Switzerland
Telephone: +41 (0)31 327 91 00
Fax: +41 (0)31 327 91 01
www.finma.ch

External auditor

The external auditor appointed by the shareholder of the Company is PricewaterhouseCoopers.

PricewaterhouseCoopers Société coopérative
2 rue Gerhard Mercator
B.P. 1443
L-1014 Luxembourg
Grand-Duchy of Luxembourg
Telephone: +352 49 48 48 1
Fax: +352 49 48 48 29 00
www.pwc.lu

Holding company

The parent company of the Company is Swiss Re Europe Holdings S.A., a limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand-Duchy of Luxembourg, with registered office at 2A, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B72575. Swiss Re Europe Holdings S.A owns 100% of the shares of the Company.

¹ As at 31 December 2018

Section A: Business and performance

Material related undertakings

As of 31 December 2018, the investments by the Company in material related undertakings were as follows (by decreasing absolute amount of investment):

Subsidiary	Country	Proportion of ownership interest %
Swiss Re Germany GmbH	Germany	94
Swiss Re Germany Verwaltung GmbH & Co. KG	Germany	99.99
Swiss Re Germany Trust e.V.	Germany	100
BlackRock PEP IV, L.P.	Cayman Islands	26.92
BlackRock PEP V, L.P.	Cayman Islands	29.05
PEP SR I Umbrella L.P.	Cayman Islands	20

Simplified group structure

The Company's parent and ultimate parent company and material related undertakings as at 31 December 2018 were as follows:



Material lines of business and geographical areas

Material countries by gross written premium

The material geographic areas for the year ended 31 December 2018 were as follows (by location of the ceding undertaking, as defined in the Quantitative Reporting template (QRT) S.05.02.01 for reinsurance business):

- United Kingdom*
- Germany
- Spain
- France
- Canada

* including Gibraltar

Material lines of business by gross written premium

The material Solvency II lines of business for the year ended 31 December 2018 were as follows:

- Motor vehicle liability proportional reinsurance
- Fire and other damage to property proportional reinsurance
- Property non-proportional reinsurance
- Life reinsurance
- Health reinsurance

Significant business or other events

There were no significant business or other events that have had material impact on the Company during 2018.

A2: Underwriting performance

Underwriting performance

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

EUR millions	2017	2018
Non-life reinsurance		
Motor vehicle liability - proportional	-35	-19
Fire and other damage to property - proportional	-71	69
Non-proportional property	58	172
Other non-life	47	46
Total non-life	-1	268
Life and health reinsurance		
Health	-1	45
Life	151	-26
Total life	150	19
Total all lines	149	287

The underwriting performance by material countries, for the reporting periods ended 31 December, was as follows:

EUR millions	2017	2018
United Kingdom*	-54	-78
Germany	84	47
Spain	-51	-9
France	120	40
Canada	-60	194
Other	110	93
Total	149	287

* including Gibraltar

The underwriting performance for 2018 was a profit of EUR 287 million (2017: EUR 149 million). Net earned premiums remained stable at EUR 2 343 million (2017: EUR 2 366 million).

The non-life technical result was positive, driven by reserve releases. In addition, natural catastrophes in 2018 did not have significant impact on the Company.

The life technical result was also positive, primarily due to expected profits and releases on provisions for adverse deviations.

Net operating expenses in 2018 remained stable at EUR 487 million (2017: EUR 486 million).

Section A: Business and performance

A3: Investment performance

Investment results

Investment income and expenses by investments assets category, for the reporting periods ended 31 December, were as follows:

EUR millions	2017	2018
Deposits with ceding undertakings	48	44
Income from related undertakings	14	13
Shares and private equity	99	98
Debt securities and other variables	111	112
Value re-adjustments on investments	7	3
Gains on realisation of investments	141	110
Other	6	6
Total investment income	426	386
Investment management charges, including interest	-77	-62
Value adjustments on investments	-34	-104
Losses on realisation of investments	-13	-13
Total investment charges	-124	-179

Investment income in 2018 amounted to EUR 386 million (2017: EUR 426 million) and investment charges to EUR 179 million (2017: EUR 124 million). Decrease in investment income is primarily from lower realised gains on investments. Meanwhile, the increase in investment charges was due to increase in value adjustments on private equity investments and equities.

Gains and losses recognised directly in equity

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

Investments in securitisation

The Company holds EUR 67 million of market value of collateralised investments, mainly residential mortgage-backed securities in Europe. The investment income shown above includes EUR 1 million interest income from these investments.

A4: Performance of other activities

Material leasing arrangements

The Company has various agreements for the lease of office space. The expenses for the lease of office space in 2018 amounted to EUR 6 million. The Company does not have any other material financial and operating leasing arrangements.

Other material income and expenses incurred during the reporting period

Other charges in 2018 amounted to EUR 42 million (2017: EUR 27 million) and mainly consisted of trademark licence fees and transactions with Group companies.

A5: Any other information

Other material information

The ultimate outcome of Brexit and the relationship between the EU and UK remain unclear. The Company's UK branch will continue to operate in the UK market as allowed under the Temporary Permission Regime. The Company is actively engaging with the relevant UK and Luxembourg regulators to ensure minimum disruption from Brexit and has actioned contingency plans to mitigate the risk of any adverse impacts on the ability to serve clients and customers as a result of Brexit.

Section B: System of governance

B1: General information on the system of governance

Organisational structure and system of governance

The governance and organisational structure of the Company is set out in the Company's Articles of Association, Terms of Reference and Charters of Duties. These define the responsibilities and authority of the members of the Board and Committees.

Board

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

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

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

Composition of the Board

As at 31 December 2018, the Board has nine members, of whom five are independent non-executive members and four are members of the Swiss Re Group Executive Committee. The Chairman of the Board is an independent non-executive member appointed by the Board.

Delegation and retained responsibilities of the Board

The Board has delegated certain responsibilities and authorities to the following Board Committees:

- the Audit Committee
- the Finance and Risk Committee

The Board has further delegated certain responsibilities and authorities to:

- the Management Committee
- the Solvency II Committee
- the General Manager
- the General Manager Committee
- the Branch Managers
- the Key Function Holders
- the Key Functions Committee

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

Board Committees:

Audit Committee

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

Finance and Risk Committee

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

Section B: System of governance

Other delegations:

Management Committee

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

Solvency II Committee

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

General Manager

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

General Manager Committee

The purpose of the General Manager Committee is to assist the General Manager in managing and supervising operational activities of the Company and its branches to the extent that such operational activities relate to the Company and to provide a cross-functional and cross-location coordination and communication platform for matters relating to the Company.

Branch Managers

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

Key functions

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

The roles and implementation of the key functions are as follows:

Risk Management

Please refer to the subsection "B3: Risk management system" and paragraph "Implementation and integration of the Risk Management function" on page 14 for details of the Risk Management function.

Compliance

Please refer to the subsection "B4: Internal control system" and paragraph "Implementation of the Compliance function" on page 16 for details of the Compliance function.

Internal Audit

Please refer to the subsection "B5: Internal audit function" and paragraph "Implementation of the Internal Audit function" on page 16 for details of the Internal Audit function.

Actuarial

Please refer to the subsection "B6: Actuarial function" and paragraph "Implementation of the Actuarial function" on page 16 for details of the Actuarial function.

Key Function Holders

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

Key Functions Committee

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

Reporting and access to information

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

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

Material changes in the system of governance

There were no significant changes to the system of governance in 2018. Effective 14 December 2018, the Board approved a new Material Transaction Approval Process Framework (Appendix VI to the Company’s Terms of Reference), the dissolution of the Material Transaction Sub-Committee of the Company and required amendments to the Terms of Reference and the Management Committee Charter (Appendix III to the Company’s Terms of Reference). In accordance with the provisions of the Luxembourg law dated 7 December 2015 on the insurance sector (as amended) and the CAA Circular letter 18/10 dated 23 October 2018, the Board appointed the person who, within the management of the Company, is responsible for distribution of (re)insurance products.

Remuneration policy and practices

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

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

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

Overview of the compensation components

Fixed compensation

Base salary

Base salary is the fixed compensation paid to employees for carrying out their role and is established based on the following factors:

- Scope and responsibilities of the role, as well as qualifications required to perform the role
- Market value of the role in the location in which Swiss Re competes for talent
- Skills and expertise of the individual in the role

Benefits

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

Variable compensation

Annual Performance Incentive

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

Section B: System of governance

Value Alignment Incentive

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

Leadership Performance Plan

The purpose of the LPP is to provide an incentive for Swiss Re's senior management to create sustainable company performance over the long term. The vesting and performance measurement period is three years. For LPP awards granted to Group Executive Committee members and other key executives, the duration of the LPP is five years, comprising a three-year vesting and performance measurement period and an additional two-year holding requirement.

Participation plans

Incentive Share Plan

The Incentive Share Plan (ISP) provides employees with an opportunity to purchase Swiss Re shares with some or all of their immediate cash API. Shares are offered with a 10% discount on the fair value and are subject to a one-year blocking period. Full shareholder rights apply during this blocking period. The ISP encourages alignment with shareholder interests. At the end of the one-year period, the employee assumes full ownership of the shares. The ISP has been discontinued from 2019.

Global Share Participation Plan

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

Compensation framework for the Board

Compensation structure for non-executive directors

The non-executive members of the Board and Board Committees of the Company receive 100% of their fees in cash. The payments are made on a quarterly basis. The fees are determined in advance at the start of the financial year and are approved at the Swiss Re Group level. The formal decision is taken at the General Shareholders Meeting of the Company. Any compensation paid to non-executive directors who are also members of the Swiss Re Ltd Board of Directors (or Group Executive Committee, if any) is subject to approval by the Annual General Meeting of Swiss Re Ltd and may only be paid after due authorisation. The fee level for each member is reviewed annually and reflects their differing levels of responsibility and time commitment.

Compensation structure for executive directors

Executive directors receive no additional fees for their services as members of the Board.

Performance criteria

Annual Performance Incentive

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

Value Alignment Incentive

The performance factors of the VAI are calculated based on the three-year average of the published Economic Value Management (EVM) previous years' business profit margin. EVM is Swiss Re's proprietary integrated economic valuation and steering framework, consistently measuring performance across all businesses.

Leadership Performance Plan

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

Restricted Share Units

The performance condition for RSUs is return on equity (ROE) with a linear vesting line. Vesting is at 0% for an ROE at the risk-free rate and at 100% for an ROE at a pre-defined premium above the risk-free rate. The premium is set at the beginning of the plan period and for LPP 2018, this premium has been set at 900 basis points above the annual risk-free rate which is determined as the average of 12 monthly rates for ten-year US Treasury bonds of the corresponding performance year. At the end of each year, the performance against the ROE condition is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%*).

Performance Share Units

The performance condition for PSUs is relative total shareholder return (TSR) measured over three years. The PSUs vest within a range of 0% to 200%. Vesting starts at the 50th percentile of TSR relative to peers with 50% vesting and is capped at 200%* vesting at the 75th percentile relative to peers. In case of a negative TSR over three years, Swiss Re retains the discretion to reduce the level of vesting. Swiss Re's three-year TSR performance is assessed relative to the TSR of a predefined peer group for the same period. This peer group consists of companies that are similar in scale, have a global footprint or a business mix similar to Swiss Re.

Supplementary pension or early retirement schemes for key individuals

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

Material transactions

During 2018, there were no material transactions with shareholders, with persons who exercise a significant influence on the Company, or with members of the administrative, management and supervisory bodies.

B2: Fit and proper requirements

Policy framework for fit and proper requirements

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

Process for assessing fitness and propriety

Compliance with fit and proper requirements of the Board and Board Committees is reviewed at various stages, as shown in the table below.

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

* Maximum vesting percentage excludes share price fluctuation until vesting.

Section B: System of governance

B3: Risk management system including the own risk and solvency assessment

Risk management system

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

A key objective of the Risk Management function is to support controlled risk-taking and the efficient, risk-adjusted allocation of capital. The Company's risk management is based on four guiding principles. These apply consistently across all risk categories:

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

Risk identification

For its risk identification process, the Company applies the Swiss Re Group's framework for identifying, assessing, managing and controlling risks. In addition, the emerging risk process provides a platform for raising emerging risks and reporting early warning signals. This information is complemented with external expertise, and reported to internal stakeholders.

Risk appetite framework and limits

The Company's risk appetite framework establishes the overall approach through which the Company practises controlled risk-taking and leverages the Group's risk appetite framework as provided in the Group Risk Policy. The Company practises controlled risk taking based on its risk appetite statement, risk tolerance according to its Legal Entity Capitalisation Policy, which defines the target capital as the minimum available capital that the Company needs to hold in relation to the risks that it assumes as well as limits and other controls.

Implementation and integration of the Risk Management function

Under the Company's Terms of Reference, the Board assumes the oversight role for risk and capital steering supported by the Chief Financial Officer and the Chief Risk Officer. The Board has delegated certain responsibilities and authorities to the Audit Committee, the Finance and Risk Committee as well as to other committees (including the Management Committee and Solvency II Committee).

The governance bodies for the Company are described in section "B1: General information on the system of governance", paragraph "Organisational structure and system of governance" on page 9. The Company's Risk Management is supported by global and business unit Risk Management functions that provide specialised risk category expertise and accumulation control, risk modelling and reporting services, regulatory relations management, central risk governance framework development and specialised risk category expertise and accumulation control.

Internal model

The Company uses an internal model for the purposes of calculating the SCR under Solvency II. The CAA approved the internal model and its associated governance framework for use in calculating the SCR under Solvency II on 17 December 2015. The Company's internal model governance framework sets out the requirements for model development standards, the governance around changes to the internal model, validation of the internal model and data quality standards. The internal model governance framework leverages the Swiss Re model governance framework.

The Chief Risk Officer reports the results from the internal model to the Company's Management Committee, the Finance and Risk Committee, the Audit Committee and the Board as well as to the regulatory authorities based on regulatory reporting requirements.

Process for accepting changes to the internal model

The Company has defined a controlled approval process for all model changes that leverages the process and definitions in the Group Risk Model Change Standards adopted by the Company. This includes a qualitative and quantitative assessment of the impact of model changes on the Company. The Board is required to approve any major changes to the model prior to

implementation. Subsequently, major changes are submitted to the CAA for approval prior to use for external reporting purposes. Minor changes can be adopted by the Company's Chief Risk Officer and notified to the CAA.

Material changes to the internal model governance

The Company's internal model governance framework has not been changed during the reporting period.

Internal model validation tools and processes

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

The Prudent Person Principle

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

Own Risk and Solvency Assessment process

The Own Risk and Solvency Assessment (ORSA) is an ongoing process, with critical risk control and reporting activities being carried out on a regular basis. It is used to assess the risks inherent in the business plan and the resilience of the Company's solvency and balance sheet over a three-year horizon. Anticipated significant changes in risk profiles are included in assessing the future solvency position. Scenarios are used to provide insights into the strength of the balance sheet and to assess future potential solvency positions. Where exceptionally adverse scenarios are identified, mitigating actions and control measures are proposed which would require the Board's approval prior to action being taken.

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

Review of ORSA

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

Solvency assessment

Based on the planned risk profile, the internal model is used to determine capital requirements. The Company sets aside capital to cover its quantifiable risks in accordance with its capitalisation policy (see section "E1. Own funds" for more information). The risk-based capitalisation position of the Company is monitored on a frequent basis by the Company's Chief Risk Officer and Chief Financial Officer against target capital with a number of options if risk and capital develop out of predefined control ranges. The ORSA process uses scenarios to stress the plan and assess the resilience of the solvency through the plan period, including identifying relevant actions that may be considered to mitigate the potential downsides.

B4: Internal control system

Internal control system

Coordinated assurance framework

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

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

Assurance function interactions

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

- Risk scoping and assurance planning
- Coordination between assurance functions in business interactions
- Issue and action management interactions

Section B: System of governance

- Monitoring across assurance functions
- Reporting

Implementation of the Compliance function

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

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

The Compliance function is responsible for:

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

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

B5: Internal Audit function

Implementation of the Internal Audit function

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

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

Independence of the Internal Audit function

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

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

B6: Actuarial function

Implementation of the Actuarial function

The tasks of the Actuarial function under the Solvency II framework are allocated across various functions of the Company:

- Technical provisions calculations are overseen and signed off by qualified actuaries within the Company
- Opinions on the underwriting policy and reinsurance adequacy are performed within Risk Management
- Input and feedback into the risk modelling framework are provided by the Risk Management team

B7: Outsourcing

Outsourcing policy

The Company has adopted Swiss Re's comprehensive global outsourcing policy and has further specified the roles and responsibilities within the Company in separate addendum.

The framework covers two types of outsourcing arrangements:

- External outsourcing, where the mandate is given to an external service provider
- Intra-group outsourcing between Swiss Re entities

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

The Board approves the appointment of Outsourcing Managers for outsourcing arrangements related to critical or important functions.

The critical or important services related to Risk Management, the Actuarial function, Compliance and Internal Audit are provided to the Company by other entities in the Swiss Re Group (all located in Europe) under intra-group outsourcing arrangements.

B8: Any other information

Assessment of adequacy of the system of governance

The Board carries out an annual evaluation of its system of governance against relevant best practice standards. During the reviews performed in 2018, the Board concluded that the system of governance is adequate to the nature, scale and complexity of the risks inherent in its business.

Other material information

There is no other material information to report for 2018.

Section C: Risk profile

Overview of risk exposure

The Company is exposed to a broad landscape of risks. These include core risks that are taken as part of insurance or asset management operations and are quantified in the Company's internal model. As required under Solvency II, the model also quantifies operational risk. In addition to these modelled risks, the Company is exposed to further risks that arise from undertaking business, including liquidity, strategic, regulatory, political and reputational risk.

Modelled risks		Other risks	
Underwriting: Property and Casualty, Life and Health and Credit	Operational risk	Liquidity risk	Strategic risk
Financial Market risk			Regulatory risk
Credit risk excluding Credit underwriting			Political risk
			Reputational risk
Emerging risks			

Measures used to assess risks and material changes

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

In line with the definition of Solvency II, the SCR of the Company measures the capital requirement at a 99.5% value at risk, which measures the annual loss with a recurring period of once in two hundred years.

Quantification of modelled risks by risk category

The table below sets out the quantification as at 31 December 2018 for the Company's modelled risk categories over the next twelve months and the changes compared to the previous year. The figures represent the loss for each risk category* that is likely to be exceeded only once in two hundred years. Due to diversification, the total risk of the Company is lower than the sum of the individual categories.

EUR millions	2017	2018
Property and casualty risk	2 357	2 137
Life and health risk	1 093	1 091
Financial market risk	603	569
Credit risk	158	172
Operational risk	112	112
Diversification	-1 700	-1 627
Other impacts**	-1 609	-1 600
Pre-tax Solvency Capital Requirement	1 014	854
Deferred tax impact	-109	-109
SCR	905	745

* Risk categories are gross of retrocession.

** Other impacts: mainly driven by retrocession.

The total risk and SCR of the Company have decreased compared to 2017. This is driven by lower volumes for Property and Casualty with a reduction in the proportion of nat cat exposures and a reduction in Financial Market risks following changes in investment allocation and market movements.

Risk concentration

The most significant risk concentration for the Company derives from the IGR with SRZ, which is well capitalised. For details of the solvency position of SRZ, please refer to the Swiss Re Group website: <https://www.swissre.com/investors/solvency-ratings/financial-strength-ratings.html>

The underwriting risk of the Company is dominated by natural catastrophe risks (in particular European windstorm, Canadian windstorm and Earthquake Pacific Northwest) and lethal pandemic risk.

The following sections (C1 to C6) provide further details.

C1: Underwriting risk

Risk exposure

Underwriting risk comprises exposures taken on by the Company when it writes life and health, property and casualty, and credit insurance business.

Life and Health risk

Life and Health (L&H) risk arises from the business the Company takes on when providing mortality (death), longevity (annuity), and morbidity (illness and disability) coverage. In addition to potential shock events, such as a severe pandemic, the Company monitors and manages underlying risks inherent in L&H contracts (such as pricing and reserving risks) that arise when mortality, morbidity, or lapse experience deviates from expectations. The investment risk that is part of some L&H business is modelled, monitored and managed as financial market risk. L&H risk of the Company is mainly driven by lethal pandemic risk and mortality trend risk.

Property and Casualty risk

Property and Casualty (P&C) risk arises from coverage that the Company provides for property, liability, motor and accident risks, as well as for specialty risks such as engineering, aviation and marine. It includes underlying risks inherent in the business underwritten, such as inflation or uncertainty in pricing and reserving. Major P&C risks of the Company comprise claims inflation, costing and reserving risk as well as natural catastrophe risk related to European windstorm, German flood, Canadian windstorm and Earthquake Pacific Northwest.

Credit underwriting risk

Credit underwriting risk arises from liabilities taken on by the Company in the course of its Credit and Surety underwriting. The exposure from this line of business is small in comparison to P&C and L&H exposures. Due to the nature of the risk, Credit underwriting risk is quantified in the credit model.

Material risk developments over the reporting period

The Company's underwriting risk decreased with lower volumes for P&C and a reduction in the proportion of nat cat exposures.

Risk mitigation

The Company's underwriting risk is largely mitigated by a combination of proportional and non-proportional internal retrocessions.

Sensitivity analysis and stress testing

The following stress scenarios have been explored for their underwriting risk impact as part of the 2018 ORSA:

Brexit scenario

This scenario considers the negative macroeconomic consequences from a "no deal" Brexit and the impact on the risk profile of the Company of the potential separation of UK business from the remaining portfolio, eg loss of diversification.

Extreme loss scenario (reverse stress test)

This scenario considers two major underwriting events (a severe US earthquake and Tropical Cyclone North Atlantic), which happen during an economic downturn. The scenario assumes a cross-impact on mortality trends causing a major strengthening of L&H reserves.

The application of the scenarios provided insights into the resilience of the Company and its ability to meet Solvency II requirements in extreme scenarios.

Special purpose vehicles

The Company does not currently use special purpose vehicles.

Section C: Risk profile

C2: Financial market risk

Risk exposure

The value of the Company's assets or liabilities may be affected by movements in financial market prices or rates, such as equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices. The Company is exposed to such financial market risk from two main sources: investment activities and the sensitivity of the economic value of liabilities to financial market fluctuations. Three forms of financial market risk are currently material for the Company: credit spread risk, equity risk and real estate risk.

List of assets

The Company invests in government, corporate and agency bonds, cash and cash equivalents, listed investments, securitised assets, infrastructure loans, and alternative investments (including real estate) and private equities. These investments have been made in accordance with the prudent person principle as outlined in the paragraph "The Prudent Person Principle" on page 15.

Material risk developments over the reporting period

The Company's financial market risk decreased following changes in investment allocation and market movements.

Risk mitigation

The Company uses a prudent and effective asset and liability matching process to mitigate financial market risks. Regular reporting monitors the effectiveness of the asset liability matching process that is in place. The limits or ranges on asset classes are approved on an annual basis to take into account business planning and the strategic asset allocation plan; usage against approved target ranges is monitored regularly.

Sensitivity analysis and stress testing

A number of financial market scenarios are considered to assess the resilience of the capitalisation of the Company. Two financial market risk scenarios have been explored as part of the 2018 ORSA:

- Short-term volatility of financial markets in the context of a "no-deal" Brexit scenario
- Adverse financial market development under the Extreme loss scenario, including rising inflation

The Company continues to meet all Solvency II requirements under both scenarios.

Group-wide stress testing framework

Apart from the scenarios considered above, the Company's financial market exposures are also subject to the group-wide stress testing framework. The asset management stress is monitored on a daily basis against an approved target range.

C3: Credit risk

Risk exposure

Credit risk reflects the potential financial loss that may arise due to diminished creditworthiness or default of counterparties of the Company or of third parties. This risk arises directly from investment activities as well as from counterparty risk related to external and intra-group counterparties. The Company's credit risk mainly stems from investments into corporate bonds.

Material risk developments over the reporting period

Total credit risk has slightly decreased, driven by lower credit investment exposure.

Risk mitigation

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

Sensitivity analysis and stress testing

No specific scenario is considered for credit risk.

C4: Liquidity risk

Risk exposure

Liquidity risk represents the possibility that the Company will not be able to meet expected and unexpected cash flow and collateral needs without affecting either daily operations or the Company's financial condition. The Company's exposure is driven by potential extreme losses as well as the amount of its investments into liquid assets.

Material risk developments over the reporting period

Liquidity risk has decreased driven by an increase in liquid assets following steps to restructure collateral requirements for existing business.

Risk mitigation

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

Sensitivity analysis and stress testing

The Company assesses liquidity risk against extreme losses affecting the relevant liquidity pool using a group-wide liquidity stress scenario. The most recent analysis shows that the Company's liquidity position is sufficient to meet the liquidity requirements resulting from such a large loss event over a one-year period.

Amount of expected profit in future premiums

The total amount of expected profit in future premiums for the Company as at 31 December 2018 is EUR 1 799 million.

C5: Operational risk

Risk exposure

Operational risk represents the potential economic, reputational or compliance impact of inadequate or failed internal processes, people and systems or from external events, including legal risk and the risk of a material misstatement in financial reporting.

Material risk developments over the reporting period

Operational risk remained stable. The number and severity of operational events within the existing period are within acceptable levels. No emerging themes are noticeable with the majority of events relating to processing, human and internal communication errors without any major financial or reputational impact on the Company.

Risk mitigation

The Company's coordinated assurance framework outlined in section B4 is used to manage and mitigate operational risk.

Sensitivity analysis and stress testing

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

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

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

C6: Other material risks

No other material risks have been identified, but there is a process by which the Company tracks the development of emerging risks.

C7: Any other information

Other material Information

All material information has been disclosed above.

Section D: Valuation for solvency purposes

D1: Assets

Methods applied for valuation of material assets

Material assets on a Solvency II valuation basis as at 31 December 2018 were as follows (based on QRT Balance Sheet S.02.01.02):

EUR millions	Solvency II	Company Statutory	Difference
Investments (other than assets held for index-linked and unit-linked funds)	6 110	5 721	389
Reinsurance recoverables	6 094	10 489	-4 395
Deposits to cedents	1 609	1 425	184
Total of all other assets not listed above	1 859	4 358	-2 499
Total assets	15 672	21 993	-6 321

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

Material assets	Quoted market price valuation	Adjusted equity valuation	Alternative valuation
Investments (other than assets held for index-linked and unit-linked funds)			
All other investments, excluding the investments listed below	X		
Participations (subsidiaries and associates)		X	
Private equity funds		X	
Property other than for own use			X
Loans and mortgages			X
Reinsurance recoverables			X
Deposits to cedents			X

Investments (other than assets held for index-linked and unit-linked funds)

Solvency II

Quoted market price valuation:

- Investments (excluding the investments listed below) are valued at fair value, determined to the extent possible by reference to observable market prices.

Adjusted equity valuation:

- Participations: valuation of participations (subsidiaries and associates) is estimated based on readily available accounting information.
- Private equity funds: the valuation is based on net asset value.

Alternative valuation:

- Property other than for own use has been valued by an external appraiser using a discounted cash flow method.
- Loans and mortgages are valued using a discounted cash flow method. The values thus determined are considered a reasonable approximation of the market value.

Company Statutory

Amortised cost:

- Debt securities and other fixed income transferable securities are valued at amortised cost (included as bonds or collateralised securities under Solvency II).
- Loans to affiliated undertakings are valued at their amortised cost.

Nominal value:

- Deposits with credit institutions are valued at nominal value.

Lower of acquisition cost or market value:

- Shares and other variable yield transferable securities and units in unit trusts are valued at the lower of acquisition cost or market value except for positions held to hedge liabilities in respect of certain co-reinsurance treaties of unit-linked insurance portfolios, which are carried at fair value (included as equity or investment funds under Solvency II).
- Private equity funds are valued at the lower of acquisition cost or market value (included as investment funds under Solvency II).
- Shares in affiliated undertakings and participating interests, including investments in unit trusts solely used as investment vehicles by Swiss Re Group entities, are valued at the lower of acquisition cost or market value. Acquisition cost includes expenses related to the purchase.

Depreciated acquisition cost:

- Land and buildings are valued at historical acquisition or construction cost. Buildings are depreciated over their useful economic lives. The acquisition cost includes expenses related to the purchase.

The difference between Solvency II and Company Statutory is mainly due to unrealised gains/losses, which are taken into account under Solvency II but not accounted for Company Statutory purposes. In addition, the accrued interest on investments is classified as receivables under Company Statutory but as investments under Solvency II. Furthermore, in the Solvency II balance sheet, pension liabilities and pension assets are netted, consistent with IAS 19. For more details on pension assets and liabilities, refer to the paragraph "Employee benefits" on page 30.

Reinsurance recoverables

Solvency II

The share of technical provisions for retroceded business is determined with reference to the contractual agreement and the underlying gross Solvency II best estimate liability per treaty. Furthermore, the reinsurance recoverables include the allowance for the counterparty credit risk.

Company Statutory

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

The difference in life between Solvency II and Company Statutory is attributable to the margins included within the statutory reserving basis. The difference in non-life is attributable to the discounting approach under Solvency II where the future cash flows are discounted using the Solvency II discount rates.

Refer to section "D2. Technical provisions" for further details on reinsurance recoverables.

Deposits to cedents

For L&H business, the value of deposits with ceding undertakings is calculated by discounting the deposit reserve cashflows (mainly change in deposits and interest on deposits) using the official risk-free discount rates published by the European Insurance and Occupational Pensions Authority (EIOPA). The difference between Solvency II and Company Statutory is due to the different discounting treatment for the funds.

For P&C business, deposits with ceding undertakings are stated mostly at face value under Solvency II and the Company Statutory valuation. The difference between Solvency II and Company Statutory is due to the different discounting treatment for funds withheld deals under Solvency II compared to Company Statutory, where no discounting is applied to the cash deposits.

Other assets not listed above:

The difference between Solvency II and the Company Statutory amounts of other assets not listed above is mainly driven by deferred acquisition costs, only recognised in Company Statutory, and debtors arising out of reinsurance operations. A part of the latter item contains future cash flows recognised under Solvency II as a part of technical provisions.

Assumptions and judgements applied for valuation of material assets

Investments are valued at market value, which is determined to the extent possible by reference to observable market prices. Where observable market prices are not available, the Company follows the fair value measurement methodology. There are no major sources of estimation of uncertainty when using judgements to determine valuations. Since Solvency II follows fair value methodology, the securities are not carried at more than the recoverable amounts.

Changes made to recognition and valuation basis of material assets during the year

During the year, recognition of deposits to cedents for Solvency II for L&H business has changed from face value to discounting the deposit reserve cashflows (mainly change in deposits and interest on deposits) at the EIOPA prescribed risk-free rates. No other changes were made to the recognition and valuation basis or to estimation assumptions during 2018.

Drivers of difference between Solvency II and Company Statutory accounts

The difference between the Solvency II balance sheet and the Company Statutory balance sheet is explained by the different valuation methodologies used as described in the paragraph "Methods applied for valuation of material assets" above.

Property (held for own use)

The Company does not hold any property for own use as at 31 December 2018.

Section D: Valuation for solvency purposes

Inventories

The Company does not hold any inventories as at 31 December 2018.

Intangible assets

The Company does not show any intangible assets on the Solvency II balance sheet as at 31 December 2018.

Financial assets

Methods and assumptions applied in determining the economic value

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

As at 31 December 2018, the value of assets in scope of the QRT List of assets S.06.02 valued at quoted market prices in active markets, for the identical assets, was EUR 1 021 million. The value of assets valued at quoted market prices in active markets, for similar assets, was EUR 2 714 million. The value of assets using the adjusted equity method was EUR 2 463 million and the value of assets using the alternative valuation method was EUR 2 338 million (of which deposits to cedents EUR 1 609 million).

Use of non-observable market data

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

Significant changes to the valuation models used

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

Lease assets

The Company does not have any material financial and operating leasing arrangements other than various agreements for the lease of office space.

Deferred tax assets

Recognition of deferred tax assets

Deferred income tax assets of EUR 322 million have been recognised for all deductible temporary differences and for the carry forward on unused tax losses and unused tax credits, to the extent that the realisation of the related tax benefit through expected future taxable profits is probable.

Deferred tax asset recognition on tax losses is determined by reference to the tax laws enabling such recognition on the same enacted or substantively enacted basis.

Amount for which no deferred tax asset is recognised

No amount of deferred tax asset is recognised in the Solvency II balance sheet for deductible temporary differences, unused tax losses and unused tax credits because of tax loss carry forward restrictions, other than EUR 706 million (2017: EUR 648 million) of Luxembourg tax losses, due to the uncertainty of future profit projections.

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

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

Swiss Re UK Life & Health and Swiss Re UK Property & Casualty are considered as separate entities for deferred taxes computation in this regard.

Projected future taxable profits

Deferred tax assets to be recovered after more than 12 months are EUR 322 million (2017: EUR 341 million).
Deferred tax assets to be recovered within 12 months are zero.

The utilisation of deferred tax assets depends on projected future taxable profits, including those arising from the reversal of existing taxable temporary differences.

Actual tax losses suffered by the Company

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

Tax rate changes during the year and their effects on deferred tax assets

The tax rate changes during the year do have an effect on deferred tax assets, which are computed based on enacted statutory rates.

For the details of deferred tax liabilities please refer to the paragraph “Deferred tax liabilities” on page 29.

Valuation of related undertakings

Participations are valued using the adjusted equity method.

The adjusted equity method is used to value those participations where there are no observable market prices or where there is no alternative valuation method applied given that the nature and size of those participations do not justify the application of alternative valuation methods.

D2: Technical provisions

Life business

Material technical provisions by Solvency II line of business

The following table shows the value of life technical provisions, based on QRT S.12.01.02, by material line of business as at 31 December 2018:

EUR millions	Gross best estimate	Net best estimate	Risk margin	Total net technical provision
Life	-712	-481	206	-275
Health	903	181	30	211
Total	190	-301	236	-64

Overview of methodology and assumptions

Best estimate

Cash flow projections have been carried out on each relevant risk within the contract, which entails calculating the present value of projected premiums, claims, commission (initial, initial claw-back and renewal), profit commission, management expenses, surrender values and maturities over the lifetime of each policy using best estimate assumptions. The cash flows are discounted using the official risk-free discount rates published by EIOPA. No allowance is made for the matching premium or counter-cyclical premium.

Provisions for options and guarantees

Additionally, whenever the Company’s liabilities include provision to cover options or guarantees, then additional liabilities have been established where considered necessary.

Portfolio reinsurances

The Company has a number of portfolio level financing arrangements. The Company is exposed to the risk that the cedents’ future profits or surpluses in the defined portfolios supporting these arrangements will be lower than expected. Ongoing monitoring of the performance of the underlying portfolios is conducted and appropriate liabilities established wherever necessary.

Simplifications used in calculation of best estimate or risk margin

There are no relevant simplifications.

Risk margin

The risk margin is calculated under a transfer value approach, assuming that the insurance or reinsurance obligations are transferred to a so-called reference undertaking, which is assumed to be empty prior to the transfer and then funded with assets

Section D: Valuation for solvency purposes

to cover the technical provisions. Since the calculation is based on the cost of holding required capital, assumptions around the risk margin rely on the calculation of the SCR and are explained and justified in the internal model documentation.

Solvency II additionally requires the allocation of the risk margin to the lines of business or segments as defined by the Solvency II regulation. The allocation is required to adequately reflect the contribution of the lines of business to the SCR of the reference undertaking over the lifetime of the insurance or reinsurance obligations. In the internal model, the allocation is implemented by breaking down the future SCR into non-life and life and model currencies proportionately to the contribution to the Company's SCR.

Uncertainty associated with the technical provisions

Estimating technical provisions involves predicting future cash flow payments (income and outflow) based on historical and existing information and knowledge, as well as judgement about future conditions. However, changes to economic (national or regional) performance, medical advances (different from expected), policyholder attitudes regarding insurance policies, the social or regulatory environment or the Company's operation and its book of business mean that actual cash flows will most likely be different from the predicted cash flows.

Material differences between Solvency II and statutory technical provisions

Material differences by line of business between Solvency II and statutory net life technical provisions as at 31 December 2018 were as follows:

EUR millions	Solvency II	Company Statutory	Difference
Life	-275	1094	-1369
Health	211	702	-491
Total	-64	1796	-1860

The actuarial methods and assumptions used for the valuation of the technical provisions for Solvency II purposes are similar to those used for the preparation of the Company's statutory accounts. Nevertheless, there are significant differences between the two accounting standards. The difference of EUR -1 860 million is driven by reasons below. It is worth noting that a negative difference here means that statutory technical provisions are higher than Solvency II technical provisions.

- Statutory margins included in the statutory reserves contribute EUR -1 799 million to the difference (EUR -1 362 million for Life and EUR -437 million for Health). Statutory reserving includes prudent margins whereas Solvency II technical provisions are the best estimate (excluding risk margin).
- Remaining differences relate mainly to client balances and risk margin which are within Solvency II technical provisions and not in statutory reserves.

Recoverables due from reinsurance contracts

Net technical provisions take account of the reinsurance recoverables based on the underlying contracts. The reinsurance ceded is predominantly proportional reinsurance. Therefore, the determination of the reinsurance recoverable is a pure calculative process and does not require estimations, actuarial methods, assumptions, or other judgemental elements. In the valuation of ceded reinsurance, the counterparty risk is considered.

Material changes in assumptions made

During 2018, updates were made to the mortality, morbidity and lapse assumptions. These updates were to reflect the more recent experience across the portfolios.

Matching adjustment

Not applicable to the Company.

Volatility adjustment

Not applicable to the Company.

Transitional measures

Not applicable to the Company.

Non-life business

Material technical provisions by Solvency II line of business

The following table shows the value of non-life technical provisions, based on QRT S.17.01, by material line of business* as at 31 December 2018:

EUR millions	Gross best estimate	Net best estimate	Risk margin	Total net technical provision
Motor vehicle liability proportional reinsurance	1 472	599	19	618
Fire and other damage to property proportional reinsurance	587	261	11	272
General liability proportional reinsurance	714	265	16	281
Casualty non-proportional reinsurance	4 639	1 787	227	2 013
Property non-proportional reinsurance	934	319	7	326
Total of other not included in above	770	284	10	295
Total	9 117	3 514	290	3 804

* By the amount of net technical provisions for non-life business.

Overview of methodology and assumptions

Best estimate

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

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

Combining the payment patterns and nominal values provides the expected future cash flow streams. Applicable discount rates can be applied to these future cash flow streams for Solvency II reporting. Those estimates are elaborated by a dedicated team of reserving actuaries as follows:

- For most contracts, they use classical actuarial methods for analysing triangular information concerning the development of past premiums, claims and commissions. For such analysis, the contracts are grouped into segments (large or structured contracts may be analysed on a standalone basis).
- For new contracts, those estimates cannot be derived with the aforementioned actuarial techniques. The values of new contracts are generally based on values estimated during the process of determining the price of each contract. Over time, as new experience emerges, the initial estimates are being revisited using the classical actuarial techniques.

The estimates are reviewed and approved by the reserving committee.

Main assumptions

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

Risk margin

Please refer to the paragraph "Overview methodology and assumptions" on page 25 within the subsection "D2: Technical provisions - Life business" for the calculation of the risk margin.

Uncertainty associated with the technical provisions

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

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

Section D: Valuation for solvency purposes

Material differences between Solvency II and statutory technical provisions

Material differences by line of business between Solvency II and statutory net non-life technical provisions as at 31 December 2018 were as follows:

EUR millions	Solvency II	Company Statutory	Difference
Motor vehicle liability proportional reinsurance	618	770	-152
Fire and other damage to property proportional reinsurance	272	476	-205
General liability proportional reinsurance	281	346	-65
Casualty non-proportional reinsurance	2 013	2 132	-119
Property non-proportional reinsurance	326	415	-89
Total of other not included in above	295	389	-94
Total	3 804	4 529	-725

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

- In the Company Statutory figures, future cash flows are not discounted, time value of money is not recognised, there is no concept of risk margin and the counterparty risk is not included in the valuation.
- For Solvency II purposes, an estimate of the cash flows ultimately received for the contracts in scope is being recognised. For Company Statutory, the contracts in scope are the same, but on assumed proportional reinsurance treaties, only the portion of the cash flows written by the cedent during the reporting period is being recognised.
- In the Company Statutory figures, there is no provision for future losses, whereas the Solvency II technical provisions contain best estimates of future losses not yet incurred at the date of valuation.

Recoverables due from reinsurance contracts

Net technical provisions takes account of the reinsurance recoverables based on the underlying contracts. The reinsurance ceded is predominantly proportional reinsurance. Therefore, the determination of the reinsurance recoverable is a pure calculative process and does not require estimations, actuarial methods, assumptions, or other judgemental elements. In the valuation of ceded reinsurance, the counterparty risk is considered.

Material changes in assumptions made

The data, methods, processes and systems used for reserving bodily injury claims implying future regular payments are being permanently adapted and reviewed. No new reserving approaches were introduced during 2018.

Transitional measures

Not applicable to the Company.

D3: Other liabilities

Other material liabilities

Material other liabilities by Solvency II valuation basis, as at 31 December 2018 were as follows (based on QRT Balance Sheet S.02.01.02):

EUR millions	Solvency II	Company Statutory	Difference
Deposits from reinsurers	1 272	1 134	138
Deferred tax liabilities	706	-	706
Insurance and reinsurance payables	617	1 888	-1 271
Total of all other liabilities not listed above	549	1 418	-869
Total other liabilities	3 144	4 440	-1 296

Deposits from reinsurers

For P&C business, deposits received from reinsurers contain cash deposits withheld from retrocessionaires and are stated mostly at face value under both Solvency II and the Company Statutory valuation.

For L&H business, the value of deposits from reinsurers is calculated by discounting the deposit reserve cash flows (mainly change in deposits and interest on deposits) using the official risk-free discount rates published by the European Insurance and Occupational Pensions Authority (EIOPA). The difference between Solvency II and Company Statutory is due to the different discounting treatment for the funds.

Deferred tax liabilities

Solvency II

Deferred tax assets and liabilities are considered based on temporary differences between the Solvency II balance sheet and the local statutory balance sheet. The analysis is performed on the basis of the local branches of the Company and the corresponding jurisdictional tax regulations are taken into account. Deferred tax assets are calculated on all balance sheet differences that are recognised as being temporary and which will have a tax reversal impact in the foreseeable future. The valuation of the deferred tax assets can be supported by projections of the future taxable profits. The projections are based on prior-year experiences considering expectations about future business. The Company is presumed not to enter into runoff after a shock loss, and credit is only given for deferred tax assets utilised within a three-year timeframe. Adjustments are made for local restrictions on tax loss.

Company Statutory

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

Insurance and reinsurance payables

Solvency II & Company Statutory

Under Company Statutory, this item corresponds to creditors arising out of reinsurance operations. The difference with Solvency II is mainly explained by the future cash flows included as payables under Company Statutory, but recognised as a part of technical provisions under Solvency II. All payables have a term of less than five years.

Other liabilities not listed above

Other liabilities under both Solvency II and Company Statutory include other creditors and tax provisions, with immaterial differences between the two valuations. In addition, Company Statutory also includes the statutory-specific items, such as deferred acquisition costs and provision for currency risks. Furthermore, in the Solvency II balance sheet, pension liabilities are presented net of the assets set aside to cover these obligations, consistent with IAS 19. For more details on pension assets and liabilities, refer to the paragraph "Employee benefits" on page 30.

Other classes of liabilities

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

Financial liabilities

The Company does not have financial liabilities as at 31 December 2018.

Lease liabilities

The Company had no material financial or operating lease liabilities as at 31 December 2018, other than various agreements for the lease of office space.

Deferred tax liabilities

Deferred income tax liabilities of EUR 706 million (2016: EUR 648 million) have been recognised for all taxable temporary differences, which will result in higher future taxable income positions.

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

Deferred tax liabilities to be settled after more than 12 months are EUR 706 million (2016: EUR 648 million).

Deferred tax liabilities to be settled within 12 months are zero.

Tax rate changes during the year and their effect on deferred tax liability

The following branch tax rates changed in 2018 due to legislative changes:

Whilst both the United Kingdom and France reduced their tax rates to 17% from 2020, and 32.02% from 2019, no benefit was recognised for these future reductions in the calculations.

Closing procedures

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

For the details of deferred tax assets, please refer to the paragraph "Deferred tax assets" on page 24.

Section D: Valuation for solvency purposes

Contingent liabilities

The Company does not carry contingent liabilities on its Solvency II balance sheet as at 31 December 2018.

Employee benefits

Nature of the obligations

Pension liabilities, German branch

The Company has defined benefit pension plans for its employees, mainly in Germany. The Company has assets set aside to cover these obligations which are handled under a Contractual Trust Agreement and liability insurance contracts – refer to the paragraph “Plan assets” below.

Other pension liabilities, German branch

The Company has a long-term obligation regarding a deferred compensation plan, which is a form of company pension in Germany, in which employees waive parts of their future remuneration in return for a commitment by the company to pay a pension of equal value, calculated in accordance with financial and actuarial principles.

Long-term vacation programme (short-term obligation), German branch

The Company has put in place a long-term vacation programme where there is a legal requirement in Germany to secure obligations resulting from this programme. The Company has assets set aside to cover these obligations which are handled under a Contractual Trust Agreement – refer to the paragraph “Plan assets” below.

Early retirement programme (long-term obligation), German branch

The Company has put in place an early retirement programme which is designed to create an incentive for German employees within a certain age group to smooth the transition from employment into retirement before the employees’ legal retirement age. There is a legal requirement to secure obligations resulting from this programme. The Company has assets set aside to cover these obligations which are handled under a Contractual Trust Agreement – refer to the paragraph “Plan assets” below.

All branches

Other employee benefits

In addition, the Company has other employee benefit programmes in place for which it has the obligation to set aside reserves to meet the future obligations. As at 31 December 2018, the following programmes were in place:

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

* Incentive Share Plan has been discontinued from 2019

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

Other benefit programmes

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

Plan assets

The Company has put in place asset concepts to secure pension liabilities, long-term vacation and early retirement programmes in Germany. Two types of concepts are currently in place, namely a Contractual Trust Agreement and liability insurance contracts.

In the Solvency II balance sheet, pension liabilities are presented net of the assets set aside to cover these obligations, consistent with IAS 19.

Pension liabilities

The following assets as at 31 December 2018 are held to secure the pension liabilities:

- EUR 262 million is held under a Contractual Trust Agreement. The assets are held in an investment fund in which units are 100% owned by the Company and invested mainly in corporate and government bonds.
- EUR 31 million is held in liability insurance contracts with Allianz Lebensversicherungs AG.

The values as at 31 December 2018 were as follows:

Assets	EUR millions	%
Corporate debt securities	27	9
Government bonds	231	79
Insurance contracts	31	11
Other	4	1
Total	293	100

Other pension liabilities

For the deferred compensation plan, separate assets in insurance contracts were set up to cover the future liabilities. These insurance contracts show total assets of EUR 5 million as at 31 December 2018.

Long-term vacation and early retirement programmes

EUR 17 million is used to cover long-term vacation obligations and EUR 15 million to cover early retirement obligations held under a Contractual Trust Agreement. The assets are held in an investment fund in which units are 100% owned by the Company and invested mainly in corporate and government bonds. As at 31 December 2018 the assets were invested as follows:

Assets	EUR millions	%
Corporate debt securities	28	89
Government bonds	3	11
Total	31	100

Deferred recognition of actuarial gains and losses

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

Methodologies and inputs used to determine the economic value

Pension liabilities

The pension plan provisions are based on the relevant plan regulations. The associated pension provision obligations represent the present value of accrued benefits (projected benefit obligation) which is calculated based on the projected unit credit method at the valuation date and are maintained on the Company's balance sheet. The following actuarial assumptions were used as of 31 December 2018: discount rate 1.6%, increase in salaries 2%, inflation rate 2.0%, pension increase rate 2.0%, expected return on plan assets 3%, fluctuation 3% p.a., average age of retirement in line with RVAGAnpG 2007 (German Act Adapting the Standard Retirement Age for the Statutory Pension Insurance System), mortality table based on Heubeck mortality tables 2018 G from 10 October 2018.

Other pension liabilities

For the deferred compensation plan, the obligations are calculated from the insurance company in line with financial and actuarial principles.

Long-term vacation programme

For the long-term vacation obligations, the outstanding portions of the vacation and flexitime are transferred each year to a long-term vacation account and valued with the individual daily rates. The accumulated volumes earn interest.

Early retirement programme

Provisions for the early retirement programme are calculated in accordance with financial and actuarial principles.

Other employee benefits

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

Section D: Valuation for solvency purposes

Changes during the reporting period

During the year, recognition of deposits from reinsurers for Solvency II for L&H business has changed from face value to discounting the deposit reserve cashflows (mainly change in deposits and interest on deposits) at the EIOPA prescribed risk free rates. No other changes were made to the recognition and valuation basis or to estimation assumptions during 2018.

Assumptions and judgements

No assumptions or judgements contribute materially to the valuation of other liabilities.

D4: Alternative methods of valuation

Alternative methods of valuation

The Company uses alternative methods of valuation for the real estate and loans and mortgages, as a market value for those investments cannot be readily identified. The property assets are valued by an external appraiser using a discounted cash flow method. Similarly, the loans and mortgages are valued using a discounted cash flows method. The values thus determined are considered a reasonable approximation of the market value. The difference between Solvency II and the statutory values of these assets is immaterial.

Deposits with cedents and deposits from reinsurers are also valued using alternative valuation methods described in detail in the paragraphs "Methods applied for valuation of material assets" on page 22 and "Other material liabilities" on page 28.

D5: Any other information

Other material information

The Company has collateral arrangements with the ceding companies on accepted reinsurance business. For the purpose of the ceding companies' calculation of their SCR under the standard formula, the Company informs its counterparties that the part of the Company's assets subject to collateral arrangements, based on the Assets template S.06.02, is below 60%.

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

Section E: Capital management

E1: Own funds

Solvency ratio

The solvency ratio expressed as eligible own funds as a percentage of the SCR as at 31 December 2018 is equal to 315% (2017: 254%).

Own funds – objectives, policies and processes

The Company's capitalisation policy ensures that it is appropriately capitalised for the risks that it incurs. The capital structure and the level of capitalisation are determined by regulatory capital requirements, management's assessment of the risks and opportunities arising from business operations and by financial management considerations. Throughout 2018, the Company's capital level was maintained in accordance with the capitalisation policy.

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

Own funds – time horizon used for capital planning

The Company considers one-year and three-year time horizons for its capital planning.

Own funds by tier

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

EUR millions	2017				2018			
	Tier I	Tier II	Tier III	Total	Tier I	Tier II	Tier III	Total
Ordinary share capital (gross of own shares)	350			350	350			350
Share premium account related to ordinary share capital	335			335	37			37
Surplus funds	-			-	-			-
Reconciliation reserve	1 594			1 594	1 947			1 947
Subordinated liabilities	-	-		-	-	-		-
Net deferred taxation asset			19	19			11	11
Total basic own funds after adjustments	2 279	-	19	2 298	2 334	-	11	2 345

The increase in own funds over the reporting period is primarily driven by an increase of the reconciliation reserve, a Tier I item, as a result of profitable business, partly offset by a foreseeable dividend of EUR 350 million and a reduction in the share premium account following the payout of dividends in 2018.

Eligible amount of own funds to cover the Solvency Capital Requirement

The eligible amount of own funds to cover SCR for 2018 is EUR 2 345 million (2017: EUR 2 298 million), of which EUR 2 334 million (2017: EUR 2 279 million) is classified as Tier I and EUR 11 million (2017: EUR 19 million) is classified as Tier III.

Restrictions to available own funds

The Company does not have restricted Tier I own funds. The EUR 11 million (2017: EUR 19 million) of Tier III own funds are fully within the eligibility limits for the coverage of the SCR.

Eligible amount of basic own funds to cover the Minimum Capital Requirement

The eligible amount of basic own funds to cover the MCR for 2018 is EUR 2 334 million (2017: EUR 2 279 million), all classified as Tier I.

Differences between equity in Solvency II and Company Statutory accounts

The material differences in equity as shown in the Company Statutory accounts and Solvency II as at 31 December 2018 were as follows:

EUR millions	Equity reconciliation
Equity per Company Statutory accounts (excluding retained earnings)	387
Reconciliation reserve	1 947
Total of reserves and retained earnings from financial statements	352
Difference in the valuation of assets	-1 936
Difference in the valuation of technical provisions	2 585
Difference in the valuation of other liabilities	1 296
Foreseeable dividend	-350
Net deferred taxation asset	11
SII own funds	2 345

Section E: Capital management

Reconciliation reserve

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

Basic own funds subject to transitional arrangements

No own funds items are subject to transitional arrangements.

Ancillary own funds

There are no ancillary own funds in the Company.

Items deducted from own funds

The foreseeable dividends of EUR 350 million (2017: EUR 650 million) have been deducted from own funds of the Company. This deduction is considered in the reconciliation reserve.

Subordinated capital instrument in issue at year-end

The Company does not have subordinated capital instruments as at 31 December 2018.

Capital instruments issued as debts

Not applicable to the Company.

Value of subordinated debt

The Company does not have subordinated capital instruments as at 31 December 2018.

Principal loss absorbency mechanism

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

Key elements of the reconciliation reserve

The reconciliation reserve based on QRT S.23.01.01 as at 31 December 2018 was as follows:

EUR millions	2018
Excess of assets over liabilities	2 695
Equity per the Company Statutory accounts (excluding retained earnings)	-387
Foreseeable dividends and distributions	-350
Net deferred taxation asset	-11
Reconciliation reserve	1 947

The reconciliation reserve includes an amount of the excess of assets over liabilities that corresponds to the expected profit in future premium (EPIFP). Please refer to the paragraph "Amount of expected profit in future premiums" on page 21 for the details of the EPIFP.

The difference between the excess of assets over liabilities under Solvency II and the equity value shown in the Company Statutory accounts is mainly due to different valuations applied under Solvency II for assets, technical provisions and other liabilities. Further details of valuation differences are provided in the paragraph "Differences between equity in Solvency II and Company Statutory accounts" above.

Total excess of assets over liabilities within ring-fenced funds

The Company does not have any ring-fenced funds.

E2: Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement and Minimum Capital Requirement

As at 31 December 2018, the Company's SCR was EUR 745 million (2017: EUR 905 million) and the MCR was EUR 335 million (2017: EUR 407 million).

Solvency Capital Requirement split by risk category

The Company uses an integrated internal model to measure its capital requirement using 99.5% value at risk as described in section C. The table below quantifies the Company's modelled risk categories* as at 31 December, including a projection for the average exposure over the year as well as changes compared to the previous year.

EUR millions	2017	2018
Property and casualty risk	2 357	2 137
Life and health risk	1 093	1 091
Financial market risk	603	569
Credit risk	158	172
Operational risk	112	112
Diversification	-1 700	-1 627
Other impacts **	-1 609	-1 600
Pre-tax Solvency Capital Requirement	1 014	854
Deferred tax impact	-109	-109
SCR	905	745

* Risk categories before retrocession

** Other impacts: mainly driven by retrocession

Simplification calculation

The Company does not apply the standard formula.

Standard formula parameters

The Company does not apply the standard formula.

Non-disclosure of capital add-on during transitional period ending no later than 31 December 2020

This is not applicable to the Company.

Standard formula capital add-on applied to Solvency Capital Requirement

The Company does not apply the standard formula.

Information on inputs used to calculate Minimum Capital Requirement

Inputs used to calculate the MCR for non-life insurance or reinsurance obligations include premiums written during the last 12 months, split by line of business and best estimate technical provisions without a risk margin, split by line of business.

Input used to calculate the MCR for life insurance or reinsurance obligations includes best estimate technical provisions without a risk margin split by type of contract and capital at risk.

Material changes to Solvency Capital Requirement and Minimum Capital Requirement over the period

Please refer to paragraph "Solvency Capital Requirement split by risk category" on page 35 for details of the current year and prior-year SCR. The changes are driven by the change in risk exposure as detailed in section "C: Risk Profile" on page 18.

The SCR decreased from EUR 905 million in 2017 to EUR 745 million in 2018, driven by lower volumes for Property and Casualty with reduction in the proportion of nat cat exposures and a reduction in Financial Markets risks following changes in investment allocation and market movements.

The MCR is equal to 45% of the SCR (in 2018 as well as 2017). Thus, the MCR decreased in line with the SCR from EUR 407 million in 2017 to EUR 335 million in 2018.

E3: Duration-based equity risk

Indication that the Company is using duration-based equity risk submodule

Not applicable to the Company.

Section E: Capital management

E4: Differences between the standard formula and the internal model

The Company uses its internal model, as approved by the CAA, for the purposes of calculating its capital requirements under Solvency II. This internal model aligns with the Swiss Re Group internal model.

The structure of the internal model

The internal model consists of the following building blocks:

- Risk factors: to model the stochastic change of the state of the world over the one-year time horizon
- Exposure model: to determine the change in basic own funds given a realisation of the risk factors
- Transaction model: to model the intra-group transactions in place as well as external retrocession
- Balance sheet model: to evaluate the impact of defaults of Group companies and follow-up effects

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

Risk categories concerned and not concerned by internal model

Refer to subsection "C: Overview of risk exposure" for details of risk covered and not covered by the internal model.

Aggregation methodologies and diversification effects

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

Risk not covered in the standard formula but covered by the internal model

The Company's internal model covers the spread risk of EU government bonds which is assumed to be nil in the standard formula and a number of risk that are not explicitly addressed by standard formula including cyber and inflation risk.

Various purposes for which the internal model is being used

The purpose of the Company's internal model is defined by four major areas for which the model is intended to be used:

- Capital adequacy assessment: is the capital base sufficient to support the risk in the book?
- Risk controlling and limit setting: how much risk capacity should be allocated to each risk category?
- Portfolio management: what measures can be taken to improve capital efficiency?
- Costing: what is the cost of capital to carry a specific risk?

Scope of internal model in terms of Business Units and risk categories

The scope of the internal model includes all material risks that impact the Solvency II balance sheet of the Company. Please refer to section "C: Overview of risk exposure" on page 18 for details of the risk categories used.

Partial internal model

The Company does not use a partial internal model.

Methods used in the internal model for the calculation of the probability distribution forecast and the Solvency Capital Requirement

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

Risk measures and time period used in the internal model

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

Nature and appropriateness of the data used in the internal model

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

- Within the responsibility of the respective data provider at collection of data or while downloading it from a source system
- Structural and syntactical validation at the moment a data provider uploads any data delivery to the Risk Management Application Platform
- Asynchronous validation of data consistency between interdependent deliveries, particularly with regard to reference data;
- Validation of data completeness at the beginning of each internal model calculation
- Validation of calculation results and changes over time by the data provider supported by the Risk Management team (plausibility checks)

E5: Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Any non-compliance with the Solvency Capital Requirement and Minimum Capital Requirement

The Company complied with the SCR and MCR during 2018.

E6: Any other information

Other material information

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

Glossary

Acquisition costs	That portion of an insurance premium that represents the cost of obtaining the insurance business: it includes the intermediaries' commission, the company's sales expense and other related expenses.
Affiliated undertakings	Affiliated undertakings are undertakings over which the Company exercises a direct or indirect dominant influence.
API	Annual Performance Incentive
Board	The Board of Directors of the Company
CAA	Commissariat aux Assurances, Luxembourg
Capacity	Maximum amount of risk that can be accepted in insurance. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.
Casualty insurance	Branch of insurance – mainly comprising accident and liability business – which is separate from property, engineering and life insurance.
Claim	Demand by an insured for indemnity under an insurance contract.
Company	Swiss Re Europe S.A.
Cover	Insurance and reinsurance protection of one or more specific risk exposures based on a contractual agreement.
Credit insurance	Insurance against financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them.
Credit spreads	Applies to derivative products. Difference in the value of two options, when the value of the one sold exceeds the value of the one bought.
EVM, Economic Value Management	Swiss Re's integrated economic valuation framework for planning, pricing, reserving and steering the business. It also provides the basis for determining available capital under the Swiss Solvency Test and for Solvency II.
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EMEA	Europe, Middle East and Africa
EPIFP	Expected profit in future premiums
GIA	Group Internal Audit
Group risk model	The internal model developed by the Swiss Re Group and in place since 1994, used for articulating risk tolerance, assessing performance and setting targets. The internal model forms an integral part of steering reality at Swiss Re. As part of Solvency II, the implementation of "Solvency II-specific features" (eg illiquidity premium, ultimate forward rate, treatment of deferred taxes) has been carried out. For the purpose of this report, any reference to the Group Risk Model refers to the model including the Solvency II-specific modifications.
GSPP	Global Share Participation Plan
Health insurance	Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.
IBNR	Incurred but not reported - Provision for claims incurred but not reported by the balance sheet date. In other words, it is anticipated that an event will affect a number of policies, although no claims have been made so far, and is therefore likely to result in liability for the insurer.
IFRS	International Financial Reporting Standards
Intra-group retrocession	Retrocession between subsidiaries of the same parent company or between a subsidiary and its parent. Intra-group retrocession aims to optimise capital allocation and tax efficiency for the Swiss Re Group as well as ensure adherence to regulatory solvency requirements.
Intra-group transaction	This can be either in the form of a proportional (eg quota-share) or non-proportional (eg stop-loss or Cat XL) agreement.
ISP	Incentive Share Plan
Key functions	Risk Management, Compliance, Internal Audit and Actuarial.
Key Function Holder	The Board nominates individuals as designated representatives of the respective key functions towards the Company.

L&H	Life and Health re/insurance
Liability insurance	Insurance for damages that a policyholder is obliged to pay because of bodily injury or property damage caused to another person or entity based on negligence, strict liability or contractual liability.
Life insurance	Insurance that provides for the payment of a sum of money upon the death of the insured, or upon the insured surviving a given number of years, depending on the terms of the policy. In addition, life insurance can be used as a means of investment or saving.
Longevity risk	The risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout ratios. Increasing life expectancy trends among policyholders and pensioners can result in payout levels that are higher than originally accounted for.
LPP	Leadership Performance Plan
Minimum Capital Requirement, MCR	If, despite supervisory intervention, the available resources of the insurer fall below the Minimum Capital Requirement, then "ultimate supervisory action" will be triggered. In other words, the insurer's liabilities will be transferred to another insurer and the licence of the insurer will be withdrawn or the insurer will be closed to new business and its in-force business will be liquidated.
Nat Cat	Natural catastrophe
Non-life insurance	All classes of insurance business excluding life insurance.
Non-proportional reinsurance	Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss. Instead, the reinsurer is liable for a specified amount which exceeds the insurer's retention; also known as "excess of loss reinsurance".
Operational risk	Risk arising from failure of operational processes, internal procedures and controls leading to financial loss.
ORSA	Own Risk and Solvency Assessment
Own Funds	Excess of assets over liabilities, including any amount that is deemed suitable to provide support for the Solvency Capital Requirement.
P&C	Property and Casualty re/insurance
Participating interests	Participating interests are rights contained in the capital of other undertakings which, when creating a durable link with those undertakings, are intended to contribute to the Company's activities.
Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.
Premiums earned	Premiums an insurance company has recorded as revenues during a specific accounting period.
Premiums written	Premiums for all policies sold during a specific accounting period.
Property insurance	Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.
Proportional reinsurance	Form of reinsurance arrangement in which the premiums earned and the claims incurred of the cedent are shared proportionally by the cedent and the reinsurer.
PSU	Performance Share Unit
QRT	Quantitative Reporting Template
Reinsurance	Insurance that lowers the risk carried by primary insurance companies. Reinsurance includes various forms such as facultative, financial, non-proportional, proportional, quota share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Retention	Amount of risk which the policyholder or insurer does not insure or reinsure but keeps for its own account.
Retrocession	Amount of the risk accepted by the reinsurer which is then passed on to other reinsurance companies.
Risk	Condition in which there is a possibility of injury or loss; also used by insurance practitioners to indicate the property insured or the peril insured against.

Glossary

Return on equity, ROE	Net income as a percentage of time-weighted shareholders' equity.
Risk appetite	An expression of how the Company aims to deploy its risk capacity. It specifies the types of risk that the Company wishes to take and for each type the amount to be taken, while remaining within the boundaries imposed by the Company's stated risk.
Risk management	Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.
Risk profile	Threats to which an organisation is exposed. The risk profile will outline the type of risks and potential effect of the risks. This outline allows a business to anticipate additional costs or disruptions to operations.
Risk tolerance	An expression of the extent to which the Board has authorised executive management to assume risk. It represents the amount of risk that the Company is willing to accept within the constraints imposed by its capital resources, its strategy, its risk appetite, and the regulatory and rating agency environment within which it operates.
RSU	Restricted Share Unit
Securitisation	Financial transactions in which future cash flows from assets (or insurable risks) are pooled, converted into tradeable securities and transferred to capital market investors. The assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.
SFCR	Solvency and Financial Condition Report
Solvency Capital Requirement, SCR	Solvency Capital Requirement under Solvency II – calculated using the internal model. The Solvency Capital Requirement is based on a value at risk measure calibrated to a 99.5% confidence level over a one-year time horizon.
Stop-loss reinsurance	Form of reinsurance that protects the ceding insurer against an aggregate amount of claims over a period, in excess of either a stated amount or a specified percentage of estimated benefit costs.
Swiss Re or the Swiss Re Group or the Group	For the purposes of this report, the ultimate parent company and all its subsidiaries are referred to as Swiss Re or the Swiss Re Group or the Group.
Swiss Re Zurich, SRZ	Swiss Reinsurance Company Ltd
Swiss Solvency Test	Switzerland has already introduced an economic and risk-based insurance regulation similar to the objectives of the Solvency II project in the EU. Since 2008, all insurance and reinsurance companies writing business in Switzerland have had to implement the Swiss Solvency Test, and since 1 January 2011, the Swiss Solvency Test-based target capital requirement has been in force and companies must achieve economic solvency.
TAPI, Target API	Target Annual Performance Incentive
Target capital	Defined by the Company's Capitalisation Policy.
Technical result	Underwriting defined as nominal premiums less nominal commissions and claims.
TSR	Total Shareholder Return
UK	United Kingdom of Great Britain and Northern Ireland
Underwriting performance	Premiums earned less the sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses and expenses (acquisition costs and other operating costs and expenses).
US GAAP	United States Generally Accepted Accounting Principles are the accounting rules, as issued by the Financial Accounting Standards Board, its predecessors and other bodies, used to prepare financial statements for publicly traded companies in the United States.
VAI	Value Alignment Incentive
Value at risk	Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. 99% value at risk measures the level of loss likely to be exceeded in only one year out of a hundred, while 99.5% value at risk measures the loss likely to be exceeded in only one year out of two hundred. 99% tail value at risk estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.

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Appendix

SFCR Public Disclosure Templates

Swiss Re Europe S.A.

Report:
Reporting entity:
Reference Date:
Reporting currency:

S.02.01.02
Swiss Re Europe S.A.
31 December 2018
EUR thousands

Balance sheet

	Solvency II value	
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	322 204
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	3 581
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	6 109 814
Property (other than for own use)	R0080	211 218
Holdings in related undertakings, including participations	R0090	860 079
Equities	R0100	259 268
Equities - listed	R0110	258 168
Equities - unlisted	R0120	1 100
Bonds	R0130	3 055 777
Government Bonds	R0140	1 458 430
Corporate Bonds	R0150	1 530 103
Structured notes	R0160	
Collateralised securities	R0170	67 245
Collective Investments Undertakings	R0180	1 654 746
Derivatives	R0190	4 071
Deposits other than cash equivalents	R0200	
Other investments	R0210	64 655
Assets held for index-linked and unit-linked contracts	R0220	376 856
Loans and mortgages	R0230	408 483
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	1 441
Other loans and mortgages	R0260	407 042
Reinsurance recoverables from:	R0270	6 093 519
Non-life and health similar to non-life	R0280	5 602 756
Non-life excluding health	R0290	5 539 274
Health similar to non-life	R0300	63 482
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	490 763
Health similar to life	R0320	721 949
Life excluding health and index-linked and unit-linked	R0330	- 231 186
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	1 608 666
Insurance and intermediaries receivables	R0360	31 583
Reinsurance receivables	R0370	404 758
Receivables (trade, not insurance)	R0380	272 485
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	33 346
Any other assets, not elsewhere shown	R0420	6 458
Total assets	R0500	15 671 753

Report:
Reporting entity:
Reference Date:
Reporting currency:

S.02.01.02
Swiss Re Europe S.A.
31 December 2018
EUR thousands

	Solvency II value	
		C0010
Liabilities		
Technical provisions – non-life	R0510	9 406 849
Technical provisions – non-life (excluding health)	R0520	9 301 411
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	9 013 487
Risk margin	R0550	287 924
Technical provisions - health (similar to non-life)	R0560	105 438
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	103 596
Risk margin	R0590	1 842
Technical provisions - life (excluding index-linked and unit-linked)	R0600	13 910
Technical provisions - health (similar to life)	R0610	932 610
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	902 698
Risk margin	R0640	29 912
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	- 918 700
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	-1 123 698
Risk margin	R0680	204 999
Technical provisions – index-linked and unit-linked	R0690	412 533
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	411 220
Risk margin	R0720	1 312
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	108 554
Pension benefit obligations	R0760	90 177
Deposits from reinsurers	R0770	1 271 769
Deferred tax liabilities	R0780	706 155
Derivatives	R0790	1 904
Debts owed to credit institutions	R0800	111
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	87 775
Reinsurance payables	R0830	529 277
Payables (trade, not insurance)	R0840	278 232
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	69 690
Total liabilities	R0900	12 976 936
Excess of assets over liabilities	R1000	2 694 816

Report: S.05.01.02
Reporting entity: Swiss Re Europe S.A.
Reference Date: 31 December 2018
Reporting currency: EUR thousands

Premiums, claims and expenses by line of business

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written									
Gross	R1410						1 010 999	1 886 364	2 897 363
Reinsurers' share	R1420						691 756	1 203 732	1 895 487
Net	R1500						319 243	682 632	1 001 876
Premiums earned									
Gross	R1510						1 010 999	1 886 364	2 897 363
Reinsurers' share	R1520						691 756	1 203 732	1 895 487
Net	R1600						319 243	682 632	1 001 876
Claims incurred									
Gross	R1610						640 436	1 517 864	2 158 300
Reinsurers' share	R1620						443 977	934 795	1 378 771
Net	R1700						196 460	583 069	779 529
Changes in other technical provisions									
Gross	R1710						186 336	197 571	383 906
Reinsurers' share	R1720						127 900	209 292	337 192
Net	R1800						58 436	- 11 722	46 714
Expenses incurred	R1900						39 420	135 837	175 257
Other expenses	R2500								93 538
Total expenses	R2600								268 794

Report:	S.05.02.01
Reporting entity:	Swiss Re Europe S.A.
Reference Date:	31 December 2018
Reporting currency:	EUR thousands

Premiums, claims and expenses by country

	Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - life obligations					
			(GB) United Kingdom	(IE) Ireland	(CA) Canada	(FR) France	(DE) Germany	
	C0220	C0280	C0230	C0230	C0230	C0230	C0230	
Premiums written								
Gross	R1410	1 836	2 543 266	1 849 119	221 928	158 972	155 719	155 692
Reinsurers' share	R1420	1 224	1 649 247	1 276 893	153 561	34	109 282	108 254
Net	R1500	612	894 020	572 226	68 367	158 938	46 437	47 439
Premiums earned								
Gross	R1510	1 836	2 543 266	1 849 119	221 928	158 972	155 719	155 692
Reinsurers' share	R1520	1 224	1 649 247	1 276 893	153 561	34	109 282	108 254
Net	R1600	612	894 020	572 226	68 367	158 938	46 437	47 439
Claims incurred								
Gross	R1610	272	1 994 238	1 618 170	155 655	81 086	33 063	105 993
Reinsurers' share	R1620	194	1 263 069	1 055 519	108 253		23 481	75 623
Net	R1700	78	731 169	562 651	47 402	81 086	9 583	30 369
Changes in other technical provisions								
Gross	R1710	- 381	348 008	95 428	176 159	9 706	76 182	- 9 087
Reinsurers' share	R1720	- 230	314 097	148 706	115 360	28	53 189	- 2 956
Net	R1800	- 151	33 910	- 53 279	60 799	9 678	22 993	- 6 131
Expenses incurred	R1900	- 547	182 048	103 570	10 760	35 351	20 869	12 045
Other expenses	R2500		93 538					
Total expenses	R2600		275 586					

Report: S.05.02.01
Reporting entity: Swiss Re Europe S.A.
Reference Date: 31 December 2018
Reporting currency: EUR thousands

Premiums, claims and expenses by country

	Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
R0010			(GB) United Kingdom	(DE) Germany	(FR) France	(ES) Spain	(CA) Canada
	C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written							
Gross - Direct Business	R0110						
Gross - Proportional reinsurance accepted	R0120	5 373	1 903 797	988 188	448 502	168 852	190 667
Gross - Non-proportional reinsurance accepted	R0130	3 333	989 339	376 730	251 553	201 555	44 537
Reinsurers' share	R0140	6 285	2 075 821	929 479	663 190	255 062	190 364
Net	R0200	2 421	817 315	435 439	36 865	115 346	44 839
Premiums earned							
Gross - Direct Business	R0210						
Gross - Proportional reinsurance accepted	R0220	4 896	1 855 066	933 034	448 153	185 209	189 753
Gross - Non-proportional reinsurance accepted	R0230	3 530	979 614	350 810	251 360	200 073	48 732
Reinsurers' share	R0240	5 546	1 844 711	898 515	459 863	271 723	177 648
Net	R0300	2 881	989 969	385 328	239 649	113 559	60 838
Claims incurred							
Gross - Direct Business	R0310						
Gross - Proportional reinsurance accepted	R0320	2 652	1 161 427	657 172	280 335	106 294	122 419
Gross - Non-proportional reinsurance accepted	R0330	- 1 090	382 907	167 773	114 762	141 846	- 22 728
Reinsurers' share	R0340	2 257	1 019 708	493 641	255 052	191 727	77 011
Net	R0400	- 694	524 627	331 303	140 045	56 413	22 680
Changes in other technical provisions							
Gross - Direct Business	R0410						
Gross - Proportional reinsurance accepted	R0420		24 550	13 810	8 698	1 332	- 1 215
Gross - Non-proportional reinsurance accepted	R0430		43 239	2 955	40 536	- 246	- 6
Reinsurers' share	R0440		73 321	11 240	62 930	391	- 1 240
Net	R0500		- 5 533	5 525	- 13 696	694	25
Expenses incurred	R0550	936	288 415	108 988	87 041	17 904	19 083
Other expenses	R1200		- 505				
Total expenses	R1300		287 910				

Report: S.12.01.02
Reporting entity: Swiss Re Europe S.A.
Reference Date: 31 December 2018
Reporting currency: EUR thousands

Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance				Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees				
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010															
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020															
Technical provisions calculated as a sum of BE and RM																
Best Estimate																
Gross Best Estimate	R0030								- 712 476	- 712 478					902 698	902 698
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080								- 231 186	- 231 186					721 949	721 949
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090								- 481 292	- 481 292					180 749	180 749
Risk margin	R0100								206 311	206 311					29 912	29 912
Amount of the transitional on Technical Provisions																
Technical provisions calculated as a whole	R0110															
Best Estimate	R0120															
Risk margin	R0130															
Technical provisions - total	R0200								- 506 167	- 506 167					932 610	932 610

Report: S.17.01.02
Reporting entity: Swiss Re Europe S.A.
Reference Date: 31 December 2018
Reporting currency: EUR thousands

Non-life Technical Provisions

	Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation		
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance	
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
Technical provisions calculated as a whole																		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																		
Technical provisions calculated as a sum of BE and RM																		
Best Estimate																		
Premium provisions																		
Gross	R0060	1 800		100 441	4 419	- 7 392	- 1 342	13 142	- 1 382	- 3 291		- 1 011	- 868	612	1 520	- 25 061	81 588	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	- 724		27 843	- 33	- 2 856	- 12 342	- 5 556	63	- 1 603		- 177	- 540	707	3 079	- 14 452	- 6 592	
Net Best Estimate of Premium Provisions	R0150	2 524		72 598	4 452	- 4 535	11 000	18 699	- 1 445	- 1 688		- 833	- 327	- 95	- 1 559	- 10 609	88 180	
Claims provisions																		
Gross	R0160	35 169	1 837	12 561	1 371 207	36 263	177 310	588 460	701 080	102 505	5 305		7 232	53 096	4 638 782	345 216	959 410	9 035 495
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	23 788	895	7 726	844 792	24 439	113 851	338 641	455 153	42 378	2 838		695	32 337	2 852 132	239 850	629 835	5 609 348
Net Best Estimate of Claims Provisions	R0250	11 381	942	4 835	526 416	11 825	63 460	249 819	245 927	60 128	2 467		6 597	20 760	1 786 651	105 367	329 574	3 426 147
Total Best estimate - gross	R0260	36 969	1 837	12 561	1 471 648	40 682	169 919	587 118	714 222	101 123	2 014		6 281	52 229	4 639 394	346 736	934 348	9 117 083
Total Best estimate - net	R0270	13 905	942	4 835	599 014	16 277	58 924	260 819	264 626	58 682	779		5 764	20 432	1 786 556	103 807	318 965	3 514 327
Risk margin	R0280	395	3	277	18 778	407	1 270	10 816	16 052	3 126	193		519	1 166	226 728	3 053	6 982	289 766
Amount of the transitional on Technical Provisions																		
Technical provisions calculated as a whole	R0290																	
Best Estimate	R0300																	
Risk margin	R0310																	
Technical provisions - total																		
Technical provisions - total	R0320	37 364	1 840	12 839	1 490 426	41 089	171 189	597 934	730 274	104 249	2 206		6 801	53 395	4 866 123	349 790	941 330	9 406 849
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	23 064	895	7 726	872 635	24 405	110 994	326 299	449 596	42 441	1 235		517	31 796	2 852 839	242 929	615 383	5 602 756
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	14 300	946	5 112	617 792	16 684	60 194	271 635	280 678	61 808	971		6 283	21 598	2 013 284	106 861	325 947	3 804 093

Report: S.19.01.21
 Reporting entity: Swiss Re Europe S.A.
 Reference Date: 31 December 2018
 Reporting currency: EUR thousands

Non-life insurance claims information

Total Non-Life Business

Accident year / Underwriting year

Z0020	(2) Underwriting year
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Gross Claims Paid (non-cumulative)

(absolute amount)	Year	Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											490 097
N-9	R0160	203 168	735 574	370 781	139 158	88 240	100 790	67 598	35 863	34 754	22 747	
N-8	R0170	121 636	598 122	253 062	129 419	139 617	122 270	35 111	31 232	15 477		
N-7	R0180	110 366	578 715	276 334	166 440	80 376	43 580	38 213	32 872			
N-6	R0190	336 306	1 120 920	687 847	277 062	148 790	116 751	68 554				
N-5	R0200	178 628	779 504	347 236	128 931	97 466	86 172					
N-4	R0210	89 042	593 925	256 586	113 195	77 379						
N-3	R0220	85 489	556 880	417 485	263 098							
N-2	R0230	146 452	788 102	388 787								
N-1	R0240	263 702	846 487									
N	R0250	240 584										

Total	In Current year		Sum of years (cumulative)	
	C0170	C0180	C0170	C0180
R0100	490 097	490 097		
R0160	22 747	1 798 672		
R0170	15 477	1 445 945		
R0180	32 872	1 326 897		
R0190	68 554	2 756 230		
R0200	86 172	1 617 937		
R0210	77 379	1 130 128		
R0220	263 098	1 322 952		
R0230	388 787	1 323 341		
R0240	846 487	1 110 189		
R0250	240 584	240 584		
Total	R0260	2 532 254	14 562 972	

Report: S.19.01.21
Reporting entity: Swiss Re Europe S.A.
Reference Date: 31 December 2018
Reporting currency: EUR thousands

Gross undiscounted Best Estimate Claims Provisions

Year	Development <small>usar</small>											Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +	C0360		
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			
Prior	R0100												R0100	3 393 742
N-9	R0160				640 870	549 015	483 468	408 006	348 019	310 008	298 656		R0160	261 416
N-8	R0170			677 265	578 512	487 486	350 250	273 041	222 660	205 902			R0170	182 835
N-7	R0180		1 104 714	695 199	505 480	368 754	287 417	251 616	216 742				R0180	189 323
N-6	R0190	1 141 605	1 469 555	1 064 815	826 261	679 865	534 578	468 514					R0190	401 576
N-5	R0200	920 402	882 733	388 223	246 712	433 969	361 217						R0200	325 324
N-4	R0210	706 035	692 359	479 508	473 383	431 188							R0210	383 848
N-3	R0220	907 227	1 080 127	903 457	643 677								R0220	588 739
N-2	R0230	1 035 195	1 134 625	818 078									R0230	747 174
N-1	R0240	1 761 351	1 346 045										R0240	1 250 461
N	R0250	1 394 752											R0250	1 311 056
Total													R0260	9 035 495

Report:	S.23.01.01
Reporting entity:	Swiss Re Europe S.A.
Reference Date:	31 December 2018
Reporting currency:	EUR thousands

Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for subordinated liabilities on demand
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	350 000	350 000			
R0030	36 844	36 844			
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	1 946 710	1 946 710			
R0140					
R0160	11 262				11 262
R0180					
R0220					
R0230					
R0290	2 344 816	2 333 554			11 262
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	2 344 816	2 333 554			11 262
R0510	2 333 554	2 333 554			
R0540	2 344 816	2 333 554			11 262
R0550	2 333 554	2 333 554			
R0580	744 915				
R0600	335 212				
R0620	3.1478				
R0640	6.9614				

Report:

Reporting entity:

Reference Date:

Reporting currency:

S.23.01.01

Swiss Re Europe S.A.

31 December 2018

EUR thousands

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non-life business

Total EPIFP

C0060

R0700	2 694 816
R0710	
R0720	350 000
R0730	398 107
R0740	
R0760	1 946 710
R0770	1 778 261
R0780	21 093
R0790	1 799 354

Report:	S.25.03.21
Reporting entity:	Swiss Re Europe S.A.
Reference Date:	31 December 2018
Reporting currency:	EUR thousands

Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
1	Life and Health risk	1 091 484
2	Property and Casualty risk	2 136 717
3	Financial Market risk	569 320
4	Credit risk	171 548
5	Operational risk	111 910
6	Other impacts	-1 600 666

Report:

Reporting entity:

Reference Date:

Reporting currency:

S.25.03.21

Swiss Re Europe S.A.

31 December 2018

EUR thousands

Solvency Capital Requirement - for undertakings on Full Internal Models

Calculation of Solvency Capital Requirement

Total undiversified components

Diversification

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement, excluding capital add-on

Capital add-ons already set

Solvency Capital Requirement

Other information on SCR

Amount/estimate of the overall loss-absorbing capacity of technical provisions

Amount/estimate of the overall loss-absorbing capacity of deferred taxes

Total amount of Notional Solvency Capital Requirements for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

C0100

R0110	2 480 313
R0060	-1 626 816
R0160	
R0200	744 920
R0210	
R0220	744 920
R0300	
R0310	- 108 578
R0410	
R0420	
R0430	
R0440	

Report:
Reporting entity:
Reference Date:
Reporting currency:

S.28.01.01
 Swiss Re Europe S.A.
 31 December 2018
 EUR thousands

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

Linear formula component for non-life insurance and reinsurance obligations

	C0010
MCRNL Result	R0010 689 786

Medical expense insurance and proportional reinsurance
 Income protection insurance and proportional reinsurance
 Workers' compensation insurance and proportional reinsurance
 Motor vehicle liability insurance and proportional reinsurance
 Other motor insurance and proportional reinsurance
 Marine, aviation and transport insurance and proportional reinsurance
 Fire and other damage to property insurance and proportional reinsurance
 General liability insurance and proportional reinsurance
 Credit and suretyship insurance and proportional reinsurance
 Legal expenses insurance and proportional reinsurance
 Assistance and proportional reinsurance
 Miscellaneous financial loss insurance and proportional reinsurance
 Non-proportional health reinsurance
 Non-proportional casualty reinsurance
 Non-proportional marine, aviation and transport reinsurance
 Non-proportional property reinsurance

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
R0020	13 905	2 937
R0030	942	
R0040	4 835	167
R0050	599 014	505 073
R0060	16 277	23 344
R0070	58 924	19 822
R0080	260 819	290 748
R0090	264 626	83 389
R0100	58 682	13 414
R0110	779	6 891
R0120		
R0130	5 764	11 776
R0140	20 432	3 550
R0150	1 786 556	127 780
R0160	103 807	42 661
R0170	318 965	228 143

Report:	S.28.01.01
Reporting entity:	Swiss Re Europe S.A.
Reference Date:	31 December 2018
Reporting currency:	EUR thousands

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	219 446

Obligations with profit participation - guaranteed benefits
 Obligations with profit participation - future discretionary benefits
 Index-linked and unit-linked insurance obligations
 Other life (re)insurance and health (re)insurance obligations
 Total capital at risk for all life (re)insurance obligations

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
R0210	51 898	
R0220		
R0230	411 220	
R0240		
R0250		306 638 769

Report:

Reporting entity:

Reference Date:

Reporting currency:

S.28.01.01

Swiss Re Europe S.A.

31 December 2018

EUR thousands

Overall MCR calculation

Linear MCR

SCR

MCR cap

MCR floor

Combined MCR

Absolute floor of the MCR

Minimum Capital Requirement

C0070

R0300	909 232
R0310	744 915
R0320	335 212
R0330	186 229
R0340	335 212
R0350	3 700
R0400	335 212