Swiss Re

From risk
to resilience

Financial Condition Report 2019

Contents

Swiss Re Ltd
Swiss Re Ltd is the holding company of the Swiss Re Group. Its shares are listed in accordance with the International Reporting Standard on SIX Swiss Exchange and traded under the symbol SREN.

Introduction

About this report

Scope and requirements

This Financial Condition Report (Report or Financial Condition Report) is a mandatory public disclosure for Swiss regulated re/insurance entities required by FINMA Circular 2016/2 Disclosure – insurers (Circular). The publication requirements are set forth in the Circular. This Report includes qualitative and quantitative information on business activities, performance, risk management and the Swiss Solvency Test (SST) of the Swiss Re Group (Group) as well as its Swiss-regulated re/insurance entities: Swiss Reinsurance Company Ltd, Swiss Re Corporate Solutions Ltd, Swiss Re Life Capital Reinsurance Ltd and Swiss Re International SE, Luxembourg (Zurich branch). A large part of the required information included in the Report is available in other public disclosures provided by Swiss Re, such as the Group's Financial Report, available under *www.swissre.com/investors/financial-information*. Readers of this Report should in addition consult these public disclosures. Information not included in other publicly available disclosures can be found mainly in the valuation and solvency sections of this Report.

Cautionary note on the Financial Condition Report

The preparation of the SST requires management to make a number of estimates and assumptions. The valuation of assets and liabilities reflects best estimates of underlying cash flows (eg premiums, claims, commissions, expenses, etc), using models and taking into consideration all relevant information available at the balance sheet date. In line with other valuation methods based on projections of future cash flows, economic valuations involve significant judgement when establishing which assumptions to use. The Group and its Swiss regulated re/insurance entities actively and carefully review assumptions, selecting those that are considered most appropriate and seeking consistency among business activities. Valuations are updated at each balance sheet date as experience develops and more information becomes available. In-force business assets and liabilities include estimates for premiums as well as claims and benefit payments not yet received from ceding companies at the balance sheet date. In addition, the Group and its Swiss regulated re/insurance entities have certain assets and liabilities for which liquid market prices do not exist.

All of the foregoing estimates are determined on a market-consistent basis using all relevant information available at the time of valuation. However, actual results could differ significantly from these estimates.

Please see also the *Cautionary note on forward-looking statements* and the *Note on risk factors* in this Report.

The financial information included in this Report is based on the following accounting frameworks:

Accounting and risk basis

- The consolidated financial statements of the Group are prepared in accordance with US Generally Accepted Accounting Principles (US GAAP) and reported in US dollars.
- The statutory financial statements of Swiss regulated legal entities are prepared in accordance with Swiss law and reported in Swiss francs (they are converted into US dollars for the SST balance sheet comparison with Swiss statutory).
- SST information uses Swiss Re's internal model which has been approved by FINMA. The internal Economic Value Management (EVM) framework is the basis for preparing the SST balance sheets as both frameworks are based on market-consistent valuation principles. Valuation differences between EVM and SST mainly affect capital costs and deferred taxes. EVM is the Group-proprietary integrated economic valuation and steering framework, consistently measuring economic performance across all businesses. EVM and SST financial statements are reported in US dollars.

The risk exposure basis for SST is a projection for the period from 1 January to 31 December 2020 and is based on the economic balance sheet as of 31 December 2019 and adjustments to reflect 1 January 2020 business shifts. Potential SST model or data limitations identified during the SST process are reported to FINMA as part of the SST Report 2020 with an impact assessment whenever possible. All comparative information is based on the SST Report 2019 filed with FINMA in April 2019.

The reported solvency information for 2020 is consistent with the information provided in the SST Report 2020 for Swiss Re Group (Group), Swiss Reinsurance Company Ltd, Swiss Re Corporate Solutions Ltd, and Swiss Re Life Capital Reinsurance Ltd. The SST Report 2020 is filed with FINMA in April 2020 and is subject to FINMA's review and approval.

Audit

This Report has not been audited. The US GAAP financial statements of the Group and the statutory financial statements of Swiss Re Ltd and its Swiss regulated re/insurance entities are audited. Please refer to the audit reports accompanying those financial statements and referred to in this Report.

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Swiss Re Group

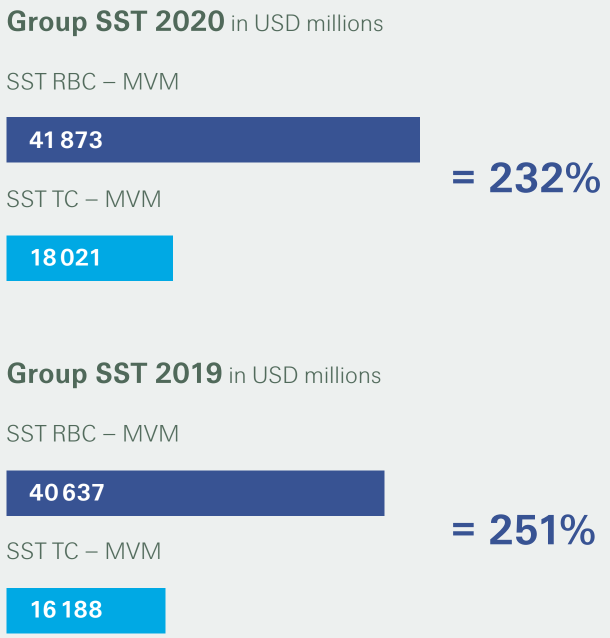
Management summary

In SST 2020, the solvency of Swiss Re Group remains at a very strong level of 232%, well above the target of 220%. SST risk-bearing capital increases driven by strong investment contribution and higher supplementary capital, partially offset by capital distribution to shareholders. Underwriting contribution remained positive despite large losses from natural catastrophes, man-made events and increased claims in US casualty business. Strong growth in insurance risk as well as lower interest rates increase SST target capital and SST run-off capital costs (market value margin) leading to the observed decrease in the ratio.

Swiss Re's Group SST 2020 ratio does not reflect the agreed sale of ReAssure Group plc to Phoenix Group Holdings plc expected to close in mid-2020.

This Report provides qualitative and quantitative information about the financial condition of the Group. This Report includes financial and risk management information already published in the *Group's 2019 Financial Report* available under *www.swissre.com/investors/financial-information*.

Solvency Overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

Business activities	In this section, we provide information about the Group's business model, the strategy and significant events. *> Read more*
Performance	We present the performance of the year under review based on the US GAAP financial statements. *> Read more*
Governance and risk management	This section provides an overview of the system of governance, key governing bodies, risk management systems and policies. *> Read more*
Risk profile	The main components of the total risk calculated under SST are discussed in this section. *> Read more*
Valuation	In this section, we provide the SST balance sheet and additional quantitative and qualitative explanations on differences to the US GAAP audited financial statements of the Group. *> Read more*
Capital management	The Group's capital management strategy and key changes in 2019 are discussed in this section. *> Read more*
Solvency	This section presents the SST calculation for the Group and includes explanations on changes relative to the prior year. *> Read more*

Business activities

Business information

For information on the Group strategy, please see the section *Our strategy* in the 2019 Business Report on page 17.

For information on the Group structure and shareholders, please see the *Group structure and shareholders* section in the 2019 Financial Report on pages 83 and 84.

For information on *net premiums earned and fee income from policyholders* by geography, see Note 2 to the financial statements included in the 2019 Financial Report on page 189.

For information on the *Group's significant subsidiaries and equity investees*, see Note 21 to the financial statements included in the 2019 Financial Report on pages 271–273.

For information on the *Group's use of special purpose vehicles*, see Note 22 to the financial statements (including all material balances related to variable interest entities) included in the 2019 Financial Report on pages 274–277.

Significant events

For information on significant events and acquisitions, please refer to the *Information policy section* on page 117 and *Note 10* to the financial statements (Acquisitions) included in the 2019 Financial Report on page 248.

Report of the statutory auditors

PricewaterhouseCoopers Ltd is the auditor of Swiss Re Ltd and its subsidiaries. For more information on Swiss Re´s auditors, please see the section *Auditors* in the 2019 Financial Report on pages 115 and 116. The *audit report of the statutory auditor* can be found in the 2019 Financial Report on pages 279–283.

Performance

The Group publicly discloses detailed financial results in the 2019 Financial Report (available on *www.swissre.com/investors/financial-information*). Please refer to the following specific sections for more information:

- *Summary of financial statements* on pages 12–13
- *Group results* on pages 14–17
- *Income statement* on page 170
- *Statement of comprehensive income* on page 171
- *Note 7 on Investments* on pages 224–231

Governance and risk management

Board of Directors and Executive Management

For information on the composition of the Board of Directors and Executive Management of Swiss Re Ltd, see sections relating to the *Board of Directors and Executive Management* in the 2019 Financial Report on pages 98–112.

Governance and Risk management

All information on *Swiss Re's risk management and risk governance* is publicly disclosed in the 2019 Financial Report, pages 50–77.

Swiss Re's Risk Management function is embedded throughout the Group and is an integral part of our business model. Risk Management is mandated to ensure that the Group and its legal entities have the necessary expertise, frameworks and infrastructure to support good risk-taking. In addition, Risk Management monitors and ensures adherence to applicable frameworks.

All risk-related activities, regardless of the legal entities in which they are undertaken, are subject to Swiss Re's risk management framework, which comprises the following major elements:

- A *risk policy and risk governance* documentation – the Group risk governance documents are organised hierarchically, across five levels, which are mirrored by equivalent documents at legal entity level; see 2019 Financial Report, page 62.
- Four *key risk management principles*, which apply consistently across all risk categories at Group and legal entity level; see 2019 Financial Report, page 62.
- Three fundamental roles for delegated *risk-taking*, including the three lines of control; 2019 Financial Report, page 62.
- A description of *Swiss Re's risk culture* that promotes risk awareness, rigor and discipline across all risk management activities; see 2019 Financial Report, page 63.
- The *organisation of risk management*, including responsibilities at Board and executive level; see 2019 Financial Report, page 64.
- *Swiss Re' s risk control framework*, which comprises a body of standards that establish an internal control system for taking and managing risk; see 2019 Financial Report, page 65.
- The *Group's risk appetite framework*, including its overall risk appetite statement, risk tolerance and capacity limits. The risk appetite framework establishes the overall approach through which Swiss Re practices controlled risk-taking throughout the Group; see 2019 Financial Report, page 66.

Swiss Re's internal risk model provides a meaningful assessment of the risks to which the Group is exposed and is an important tool for managing our business. It determines the capital requirements for internal purposes and forms the basis for regulatory reporting under the SST and under Solvency II for our legal entities in the European Economic Area. For more information, please see the *Internal control system and risk model section of the 2019 Financial Report*.

Swiss Re regularly assesses its risk exposure across all risk categories. We identify and evaluate emerging threats and opportunities through a systematic framework that includes the assessment of potential surprise factors that could affect known loss potentials:

- Swiss Re is exposed to a broad *risk landscape*, see 2019 Financial Report, page 68–69.

- Insurance risks are all risks that Swiss Re takes through its underwriting activities, including related risks such as inflation or uncertainty in pricing and reserving. For details on our *insurance risk management for property and casualty risks as well as life and health risks*, see 2019 Financial Report, page 70–71.

- In respect to *financial risks*, Swiss Re distinguishes between financial market risk and credit risk. Financial market risk is the risk that assets or liabilities may be impacted by movements in financial market prices or rates – such as equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices. Credit risk is the risk of incurring a financial loss due to diminished creditworthiness or default of Swiss Re's counterparties or of third parties (credit spread risk falls under financial market risk). For more information, see 2019 Financial Report, page 72–73.

Swiss Re also assesses *other risks* such as liquidity risk, operational risk, strategic risk, regulatory risk, political risk, model risk, valuation risk, sustainability risk and emerging risk. These risks are not explicitly part of the Group's economic capital requirement, but are actively monitored and controlled due to their significance for Swiss Re. For more information, see 2019 Financial Report, page 74–77.

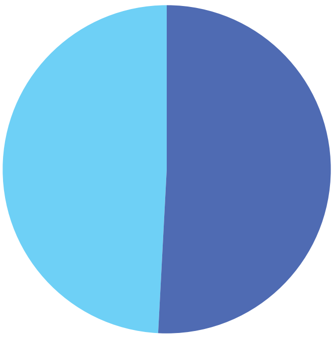
Risk profile

Swiss Re is exposed to insurance and financial risks that are calculated in its internal risk model, as well as other risks that are not explicitly part of the economic capital requirement but are actively monitored and controlled due to their significance for Swiss Re. These include operational, liquidity, model, valuation, regulatory, political, strategic and sustainability risks (see *Swiss Re's risk landscape*, 2019 Financial Report, page 68).

Property and casualty insurance risk is mainly driven by underlying risks inherent in the business Swiss Re underwrites, in particular costing and reserving and non-life claims inflation, as well as Atlantic hurricane risk. The main drivers of life and health insurance risk are lethal pandemic, mortality trend, lapse and critical illness risk.

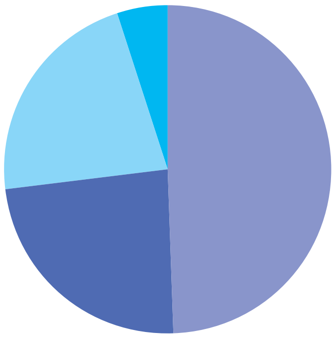
The Group's financial risk derives from financial market risk as well as from credit risk. Key drivers of financial market risk are credit spread and equity risk. Credit risk is mainly driven by default risk of capital market products and credit and surety business.

Insurance risk overview



Property and casualty	51%
Life and health	49%

Financial risk overview



Credit spread	50%
Equity	24%
Credit	22%
Other FM	5%

Total risk

Total risk is based on 99% tail value at risk (VaR) and represents the average unexpected loss that occurs with an estimated frequency of less than once in 100 years over a one-year time horizon.

USD millions	SST 2019	SST 2020	Change since SST 2019
Property and casualty	10 537	11 708	1 170
Life and health	8 633	9 857	1 224
Financial market	10 981	11 218	236
Credit[1]	3 371	3 496	125
Diversification[2]	–13 809	–14 945	–1 136
Total risk	**19 713**	**21 332**	**1 620**

[1] Credit comprises credit default and migration risk from both asset management and underwriting. Credit spread risk falls under financial market risk.

[2] The effect of diversification at risk category level represents the difference between total risk and the sum of standalone tail VaR amounts in the individual risk categories. It does not reflect diversification within risk categories.

Swiss Re's internal model takes account of the accumulation and diversification between individual risks. The effect of diversification at the category level is demonstrated in the table above, which represents the difference between the Group 99% tail VaR and the sum of standalone tail VaR amounts in the individual risk categories. The extent of diversification is largely determined by the selected level of aggregation – the higher the aggregation level, the lower the diversification effect. Total risk increases to USD 21.3 billion driven by higher insurance risk mainly reflecting business growth and lower interest rates impact. Financial market and credit risk increase only marginally. The higher weight of insurance risk leads to increased diversification.

- The increase in property and casualty risk mainly reflects growth in property business translating into higher exposure to key natural catastrophe scenarios. Higher costing and reserving risk further contributes to the increase driven by higher reserves related to the 2019 large losses, business growth and to a lesser extent reserve strengthening for US liability.

- Higher life and health risk mainly reflects the impact of lower interest rates and the appreciation of Canadian dollar and British pound against the US dollar. The overall increase is further driven by business growth in Asia and the US, resulting in higher exposure to critical illness, lethal pandemic, mortality trend and lapse risk.

- Financial market risk increases slightly, mainly due to repositioning of the credit portfolio, resulting in higher credit spread risk. This is partially offset by lower equity risk in view of an exposure reduction and hedging of the equity portfolio.

- The slight increase in credit risk is driven mainly by higher credit and surety underwriting risk.

Operational risk

Swiss Re uses a Group-wide risk matrix methodology and Swiss Re's Global Risk Register to capture operational risks. The matrix in particular focuses on risks exceeding risk tolerance as they require management actions. Adherence to risk tolerance is monitored and reported at least on a quarterly basis. The overall control environment within Swiss Re Ltd remains adequate.

Cyber risk is currently a key focus of Swiss Re's operational risk controls. A cyber risk assessment has confirmed that Swiss Re's cyber security is sufficient for meeting known and existing threats, and appropriate controls are in place. In 2019, the cyber security programme was further strengthened, and preventative, detective and responsive security controls are being implemented to prepare the Group for future threats.

Other significant risks

For details on *other significant risks*, including liquidity, model, valuation, regulatory, political, strategic and sustainability risks, see the Group's 2019 Financial Report sections on *Liquidity management* on page 60, *Swiss Re's risk landscape* on pages 68 and 69, and *Management of other significant risks* on pages 74–77.

Risk concentration

Swiss Re uses 99% tail VaR to measure its risk concentrations. Additionally, risk concentrations are also measured via value at risk calculations for major natural catastrophe scenarios with a 200-year return period and stress calculations for credit default, as well as sensitivities to key financial market parameters.

The tables below provide details on potential annualised unexpected losses from insurance peak scenarios with a return period of 200 years as well as the potential annualised unexpected loss from a credit default event. The impacts of the most severe financial risk sensitivities are shown in terms of impact on the SST ratio.

In SST 2020, the largest natural catastrophe exposure for Swiss Re Group derives from the Atlantic hurricane scenario with a USD 6.4 billion loss. Lethal pandemic and credit default losses are estimated to be at USD 3.1 billion and USD 2.4 billion, respectively.

Insurance risk stress tests: Annualised, 99.5% VaR in USD millions	SST 2020
Atlantic hurricane	6 371
Californian earthquake	4 406
European windstorm	2 369
Japanese earthquake	3 668
Lethal pandemic	3 086

Excluding the impact of earned premiums for the business written and reinstatement premiums that could be triggered as a result of the event.

Credit risk stress test: Annualised, 99.5% VaR in USD millions	SST 2020
Credit default	2 390

Excluding the impact of earned premiums for the business written and reinstatement premiums that could be triggered as a result of the event.

Among financial market sensitivities shown below, the Group is most sensitive to a 50-basis point decrease in interest rates, leading to an estimated decrease in the SST ratio of 12 percentage points.

Financial market SST ratio sensitivities	SST 2020
Interest rate +50bps	10pp
Interest rate –50bps	–12pp
Spreads +50bps	–9pp
Spreads –50bps	9pp
Equity values +25%	3pp
Equity values –25%	–3pp
Real estate +25%	6pp
Real estate –25%	–6pp

Risk mitigation

Swiss Re manages and controls its risks through an extended limit framework. The Group employs internal retrocession and funding agreements to efficiently manage capital across Swiss Re and ensure that risk-taking in individual legal entities is well diversified. Insurance risks are also mitigated through retrocession, insurance risk swaps or transferring risk to capital markets. For financial risks, Swiss Re uses financial market derivative instruments as well as financial market securities to hedge financial market and credit risk arising from investments and insurance liabilities.

Valuation

SST balance sheet

The SST balance sheet is prepared based on the same market-consistent valuation principles as applied in Swiss Re's internal EVM framework. EVM is therefore used as a basis for preparing the SST balance sheet and valuation adjustments to EVM mainly affect capital costs and deferred taxes. The difference between assets and liabilities is defined as the SST net asset value, which is the basis for the calculation of the SST risk-bearing capital (RBC).

The SST valuation methodology is further described in the > *Appendix* of this Report.

USD millions		Notes	SST 2019	SST 2020	Change since SST 2019
Market-consistent value of investments	Real estate		4264	4668	404
	Participations				n/a
	Fixed-income securities	1	90991	96773	5782
	Loans	2	8658	2223	–6435
	Mortgages	3	2732	1980	–752
	Equities		3028	2990	–38
	Other investments		**9295**	**9765**	**471**
	Collective investment schemes				n/a
	Alternative investments		4099	3865	–234
	Structured products				n/a
	Other investments		5196	5901	705
	Total investments		**118969**	**118400**	**–568**
Market-consistent value of other assets	Financial investments from unit-linked life insurance	4	22387	32971	10584
	Receivables from derivative financial instruments		562	507	–55
	Deposits made under assumed reinsurance contracts	5	7941	11764	3823
	Cash and cash equivalents	6	5695	9611	3916
	Reinsurers' share of best estimate of provisions for insurance liabilities		**5727**	**6742**	**1015**
	Direct insurance: life insurance business (excluding unit linked life insurance)		1555	1974	419
	Reinsurance: life insurance business (excluding unit linked life insurance)		596	917	321
	Direct insurance: non-life insurance business		1835	2033	199
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business		1699	1870	171
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Direct insurance: unit-linked life insurance business			–96	–96
	Reinsurance: unit-linked life insurance business		42	43	1
	Fixed assets		175	127	–48
	Deferred acquisition costs				n/a
	Intangible assets				n/a
	Receivables from insurance business		13820	15343	1523
	Other receivables		2522	2149	–373
	Other assets	7	2929	4815	1885
	Unpaid share capital				n/a
	Accrued assets		130	134	4
	Total other assets		**61887**	**84163**	**22275**
Total market-consistent value of assets			**180856**	**202563**	**21707**

USD millions		Notes	SST 2019	SST 2020	Change since SST 2019
BEL: Best estimate of liabilities (including unit linked life insurance)	**Best estimate of provisions for insurance liabilities**		**92348**	**97665**	**5316**
	Direct insurance: life insurance business (excluding unit linked life insurance)	8	26649	23280	−3368
	Reinsurance: life insurance business (excluding unit linked life insurance)	9	8973	11050	2077
	Direct insurance: non-life insurance business	10	12559	14191	1632
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business	11	44168	49144	4976
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Best estimate of provisions for unit-linked life insurance liabilities		**21549**	**32026**	**10477**
	Direct insurance: unit-linked life insurance business	12	20764	31159	10395
	Reinsurance: unit-linked life insurance business		785	867	82
Market-consistent value of other liabilities	Non-technical provisions		2217	2368	151
	Interest-bearing liabilities		7899	8556	657
	Liabilities from derivative financial instruments		307	406	99
	Deposits retained on ceded reinsurance		739	792	52
	Liabilities from insurance business		1	104	103
	Other liabilities		4601	5222	621
	Accrued liabilities		271	425	154
	Subordinated debts	13	3655	5768	2114
Total BEL plus market-consistent value of other liabilities			**133588**	**153332**	**19745**
Market-consistent value of assets minus total from BEL			**47268**	**49231**	**1962**

Notes
1. The increase in fixed income securities is driven by lower interest rates and additional purchases of US Treasury securities as well as by a large in-force transaction in Asia.
2. The decrease in loans reflects a reclassification of amounts from US closed book business from policy loans to deposits made under assumed reinsurance contracts following a change in reporting methodology.
3. The decrease in mortgages reflects the sale of the employees' mortgages portfolio to a Swiss bank.
4. The increase in financial investments from unit-linked life insurance is due to the acquisition of Old Mutual Wealth Life Assurance Limited.
5. The increase in deposits made under assumed reinsurance contracts relates mainly to a reclassification of loan amounts from US closed book business (see Note 2), partially offset by a change in modelling methodology of the transferred policy loans.
6. The increase in cash and cash equivalents is driven by financing activities and the issuance of long-term debt partially offset by dividends paid and share buyback programmes (subject to AGM and subsequent BoD approval).
7. The increase in other assets is driven by an increase in securities lending.
8. The decrease in best estimate of provisions for direct life insurance liabilities (excluding unit-linked life insurance) largely reflects a methodology change in the US closed book business which is offset within deposits made under assumed reinsurance contracts (see Note 5). These impacts are partially offset by lower risk-free interest rates and the appreciation of the British pound against the US dollar.
9. The increase in best estimate of provisions for life reinsurance liabilities (excluding unit-linked life insurance) is due to lower risk-free interest rates as well as adverse experience and assumption updates in Americas and Asia partially offset by additional new business.
10. The increase in best estimate of provisions for non-life direct insurance liabilities is driven by reserve strengthening, a high frequency and an increasing severity of large- and medium-sized man-made losses, mainly relating to the recent deterioration in the US casualty business.
11. The increase in best estimate of provisions for non-life reinsurance liabilities is driven by lower risk-free interest rates, large natural catastrophes in Asia and the Americas as well as adverse industry trends in US casualty business.
12. The increase in best estimate of provisions for direct unit-linked life insurance liabilities is due to the acquisition of Old Mutual Wealth Life Assurance Limited.
13. The increase in subordinated debts is due to issuance of three subordinated debt instruments, partially offset by the redemption of two subordinated debt instruments.

SST balance sheet comparison with US GAAP

The SST balance sheet comparison with the audited financial statements provides insights into the main valuation and scope differences.

An overview of the main valuation and scope differences and the definition of the aggregated line items is included in the > Appendix of this Report.

In US GAAP, ReAssure's assets and liabilities held for sale are recognised as separate line items in the balance sheet. In SST, ReAssure's assets and liabilities are recognised on individual balances sheet line items.

Assets

USD millions	US GAAP	SST	Difference
Real estate	2 528	4 668	2 140
Investments in subsidiaries and affiliated companies			n/a
Fixed income securities	81 573	96 773	15 200
Loans	1 562	2 223	661
Mortgages	1 459	1 980	522
Equity securities	2 993	2 990	–3
Other investments	13 111	9 765	–3 346
Investments for unit-linked and with-profit business	520	32 971	32 451
Cash and cash equivalents	7 562	9 611	2 049
Funds held by ceding companies and other receivables from reinsurance	24 743	27 107	2 364
Reinsurance recoverable from retrocessions	5 898	6 742	844
Other assets	96 618	7 732	–88 886
Total assets	**238 567**	**202 563**	**–36 004**

Real estate
Differences in valuation: in SST, real estate is measured at market value, while under US GAAP real estate is carried at depreciated cost.

Fixed income securities
Differences in scope: in SST, minority interests are reflected in the proportional consolidation of assets and liabilities, while in US GAAP minority interests are disclosed in the statement of equity.

Loans
Differences in scope: Reinsurance contracts on a funds-held basis for company-owned life insurance are reported as policy loans for SST (reflecting a look-through approach). In US GAAP, those assets are part of the funds held by ceding companies and other receivables from reinsurance.

Difference in valuation: in SST, policy loans are valued by discounting future estimated cash flows at risk-free rates, while under US GAAP policy loans are carried at amortised costs.

Other investments
Differences in scope: Derivatives and securities lending are disclosed under other assets for SST reporting purposes. For US GAAP, those financial instruments are reflected in other investments.

Differences in valuation: Equity-accounted investments in private equity and hedge funds are valued at fair value in SST. US GAAP generally values such investments utilising net asset values subject to adjustments, as deemed necessary for restrictions on redemption.

Funds held by ceding companies and other receivables from reinsurance
Differences in scope: Reinsurance contracts on a funds-held basis for company-owned life insurance are reported as policy loans for SST (reflecting a look-through

approach). In US GAAP, those assets are part of the funds held by ceding companies and other receivables from reinsurance.

Differences in valuation: in SST, funds withheld for which a fixed interest is credited are valued by discounting future estimated cash flows at risk-free rates. Under US GAAP, they are generally accounted for at face value including accrued interest.

Reinsurance recoverable from retrocessions
Differences in valuation: same principles apply as for re/insurance liabilities before retrocession described below.

Other assets
Differences in scope: Derivative and securities lending agreements assets are included in other assets for SST, while in US GAAP they are reported as part of other investments. in US GAAP, ReAssure's assets have been reclassified to "held for sale".

Differences in valuation: SST does not recognise deferred taxes, deferred acquisition costs, goodwill and other intangibles, which are reported in US GAAP.

Liabilities

USD millions	US GAAP	SST	Difference
Re/insurance liabilities before retrocession	105 574	97 665	–7 909
Unit-linked and with-profit liabilities	5 405	32 026	26 621
Debt	10 323	14 325	4 002
Funds held under reinsurance treaties	3 521	792	–2 729
Other liabilities	82 707	8 525	–74 182
Total liabilities	**207 530**	**153 332**	**–54 198**

Re/insurance liabilities before retrocessions
Differences in scope: SST includes universal life type contracts under re/insurance liabilities. US GAAP discloses those contracts in policyholder account balances. As referred to in the table in the appendix, policyholder account balances for US GAAP are part of unit-linked and with-profit business for the comparison. US GAAP accounts for those are reported under unit-linked and with profit liabilities.

Differences in valuation: In SST, re/insurance liabilities are valued using best estimates for both life and non-life business. US GAAP uses locked-in assumptions and makes allowance for possible adverse deviation for certain life business. Further differences arise from different treatment of discounting under the two frameworks. SST generally discounts all estimated cash flows based on current risk-free rates, while US GAAP does not discount for non-life business and generally uses locked-in historical discount rates to discount life business liabilities.

Unit-linked and with-profit liabilities
Differences in scope: SST unit-linked and with-profit liabilities are compared with US GAAP policy-holder account balances which include universal life type contracts in addition.

Debt
Differences in scope: SST classifies all debt, including contingent capital instruments, as debt liability. US GAAP classifies certain contingent capital instruments as debt at amortised costs or as equity depending on the instruments' characteristics.

Differences in valuation: SST excludes own credit risk in the valuation of debt not qualified as SST supplementary capital. SST supplementary capital instruments are fair valued. US GAAP generally values debt instruments at amortised costs.

Other liabilities
Differences in scope: In US GAAP, ReAssure's liabilities have been reclassified to "held for sale".

Differences in valuation: Deferred tax liabilities are not valued in SST, whereas in US GAAP they are part of other liabilities.

Capital management

For information on the *Group's capitalisation structure*, please see the Financial strength and capital management section in the 2019 Financial Report on pages 54–59, *Capital structure* on pages 85–87 and *Note 12* to the financial statements (Debt and contingent capital instruments) on pages 250–252.

For the *Group Statement of shareholders' equity*, see pages 176 and 177 of the 2019 Financial Report.

For more details on *> Valuation* differences between shareholders' equity and SST net asset value, please refer to the Group Valuation section of this Report.

Solvency

For information on the Group's solvency information, risk-bearing capital, target capital and SST ratio, please see the *Financial strength and capital management* section on pages 54–56 of the 2019 Financial Report.

Swiss Re uses an internal risk model to determine the economic capital required to support the risks on the Group's books, as well as to allocate risk-taking capacity to the different lines of business. The model also provides the basis for capital cost allocation in Swiss Re's EVM framework, which is used for pricing, profitability evaluation and compensation decisions. In addition to these internal purposes, the model is used to determine regulatory capital requirements under economic solvency frameworks such as the SST and Solvency II.

For more information, please see the *Internal control system and risk model* section of the 2019 Financial Report.

In 2017, FINMA approved Swiss Re's internal model and its components for SST reporting purposes under their revised model review process. As a result of the material review on credit risk conducted by FINMA in 2018, Swiss Re implemented a minor update to the credit risk module, which has negligible impact on the credit risk figures. In 2019 FINMA conducted a material review of the Tropical Cyclone North Atlantic model, which was approved for use without conditions.

Since SST 2019, three major model changes have been implemented and were approved by FINMA in September 2019:

- Costing & reserving risk – The improved correlation within portfolios and adjusted calibration of costing risk increase the costing & reserving risk but have no material impact on total risk.
- Non-life claims inflation risk – The update of the inflation model resulted in a decrease in total risk.
- Foreign exchange risk – The removal of contingent foreign exchange risk has no material impact on risk figures. In addition, further model currencies were introduced commensurate with business growth in the respective areas.

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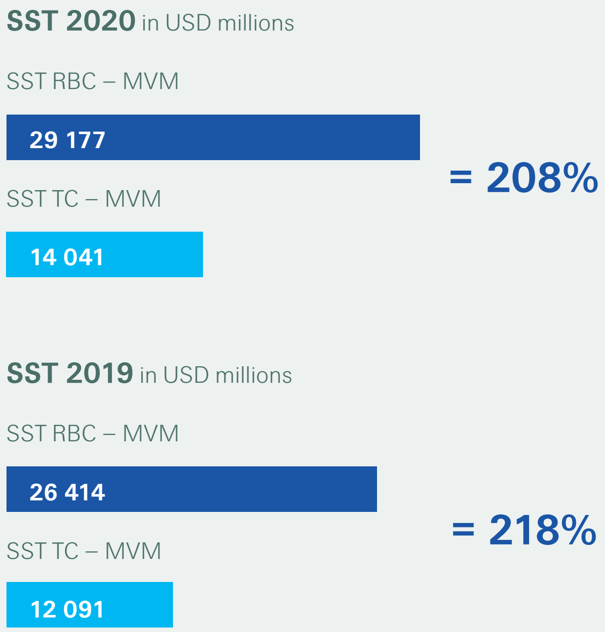
Swiss Reinsurance Company Ltd

Management summary

In SST 2020, the solvency of Swiss Reinsurance Company Ltd (SRZ) remains strong at 208%. SST risk-bearing capital increases driven by strong investment contribution and an increase in supplementary capital. Underwriting contribution remains positive despite large losses from natural catastrophes, man-made events and adverse developments in US casualty business. Growth in insurance risk combined with the impact from lower interest rates increases the SST target capital and market value margin, and is driving the decrease in the SST ratio.

This Report provides qualitative and quantitative information about the financial condition of SRZ. This Report includes financial information already published in *SRZ's 2019 Annual Report*, available on *www.swissre.com/investors/financial-information*.

Solvency Overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

Business activities

In this section, we provide information about the business model, the strategy and significant events. *> Read more*

Performance

We present the performance of the year under review based on the Swiss statutory income statement. *> Read more*

Governance and risk management

This section provides an overview of the system of governance, key governing bodies, risk management systems and policies. *> Read more*

Risk profile

The main components of the total risk calculated under SST are discussed in this section. *> Read more*

Valuation

In this section, we provide the SST balance sheet and additional quantitative and qualitative explanations on differences to SRZ's audited statutory financial statements. *> Read more*

Capital management

SRZ's capital management strategy and key changes in 2019 are discussed in this section. *> Read more*

Solvency

This section presents SRZ's SST calculation and includes explanation of changes relative to the prior year. *> Read more*

Business activities

Reinsurance strategy and priorities

SRZ operates within the strategy set out by the Swiss Re Group. Its goals are consistent with the overall Swiss Re Group financial targets and the strategy is informed by the components of the Swiss Re Group strategy.

SRZ seeks to become the leading player in the wholesale reinsurance industry based on a combination of underwriting knowledge and experience, geographic and product diversification, and financial strength, as well as appropriate allocation of capital to risk portfolios, to meet the Swiss Re Group's financial targets over the cycle.

In furtherance of the strategic goals, SRZ will seek to focus on growth, through Swiss Re's systematic capital allocation, as well as applying risk knowledge to support capital allocation. As a global organization with a wide product range and geographical reach, capital is allocated systematically by balancing opportunities on a risk-adjusted basis to generate sustainable earnings and growth over the long-term. An annual top-down capital allocation underpins Swiss Re's business planning process; throughout the year, Swiss Re actively steers its deployed capacity to maximise return. Swiss Re can change the capital allocated to particular risk pools as markets move and it develops new insights. This activity is rooted in Swiss Re's ability to take a forward-looking perspective on the economics of risk pools and allocate capital accordingly.

SRZ intends to continue to emphasize differentiation, continue to focus on high growth markets, broaden and diversify its client base to increase access to risk, enhance research and development efforts, continue to focus on technology and finally maintain leadership in sustainability.

The rapid spread of the coronavirus, which has been declared a pandemic, and the actions being taken to contain it on an increasingly global basis have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. There is an increasing likelihood that the coronavirus and containment efforts could have adverse effects on the global economy and could possibly lead to a global recession. Swiss Re is closely monitoring developments and the potential impact of the spread of infection and global responses on asset prices and insurance exposures, as well as on its operations.

Property & Casualty Reinsurance business

Market environment

Global premiums in non-life reinsurance grew moderately by around 2% in real terms in 2019, with moderate expansion and stable reinsurance demand in both emerging and advanced markets. The reinsurance industry currently faces mixed trends. The sector's capital base remains very strong, with a strengthening of the capital position of the large reinsurers. At the same time, the industry experienced a third consecutive year of elevated insurance losses, including natural catastrophes and man-made events.

Reinsurance prices, which improved slightly at the 2018 renewals, following the 2017 hurricane losses, were broadly stable at the 2019 renewals. There were rate increases in loss-affected lines and regions, but little spill-over into non-loss affected lines.

Outlook

The reinsurance industry has experienced long-term changes driven by continued low interest rates, increased capital, growing protection gap and technology advancements. In order to outperform in this environment, SRZ is aiming to increase scale and efficiency, leverage on technologies and push the edge of innovation, and it has developed a clear strategy based on the contribution of its three main pillars (core, transactions and solutions).

SRZ is applying an active portfolio steering based on pricing outlook and market trends to ensure disciplined growth. In Property and Casualty, SRZ seeks to improve its underwriting margins through multiple levers including scale and increased efficiency.

Life & Health Reinsurance business

Market environment

The global life reinsurance industry registered a 3% premiums increase in 2019. This growth was mostly driven by the expansion in emerging markets and in US medical expense market, compared to a lower growth in mortality and health-related reinsurance. Against this background, life reinsurers have sought to increase revenues through large, individual risk transfer transactions that help primary insurers stabilise income and/or bolster their balance sheets. The introduction of risk-based capital regimes has prompted much of this activity. Another area of growth for reinsurers has been the longevity risk transfer.

Continued recovery in primary insurance should support growth in life reinsurance revenues, including a recovery in traditional renewable business. Premium growth will nonetheless likely remain modest, especially in the large advanced markets. In real terms, global life reinsurance premiums are forecast to increase by around 2% in 2020 and 2021, while health reinsurance is expected to develop by around 3% annually.

Outlook

In Life and Health, SRZ continues to gain scale and applies a growth strategy on multiple dimensions, which results in a diversified and balanced portfolio in terms of products and markets.

SRZ is diversifying its access to various risk pools through the contribution of its three main pillars (core, transactions and solutions). With this differentiation strategy, SRZ is aiming to deliver sustainable profitability.

Investments

Strategy and priorities

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

Outlook

Global economic growth is expected to slow significantly in 2020 due to the currently ongoing spread of the COVID-19, with several G7 countries at risk for a recession during the year. Central banks are set to cut policy rates further and stay very accommodative in this environment of elevated uncertainty. The US Federal Reserve has already enacted ad-hoc interest rate cuts for a total of 150 bp in March. On the policy front, the attention is also on the fiscal policy responses that are currently being discussed.

Besides the rapidly evolving COVID-19 situation, other important themes for 2020 include the continued trade policy uncertainty, and the US presidential elections.

Reinsurance and sub-holding company

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

Claims on and obligations towards affiliated companies

CHF millions	2018	2019
Loans	8 321	7 874
Funds held by ceding companies	8 126	8 939
Premiums and other receivables from reinsurance	5 606	8 080
Other receivables	36	201
Other assets	2 807[1]	2 375[1]
Debt	4 317[2]	4 533[2]
Liabilities from derivative financial instruments	109	93
Funds held under reinsurance treaties	6 757	6 017
Reinsurance balances payable	5 578	6 070
Other liabilities	4 911[3]	5 453[3]
Subordinated liabilities	424[4]	3 169[4]

[1] Thereof at the 2019 balance sheet date CHF 84 million (2018: CHF 75 million) were with the parent company Swiss Re Ltd.
[2] Thereof at the 2019 balance sheet date CHF 2 160 million (2018: CHF 3 273 million) were with the parent company Swiss Re Ltd.
[3] Thereof at the 2019 balance sheet date CHF 538 million (2018: CHF 323 million) were with the parent company Swiss Re Ltd.
[4] Thereof at the 2019 balance sheet date CHF 416 million (2018: CHF 424 million) were with the parent company Swiss Re Ltd.

Share capital and major shareholder

The share capital of SRZ amounted to CHF 34 million. It is divided into 344 052 565 registered shares, each with a nominal value of CHF 0.10. The shares were fully paid-in and held directly by Swiss Re Ltd. As of 31 December 2019 and 2018, SRZ was a fully owned subsidiary of Swiss Re Ltd.

List of major branch offices

- Swiss Reinsurance Company Ltd, Australia Branch
- Swiss Reinsurance Company Ltd, Beijing Branch
- Swiss Reinsurance Company Ltd, Canada Branch
- Swiss Reinsurance Company Ltd, Hong Kong Branch
- Swiss Reinsurance Company Ltd, India Branch
- Swiss Reinsurance Company Ltd, Israel Branch
- Swiss Reinsurance Company Ltd, Japan Branch
- Swiss Reinsurance Company Ltd, Kuala Lumpur Branch

Variable interest entities

SRZ and its subsidiaries enter into arrangements with variable interest entities (VIEs). For more information, please see *Note 16* of SRZ's consolidated 2019 Annual Report, page 95–98.

Significant events

The financial year 2019 was characterised by large intercompany transactions impacting both the SRZ' income statement and balance sheet.

As a consequence of the tax regime change in the US in 2017, SRZ continued to restructure its assumed intragroup retrocession agreements with affiliated companies in the US. In the prior year, as an immediate measure to the new tax regime, Swiss Re Life & Health America Inc. recaptured part of the life and health business from SRZ and Swiss Reinsurance America Corporation reduced its share of the retrocession to SRZ for the property and casualty business. In 2019, the US-business by both companies was partly retroceded again to a newly established taxable presence of SRZ in the US.

To further align the legal entity structure with the management view in Asia, SRZ sold the assets and liabilities of its Korea branch to Swiss Re Asia Pte. Ltd. With this sale SRZ transferred related rights and obligations of the branch, including the entire reinsurance business as well as the employees, employed by the branch.

In order to further align the legal entity structure with the management view, SRZ is going to sell the assets and liabilities of its Australia, Hong Kong, Japan and Kuala Lumpur branches to Swiss Re Asia Pte. Ltd., effective 1 January 2020. With this sale SRZ will transfer related rights and obligations of the branches to Swiss Re Asia Pte. Ltd. including the entire reinsurance business as well as the employees, employed by the branches of SRZ.

Report of the statutory auditors

PricewaterhouseCoopers Ltd is the auditor of SRZ. For more information, please see the *Report of the statutory auditor* in SRZ's 2019 Annual Report, page 129–133.

Performance

	Total		Life		Accident & Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
CHF millions	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Premiums written gross	18 277	27 666	4 238	5 447	3 172	3 334	2 646	3 993	651	834	5 289	7 095	1 521	4 925	760	2 038
Premiums written retroceded	–4 041	–4 823	–826	–803	–372	–652	–548	–537	–161	–187	–1 812	–2 287	–165	–267	–157	–90
Premiums written net	**14 236**	**22 843**	**3 412**	**4 644**	**2 800**	**2 682**	**2 098**	**3 456**	**490**	**647**	**3 477**	**4 808**	**1 356**	**4 658**	**603**	**1 948**
Change in unearned premiums gross	1 602	–2 075	–4	–6	19	–35	389	–381	75	–54	564	–260	345	–934	214	–405
Change in unearned premiums retroceded	–40	104	–1		–13	26	–16	–9	1	16	–47	43	27	48	9	–20
Premiums earned	**15 798**	**20 872**	**3 407**	**4 638**	**2 806**	**2 673**	**2 471**	**3 066**	**566**	**609**	**3 994**	**4 591**	**1 728**	**3 772**	**826**	**1 523**
Other reinsurance revenues	1 933	2 446	1 656	709	119	701	25	21	2		31	19	59	965	41	31
Total revenues from reinsurance business	**17 731**	**23 318**	**5 063**	**5 347**	**2 925**	**3 374**	**2 496**	**3 087**	**568**	**609**	**4 025**	**4 610**	**1 787**	**4 737**	**867**	**1 554**
Claims paid and claim adjustment expenses gross	–18 010	–11 782	–6 489	–328	–2 069	–1 642	–2 378	–1 669	–562	–644	–4 543	–5 666	–1 552	–1 236	–417	–597
Claims paid and claim adjustment expenses retroceded	3 350	3 966	856	821	359	–185	418	388	106	127	1 438	2 607	120	119	53	89
Change in unpaid claims and life and health benefits gross	2 193	–9 643	2 846	–4 325	–754	–935	316	–614	145	–6	–290	–864	135	–2 646	–205	–253
Change in unpaid claims and life and health benefits retroceded	678	980	34	2	–48	547	–134	–119	26	–25	813	591	–44		31	–16
Change in unpaid claims for unit-linked life insurance																
Claims incurred	**–11 789**	**–16 479**	**–2 753**	**–3 830**	**–2 512**	**–2 215**	**–1 778**	**–2 014**	**–285**	**–548**	**–2 582**	**–3 332**	**–1 341**	**–3 763**	**–538**	**–777**
Acquisition and operating costs gross	–5 378	–7 251	–865	–1 203	–862	–944	–1 157	–1 374	–190	–195	–1 377	–1 673	–624	–1 297	–303	–565
Acquisition and operating costs retroceded	995	1 151	98	70	112	226	283	280	48	52	357	400	51	86	46	37
Acquisition and operating costs net	**–4 383**	**–6 100**	**–767**	**–1 133**	**–750**	**–718**	**–874**	**–1 094**	**–142**	**–143**	**–1 020**	**–1 273**	**–573**	**–1 211**	**–257**	**–528**
Other reinsurance expenses	–1 545	–2 055	–1 320	–1 010	–200	–139	–5	1			–21	–23	1	–884		
Total expenses from reinsurance business	**–17 717**	**–24 634**	**–4 840**	**–5 973**	**–3 462**	**–3 072**	**–2 657**	**–3 107**	**–427**	**–691**	**–3 623**	**–4 628**	**–1 913**	**–5 858**	**–795**	**–1 305**
Investment income	2 777	5 660														
Investment expenses	–466	–270														
Investment result	**2 311**	**5 390**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Investment result from unit-linked life insurance																
Other financial income	1 356	1 580														
Other financial expenses	–1 539	–2 063														
Operating result	**2 142**	**3 591**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest expenses on debt and subordinated liabilities	–421	–419														
Other income	82	20														
Other expenses	–416	–390														
Extraordinary income and expenses																
Income before income tax expense	**1 387**	**2 802**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax expense	–156	–98														
Net income	**1 231**	**2 704**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Reinsurance result

Total revenues and expenses from reinsurance business experienced a loss of CHF 1 316 million in 2019, compared to a gain of CHF 14 million in 2018. Property & Casualty result decreased from a gain of CHF 328 million in 2018 to a loss of CHF 992 million in 2019. The year experienced several large natural catastrophe losses, namely the typhoons Hagibis and Faxai in Japan, and the weather-related events in Australia, as well as the negative developments of prior year's large natural catastrophe losses and of a new adverse development cover for prior years' business of Swiss Re Corporate Solutions Ltd. This was only partly absorbed by the subsequent release of an equalisation provision. Life & Health result decreased from a loss of CHF 314 million in 2018 to a loss of CHF 324 million in 2019, due to ongoing restructuring of intragroup retrocession agreements with affiliated companies in the US, following the change of the tax regime in the US, generating losses in the current year, compared to the gains in the prior year. In addition, the result was further affected by unfavourable reserve developments, mainly related to the updates of discount rates and the reserve strengthening in the Americas. Negative development was partly offset by the one-off gain from the inception of a new outward external retrocession agreement in Asia, the losses in prior years, originating from several large transactions predominantly in Australia, and from a new intragroup retrocession agreement with Swiss Re Asia Pte. Ltd.

Premiums earned increased from CHF 15 798 million in 2018 to CHF 20 872 million in 2019. The increase for both, property and casualty as well as life and health business, was a result of the restructuring of several intragroup retrocession agreements with affiliated companies in the US. The volume growth, predominantly of liability business, was supported by large transactions in the Americas and Europe, partly offset by the non-renewal of a large quota share treaty with an external US-client for non-life accident and liability (miscellaneous and casualty) and the run-off of the entered intragroup agreement with Swiss Re Asia Pte. Ltd. in 2017 (across all lines of business). Premiums earned for life and health business increased further in Asia, due to a new intragroup retrocession agreement and following the new business written late last year, partly offset by less business volume after the recapture by Swiss Re Life Capital Reinsurance Ltd of some of its business.

Other reinsurance revenues increased from CHF 1 933 million in 2018 to CHF 2 446 million in 2019, due to the one-off gain from the inception of a new external retrocession in Asia for life and health business and the restructuring of several intragroup retrocession agreements with affiliated companies in the US for liability business (casualty).

Claims incurred increased from CHF 11 789 million in 2018 to CHF 16 479 million in 2019, mostly reflecting the large natural catastrophe losses in 2019 (property). The comparison of the individual claims line items was affected by the restructuring of several intragroup retrocession agreements as well as new large life and health transactions, creating substantial changes year-over-year. In aggregate, these various movements fully offset each other.

Property and casualty claims paid and claim adjustment expenses net decreased from CHF 7 317 million in 2018 to CHF 6 482 million in 2019, reflecting the restructuring of intragroup retrocession agreements with affiliated companies in the US predominantly of liability business (casualty), with an offset in change in unpaid claims net.

Property and casualty change in unpaid claims net increased from a gain of CHF 793 million in 2018 to a loss of CHF 3 952 million in 2019, additionally due to the increased quota share of the intragroup retrocession agreement with Swiss Reinsurance America Corporation for motor, property and non-life accident (miscellaneous) business, the large natural catastrophe losses in Japan as well as the weather-related events in Australia (property). Following these losses in 2019, the equalisation provision was fully released by CHF 221 million (property).

Life and health claims paid and claim adjustment expenses net and change in unpaid claims net decreased from CHF 6 818 million in 2018 to CHF 2 910 million in 2019, driven by the intragroup retrocession restructuring with Swiss Re Life & Health America Inc. in both years as well as by large transactions. These restructuring and large transaction impacts were fully offset in life and health benefits net. Furthermore, claims paid and claim adjustment expenses net and change in unpaid claims net movements were mainly driven by the inception of the new business in Japan and the recapture of business by Swiss Re Europe S.A.

Life and health benefits net decreased from a gain of CHF 1 553 million in 2018 to a loss of CHF 3 135 million in 2019, mainly driven by the intragroup retrocession restructuring with Swiss Re Life & Health America Inc. in both years as well as by large transactions. These restructuring and large transaction impacts were fully offset in life and health claims paid and claim adjustment expenses net and change in unpaid claims net. In addition, the year was negatively impacted by the inception of the new business in Japan, the updates of discount rates and the reserve strengthening in the Americas. The increase was partially offset by the new external retrocession in Asia.

Acquisition costs net increased from CHF 4 383 million in 2018 to CHF 6 100 million in 2019 in line with the premium development, mainly in property and casualty. This was driven by the increase in business volume, following the restructuring of intragroup retrocession agreements with affiliated companies in the US in 2019 for motor, property, liability (casualty) and non-life accident (miscellaneous) business as well as from the Swiss Re Asia Pte. Ltd.'s intragroup retrocession related to motor and liability (casualty) business.

Other reinsurance expenses increased from CHF 1 545 million in 2018 to CHF 2 055 million in 2019, mainly due to the losses from the restructuring of intragroup retrocession agreements with affiliated companies in the US, related to property and liability (casualty) business.

Investment result

Investment income increased from CHF 2 777 million in 2018 to CHF 5 660 million in 2019. The increase was mainly driven by the dividend from Swiss Re Reinsurance Holding Company Ltd of CHF 2 615 million and the distribution of retained income from shares in investment funds of CHF 1 474 million.

Investment expenses decreased from CHF 466 million in 2018 to CHF 270 million in 2019. The decrease was mainly related to higher value adjustments in 2018, on equity securities and shares in investment funds, driven by market deteriorations.

Investment result

CHF millions	Income	Value readjustments	Realised gains	2019 Total
Investment income				
Investments in subsidiaries and affiliated companies	2 657			2 657
Fixed income securities	568		211	779
Loans	303			303
Mortgages		3		3
Equity securities	30	32	118	180
Shares in investment funds	1 524	12	25	1 561
Short-term investments	51		1	52
Alternative investments	41	6	18	65
Other investments	**1 616**	**18**	**44**	**1 678**
Income from investment services	60			60
Investment income	**5 234**	**53**	**373**	**5 660**

CHF millions	Expenses	Value adjustments	Realised losses	2019 Total
Investment expenses				
Investments in subsidiaries and affiliated companies		–83		–83
Fixed income securities			–34	–34
Mortgages				0
Equity securities		–16	–4	–20
Shares in investment funds		–9	–1	–10
Short-term investments			–1	–1
Alternative investments		–14		–14
Other investments		**–23**	**–2**	**–25**
Investment management expenses	–108			–108
Investment expenses	**–108**	**–122**	**–40**	**–270**
Investment result				**5 390**

CHF millions	Income	Value readjustments	Realised gains	2018 Total
Investment income				
Investments in subsidiaries and affiliated companies	441		563	1 004
Fixed income securities	521		208	729
Loans	278			278
Mortgages	5			5
Equity securities	28	4	53	85
Shares in investment funds	420		42	462
Short-term investments	20		0	20
Alternative investments	51	10	2	63
Other investments	**491**	**10**	**44**	**545**
Income from investment services	131			131
Investment income	1 895	14	868	2 777

CHF millions	Expenses	Value adjustments	Realised losses	2018 Total
Investment expenses				
Investments in subsidiaries and affiliated companies		–41		–41
Fixed income securities		–6	–50	–56
Loans				
Equity securities		–110	–12	–122
Shares in investment funds		–36	–14	–50
Short-term investments			–1	–1
Alternative investments		–22		–22
Other investments		**–58**	**–15**	**–73**
Investment management expenses	–174			–174
Investment expenses	–174	–215	–77	–466
Investment result				2 311

Governance and risk management

Board of Directors and Executive Management

Board of Directors
- Walter B. Kielholz, Chairman
- Renato Fassbind, Vice Chairman
- Raymond K. F. Ch'ien, Member of the Board of Directors
- Karen Gavan, Member of the Board of Directors
- Trevor Manuel, Member of the Board of Directors
- Jay Ralph, Member of the Board of Directors
- Joerg Reinhardt, Member of the Board of Directors
- Eileen Rominger, Member of the Board of Directors
- Philip K. Ryan, Member of the Board of Directors
- Sir Paul Tucker, Member of the Board of Directors
- Jacques de Vaucleroy, Member of the Board of Directors
- Susan L. Wagner, Member of the Board of Directors
- Larry Zimpleman, Member of the Board of Directors

Changes in 2019
- No changes

Executive Management
- Moses Ojeisekhoba, Chief Executive Officer
- Urs Baertschi, Member of the Executive Committee
- Russell Higginbotham, Member of the Executive Committee
- Jonathan Isherwood, Member of the Executive Committee
- Mike Mitchell, Member of the Executive Committee
- Paul Murray, Member of the Executive Committee
- Nicola Parton, Member of the Executive Committee
- Jason Richards, Member of the Executive Committee
- James Shepherd, Member of the Executive Committee
- John Eric Smith, Member of the Executive Committee
- Robert Wiest, Member of the Executive Committee
- Gerhard Lohmann, Chief Financial Officer, Member of the Executive Committee
- Torben Thomsen, Chief Risk Officer, not a Member of the Executive Committee*
- Philip Long, Appointed Actuary, not a Member of the Executive Committee

Changes in 2019
- Urs Baertschi has been appointed as member of the Executive Committee as of 1 September 2019
- Paul Murray has been appointed as member of the Executive Committee as of 1 January 2019
- Kaspar Müller has been appointed as member of the Executive Committee as of 1 January 2019. He stepped down as of 1 November 2019
- Jayne Plunkett stepped down as member of the Executive Committee as of 8 July 2019
- Robert Wiest has been appointed as member of the Executive Committee as of 1 November 2019
- Claudia Cordioli, Chief Financial Officer, has been appointed as member of the Executive Committee as of 31 January 2020**
- Gerhard Lohmann, Chief Financial Officer, stepped down as member of the Executive Committee as of 1 February 2020**

* Torben Thomsen, Chief Risk Officer, has been appointed as member of the Executive Committee as of 1 January 2020 (this position is new in the Executive Committee)

** This change in 2020 was added for clarity on disclosure sign off

Governance and risk management

As a Business Unit top-level entity, SRZ is subject to enhanced governance requirements, which apply to all "Level I" classified legal entities, which includes the following requirements:

- Develop and maintain corporate and risk governance documentation that governs the responsibilities of the legal entity Board, committees and management
- Establish an Audit Committee as well as a Finance and Risk Committee to support the legal entity Board in performing its oversight responsibility for risk and capital steering
- Designate a Chief Risk Officer and Chief Financial Officer

All risk-related activities of SRZ and its subsidiaries are subject to Swiss Re's risk management framework, which includes:

- An independent Risk Management function responsible for risk oversight and control across Swiss Re and comprises dedicated risk teams for legal entities and regions, as well as central teams that provide specialised risk expertise and oversight.

- A clearly defined risk control framework which comprises a body of standards that establish an internal control system for taking and managing risk.

Moreover, risk management activities at SRZ are complemented by Swiss Re's Group Internal Audit and Compliance units.

Swiss Re's 2019 Financial Report describes the governance and risk management structure as it applies to SRZ. For more information, please refer to the *> Group governance and risk management* section.

Risk profile

SRZ is exposed to insurance and financial risks that are calculated in its internal risk model, as well as other risks that are not explicitly part of the economic capital requirement but are actively monitored and controlled due to their significance for the entity. These include operational, liquidity, model, valuation, regulatory, political, strategic and sustainability risks (see *Swiss Re's risk landscape*, 2019 Financial Report, page 68).

Property and casualty risk is mainly driven by underlying risks inherent in the business SRZ underwrites, in particular costing and reserving, Atlantic hurricane, as well as non-life claims inflation risk. The main drivers of life and health insurance risk are mortality trend, lethal pandemic, critical illness and lapse risk.

The financial risk of SRZ derives from both financial market and credit risk. Key drivers of financial market risk are credit spread risk and equity risk. Credit risk is mainly driven by default risk of capital market products and credit and surety business.

Total risk

Total risk is based on 99% tail VaR and represents the average unexpected loss that occurs with a frequency of less than once in 100 years over a one-year time horizon.

USD millions	SST 2019	SST 2020	Change since SST 2019
Property and casualty	9 221	10 692	1 471
Life and health	8 530	9 712	1 182
Financial market	7 398	7 485	87
Credit	2 235	2 331	96
Diversification[1]	–11 770	–12 864	–1 094
Total risk	**15 614**	**17 355**	**1 742**

[1] The effect of diversification at risk category level represents the difference between total risk and the sum of standalone tail VaR amounts in the individual risk categories. It does not reflect diversification within risk categories.

Total risk increases to USD 17.4 billion due to higher insurance risks driven by business growth as well as by the impact of lower interest rates.
- The increase in property and casualty risk mainly reflects growth in property business, which increases exposure to key natural catastrophe scenarios. Higher costing and reserving risk further contributes to the increase, driven by higher reserves related to the 2019 large losses, business growth and to a lesser extent reserve strengthening for US liability.
- Higher life and health risk mainly reflects the impact of lower interest rates and the appreciation of Canadian dollar and British pound against the US dollar. The increase is further driven by business growth in Asia and the US, resulting in higher exposure to critical illness, lethal pandemic, mortality trend and lapse risk.
- Financial market risk remains broadly stable. The repositioning of the credit portfolio, resulting in higher credit spread risk, is offset by lower equity risk driven by exposure reduction and hedging of the equity portfolio.
- The slight increase in credit risk is mainly driven by growth in the credit and surety business.

Operational risk

SRZ uses a Group-wide risk matrix methodology and Swiss Re's Global Risk Register to capture operational risks. The matrix in particular focuses on risks exceeding risk tolerance as they require management actions. Adherence to risk tolerance is monitored and reported at least on a quarterly basis. The overall control environment within SRZ remains adequate.

Cyber risk is currently a key focus of the SRZ's operational risk controls. A cyber risk assessment has confirmed that the SRZ's cyber security is sufficient for meeting known and existing threats, and appropriate controls are in place. In 2019, the cyber security programme was further strengthened, and preventative, detective and responsive security controls are being implemented to prepare SRZ for future threats.

Other significant risks

For details on other significant risks, including liquidity, model, valuation, regulatory, political, strategic and sustainability risks, see the Group's 2019 Financial Report sections on *Liquidity management* on page 60, *Swiss Re's risk landscape* on pages 68 and 69, and *Management of other significant risks* on pages 74–77.

Risk concentration

SRZ uses 99% tail VaR to measure its risk concentrations. Additionally, risk concentrations are also measured via value at risk calculations for major natural catastrophe scenarios with a 200-year return period and stress calculations for credit default, as well as sensitivities to key financial market parameters.

The SRZ's largest potential annualised unexpected loss from an insurance peak scenario or a credit default event in SST 2020 derives from the Atlantic hurricane scenario.

Among financial market sensitivities, the SRZ's SST ratio is most sensitive to a decrease in interest rates.

Risk mitigation

SRZ manages and controls its risks through an extended limit framework. Insurance risks are also mitigated through retrocession, insurance risk swaps or transferring risk to capital markets. For financial risks, SRZ uses financial market derivative instruments as well as financial market securities to hedge financial market and credit risk arising from investments and insurance liabilities.

Valuation

SST balance sheet

The SST balance sheet is prepared based on the same market-consistent valuation principles as applied in Swiss Re's internal EVM framework. EVM is therefore used as a basis for preparing the SST balance sheet and valuation adjustments to EVM mainly affect capital costs and deferred taxes. The difference between assets and liabilities is defined as the SST net asset value, which is the basis for the calculation of the SST RBC.

The SST valuation methodology is further described in the > *Appendix* of this Report.

USD millions		Notes	SST 2019	SST 2020	Change since SST 2019
Market-consistent value of investments	Real estate				n/a
	Participations	1	15 145	19 686	4 541
	Fixed-income securities	2	16 459	21 483	5 024
	Loans		10 085	10 136	51
	Mortgages	3	804	2	–803
	Equities		1 135	1 270	135
	Other investments		**15 428**	**17 168**	**1 740**
	Collective investment schemes	4	12 467	13 526	1 060
	Alternative investments		788	910	122
	Structured products				n/a
	Other investments	5	2 174	2 732	558
	Total investments		**59 057**	**69 745**	**10 688**
Market-consistent value of other assets	Financial investments from unit-linked life insurance				n/a
	Receivables from derivative financial instruments		222	213	–9
	Deposits made under assumed reinsurance contracts	6	12 830	18 541	5 711
	Cash and cash equivalents	7	2 191	2 774	583
	Reinsurers' share of best estimate of provisions for insurance liabilities		**12 104**	**9 459**	**–2 645**
	Direct insurance: life insurance business (excluding unit linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit linked life insurance)	8	6 311	3 173	–3 137
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business	9	5 793	6 286	493
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
	Fixed assets		10	3	–7
	Deferred acquisition costs				n/a
	Intangible assets				n/a
	Receivables from insurance business	6	10 200	13 640	3 440
	Other receivables		737	508	–229
	Other assets		4 187	5 027	840
	Unpaid share capital				n/a
	Accrued assets		92	93	1
	Total other assets		**42 573**	**50 257**	**7 684**
Total market-consistent value of assets			**101 630**	**120 001**	**18 372**

USD millions		Notes	SST 2019	SST 2020	Change since SST 2019
BEL: Best estimate of liabilities (including unit linked life insurance)	**Best estimate of provisions for insurance liabilities**		**48 117**	**57 467**	**9 350**
	Direct insurance: life insurance business (excluding unit linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit linked life insurance)	10	10 102	13 321	3 219
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business	11	38 016	44 146	6 130
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Best estimate of provisions for unit-linked life insurance liabilities				**n/a**
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
Market-consistent value of other liabilities	Non-technical provisions		1 121	1 015	–106
	Interest-bearing liabilities		4 969	5 258	289
	Liabilities from derivative financial instruments		283	407	124
	Deposits retained on ceded reinsurance	12	3 191	6 365	3 173
	Liabilities from insurance business		4 595	4 672	77
	Other liabilities		6 967	7 252	285
	Accrued liabilities		67	57	–10
	Subordinated debts	13	3 673	5 760	2 087
Total BEL plus market-consistent value of other liabilities			**72 983**	**88 253**	**15 270**
Market-consistent value of assets minus total from BEL			**28 647**	**31 749**	**3 102**

Notes
1. The increase in participation is mainly driven by the impacts from the restructuring of the intra-group retrocessions (IGRs) with affiliated companies in the US as well as by capital contributions into Swiss Re Asia Pte. Ltd.
2. The increase in fixed income securities is mainly driven by impacts from the restructuring of the IGRs with affiliated companies in the US as well as by a large inforce transaction in Asia and favourable market conditions.
3. The decrease in mortgages reflects the sale of the SRZ's employees' mortgages portfolio to a Swiss bank.
4. The increase in collective investment schemes is mostly related to favorable market conditions.
5. The increase in other investments is mainly driven by the purchase of short-term investments related to the Canada Life and Health IGR restructuring and the release of collateral.
6. The increase in deposits made under assumed reinsurance contracts and in receivables from reinsurance business is mainly related to Life & Health Reinsurance driven by the restructuring of the US IGRs with new business retroceded from Swiss Re Life and Health America Inc. in 2019. Furthermore, the increase in Life Capital business is reflecting a reclassification of amounts from US closed book business from policy loans to deposits made under assumed reinsurance contracts following a change in reporting methodology.
7. The increase in cash and cash equivalents is mainly related to asset management activities to fund new investments in fixed income securities and short-term investments.
8. The decrease in reinsurance life insurance business (excluding unit- linked life insurance) is mainly related to intragroup retrocessions towards Swiss Re Life Capital Reinsurance Ltd following the modelling methodology change in the US closed book gross business.
9. The increase in reinsurance non-life business mainly reflects large natural catastrophe losses in Japan and Australia retroceded to Swiss Re Asia Pte. Ltd.
10. The increase in the best estimate of provisions for life insurance liabilities is mainly due to lower risk-free interest rates, new IGR agreements from Swiss Re Life and Health America Inc. This is further driven by a new large inforce transaction in Japan as well as by volume and reserves increase in UK traditional business. These were partially offset by a large reserve decrease in the US closed book business due to the modelling methodology change.
11. The increase in the best estimate of provisions for non-life insurance liabilities is mainly due to lower risk-free interest rates, the new IGR agreements from Swiss Reinsurance America Corporation and the new intra-group Loss Portfolio Transfer (LPT) from Swiss Re Corporate Solutions Ltd. Furthermore, the increase in reserves is driven by business growth in Europe and a new retrospective reinsurance transaction in Israel.
12. The increase in deposits retained on ceded reinsurance is mainly driven by the IGR to Swiss Re Life Capital Reinsurance Ltd reflecting a reclassification of amounts from US closed book business from policy loans to deposits retained on ceded reinsurance.
13. The increase in subordinated debt is mainly driven by the issuance of intra-group subordinated debt instruments with Swiss Re Finance (Luxembourg) S.A., partially offset by the maturity of external subordinated debt instruments.

SST balance sheet comparison with Swiss statutory

The SST balance sheet comparison with the audited financial statements provides insights into the main valuation and scope differences.

An overview of the main valuation and scope differences and the definition of the aggregated line items is included in the > *Appendix* of this Report.

Assets

USD millions	Swiss Statutory	SST	Difference
Real estate			n/a
Investments in subsidiaries and affiliated companies	15847	19686	3839
Fixed income securities	20866	21483	617
Loans	8692	10136	1444
Mortgages	2	2	0
Equity securities	1135	1270	135
Other investments	18058	17168	–890
Investments for unit-linked and with-profit business			n/a
Cash and cash equivalents	1011	2774	1763
Funds held by ceding companies and other receivables from reinsurance	31380	32180	800
Reinsurance recoverable from retrocessions	15221	9459	–5762
Other assets	12030	5843	–6187
Total assets	**124244**	**120001**	**–4242**

Investments in subsidiaries and affiliated companies
Differences in scope: In SST, some subsidiaries of SRZ are sub-consolidated and, therefore, their assets and liabilities are reported within the respective line items. In statutory reporting, there is no sub-consolidation. Hence, the values of all subsidiaries are reported in investments in subsidiaries and affiliated companies.

Differences in valuation: SST reports investments in subsidiaries and affiliated companies at market-consistent value. In statutory reporting, participations are carried at cost, less necessary and legally permissible depreciation, fixed at historic FX rates.

Fixed-income securities
Differences in valuation: SST carries fixed-income securities at market value. In statutory reporting, fixed-income securities are valued at their amortised cost less necessary depreciation to address other-than-temporary market value decreases.

Loans
Differences in valuation: In SST, policy loans and intra-group loans are valued by discounting future estimated cash flows at risk-free rates, while under statutory reporting those loans are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value. Infrastructure loans are carried at their amortised cost less necessary depreciation to address other- than-temporary market value decreases.

Equity securities
Differences in scope: In SST, Swiss Re shares are not valued, whereas they are part of equity securities for statutory reporting. For SST, some shares in public equity investment funds are included in equity securities. Under statutory reporting, those shares are part of other investments.

Differences in valuation: SST values equity securities at market value. In statutory reporting, equity securities are carried at cost or lower market value.

Other investments
Differences in scope: In SST, short-term investments are defined on the basis of the remaining duration at time of purchase. Statutory reporting classifies short-term investments between cash and cash equivalents and other investments on the basis of initial duration. In SST, some public equity investment funds are classified as part of the equity securities. In statutory reporting, shares in investment funds are classified as other investments.

Differences in valuation: SST reports other investments such as investment funds, private equity or hedge funds at market value. In statutory reporting, these investments are generally valued at cost or at the lower of market value.

Cash and cash equivalents
Differences in scope: in SST, short-term investments are defined based on the remaining duration at time of purchase, while statutory reporting classifies these investments based on the initial duration into short-term or cash and cash equivalents.

Funds held by ceding companies and other receivables from reinsurance
Differences in valuation: In SST, funds withheld for which a fixed interest is credited are valued by discounting future estimated cash flows at risk-free rates. Under statutory reporting, those are generally measured at the consideration received or at market value of the underlying assets.

Reinsurance recoverable from retrocessions
Differences in valuation: same principles apply as for re/insurance liabilities before retrocession described below.

Other assets
Differences in valuation: In SST, other assets are measured at fair value. In statutory reporting, other assets are generally carried at nominal value. Derivative financial instruments in statutory reporting are generally accounted based on the lower of cost or market principle under Swiss Company Law. Derivative deals where SRZ enters into two identical, but opposite directed derivatives are recorded at market value. In addition, assets in derivative financial instruments which have an observable market price and are traded in an active and liquid market are recorded at market value. Deferred acquisition costs are not valued for SST.

Liabilities

USD millions	Swiss Statutory	SST	Difference
Re/insurance liabilities before retrocession	78 824	57 467	–21 357
Unit-linked and with-profit liabilities			n/a
Debt	10 052	11 018	966
Funds held under reinsurance treaties	6 389	6 365	–24
Other liabilities	17 379	13 403	–3 976
Total liabilities	**112 644**	**88 253**	**–24 391**

Re/insurance liabilities before retrocession
Differences in valuation: SST uses best estimates to value the re/insurance liabilities without specific margin for prudence. Statutory reporting values reinsurance liabilities at best estimates and for life and health business requires provisions for adverse deviations (PADs). For the property and casualty business, statutory reporting allows for an equalisation provision. Other valuation differences arise from the discounting of the liability cash flows. In SST, liabilities are generally discounted using current risk- free rates. Under statutory reporting, there is generally no discounting for non-life and discounting at yields of the backing assets for life and health technical provisions. For more details on the general differences in valuation of re/insurance liabilities, please refer to the table in the methodology section of this report.

Debt
Differences in valuation: In SST, senior debt and intra-group loans are discounted at risk-free rates. SST supplementary capital instruments are carried at fair value. In statutory reporting, debt is carried at redemption value.

Funds held under reinsurance treaties
Differences in valuation: In SST, the valuation is based on best estimates of the underlying cash flows. Under statutory reporting, funds held under reinsurance treaties are carried at consideration received or market value of the underlying assets.

Other liabilities
Differences in valuation: In SST, no specific provision is made for currency fluctuations. In statutory reporting, a provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. Derivative financial instruments are measured at fair value under SST. In statutory reporting, derivatives are generally valued based on the lower of cost or market principle under Swiss Law. Derivative deals, where SRZ enters into two identical (but with opposite direction) derivatives, are recorded at market value. In addition, liabilities in derivative financial instruments which have an observable market price and are traded in an active and liquid market are recorded at market value.

Capital management

SRZ is the holding entity of Swiss Re's Reinsurance Business Unit. It plans, assesses and steers its own risk and solvency position in combination with the risk and solvency positions of its subsidiaries.

For the Group and its Swiss regulated Business Unit holding companies, SRZ and Swiss Re Corporate Solutions Ltd, the Group Risk Policy sets SST capitalisation targets on a consolidated basis, which define the capitalisation objective for executive management in normal operating circumstances. Target capital is used as a basis to coordinate capital planning and capital management actions. Any deviation from the target capitalisation must be restored as soon as practical, and in any event over the applicable three-year plan. Surplus capital is expected to be made available to the Group holding company.

Change in shareholder's equity

CHF millions	Share capital	Legal capital reserves	Legal profit reserves	Voluntary profit reserves	Retained earnings brought forward	Net income for financial year	Total shareholder's equity
Shareholder's equity 1.1.2018	34	6 778	650	2 099	51	1 209	10 821
Allocations relating to the dividend paid				1 200	9	–1 209	0
Dividend for the financial year 2018				–1 860			–1 860
Net income for the financial year						1 231	1 231
Shareholder's equity 31.12.2018	34	6 778	650	1 439	60	1 231	10 192
Shareholder's equity 1.1.2019	34	6 778	650	1 439	60	1 231	10 192
Allocations relating to the dividend paid				1 250	–19	–1 231	0
Dividend for the financial year 2019				–1 662			–1 662
Net income for the financial year						2 704	2 704
Shareholder's equity 31.12.2019	**34**	**6 778**	**650**	**1 027**	**41**	**2 704**	**11 234**

Shareholder's equity

Shareholder's equity increased from CHF 10 192 million as of 31 December 2018 to CHF 11 234 million as of 31 December 2019.

The increase reflected the net income for the financial year 2019 of CHF 2 704 million, partly offset by the dividend payment in cash of CHF 1 662 million.

Solvency

SRZ uses an internal risk model to determine the economic capital required to support the risks on the SRZ's books, as well as to allocate risk-taking capacity to the different lines of business. The model also provides the basis for capital cost allocation in Swiss Re's EVM framework, which is used for pricing, profitability evaluation and compensation decisions. In addition to these internal purposes, the model is used to determine regulatory capital requirements under economic solvency frameworks such as the SST and Solvency II.

For more information, please see the *Internal control system and risk model* section of the 2019 Financial Report.

In 2017, FINMA approved Swiss Re's internal model and its components for SST reporting purposes under their revised model review process. As a result of the material review on credit risk conducted by FINMA in 2018, Swiss Re implemented a minor update to the credit risk module, which has negligible impact on the credit risk figures. In 2019 FINMA conducted a material review of the Tropical Cyclone North Atlantic model, which was approved for use without conditions.

Since SST 2019, three major model changes have been implemented and were approved by FINMA in September 2019:

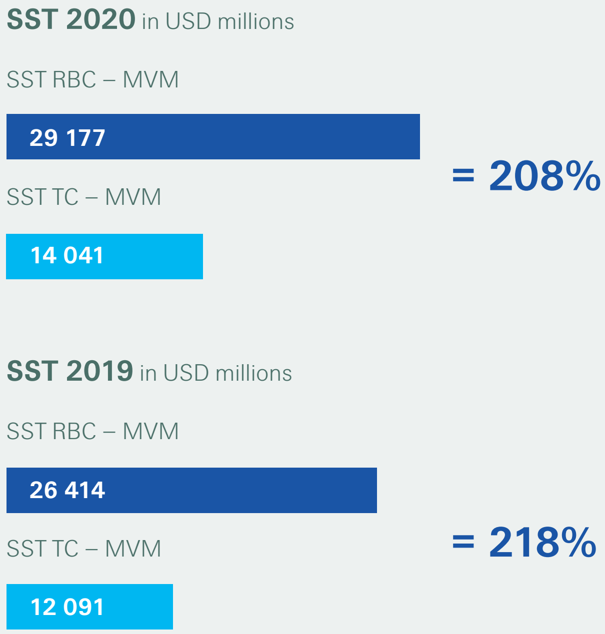
- Costing & reserving risk – The improved correlation within portfolios and adjusted calibration of costing risk increase the costing & reserving risk but have no material impact on total risk.
- Non-life claims inflation risk – The update of the inflation model resulted in a decrease in total risk.
- Foreign exchange risk – The removal of contingent foreign exchange risk has no material impact on risk figures. In addition, further model currencies were introduced commensurate with business growth in the respective areas.

Solvency

In SST 2020, the solvency of SRZ remains strong at 208%. SST risk-bearing capital increases, driven by strong investment contribution and an increase in supplementary capital. Underwriting contribution remains positive despite large losses from natural catastrophes, man-made events and adverse development in US casualty business. Growth in insurance risk combined with the impact from lower interest rates increases the SST target capital and market value margin and drives the decrease in the SST ratio.

Based on current SST rules introduced in 2017, the ratio is calculated as SST risk-bearing capital (SST RBC) minus the market value margin (MVM), divided by SST target capital (TC) minus the MVM.

Solvency Overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

SST risk-bearing capital

The SST RBC is derived from the SST net asset value (NAV), which represents the difference between the market consistent value of assets and liabilities, according to the valuation methodology prescribed under SST. For this purpose, the SST NAV is adjusted for the items shown in the table below.

USD millions	SST 2019	SST 2020	Change since SST 2019
SST net asset value	**28 647**	**31 749**	**3 102**
Deductions	–2 040	–2 064	–24
SST core capital	**26 607**	**29 685**	**3 078**
Supplementary capital	3 468	5 174	1 706
SST risk-bearing capital (SST RBC)	**30 074**	**34 859**	**4 785**
Market value margin (MVM)	3 660	5 682	2 022
SST RBC – MVM	**26 414**	**29 177**	**2 762**

The increase in SST NAV to USD 31.7 billion compared to SST 2019 reflects mainly the positive underwriting and investment contributions, foreign exchange impacts and capital contribution from Swiss Re Ltd. These effects are partially offset by the dividends paid in 2019, cost of debt and current year taxes.

The overall positive contribution from underwriting is due to Life & Health Reinsurance, partially offset by Property & Casualty Reinsurance. Drivers for the underwriting contribution are the following:

- The Life & Health Reinsurance positive underwriting contribution is driven by strong transactional business growth in EMEA and the Americas, partially offset by adverse assumptions updates in the Americas and Asia.
- The Property & Casualty Reinsurance negative underwriting contribution reflects natural catastrophe losses, including typhoons Hagibis and Faxai in Japan, Hurricane Dorian in the US, Typhoon Jebi claims update, adverse industry trends for US casualty, Ethiopian Airlines crash and subsequent Boeing 737 MAX grounding, as well as a loss from the Adverse Development Cover (ADC) with Swiss Re Corporate Solutions Ltd. The negative impacts are partially offset by reserve releases for Harvey, Irma, Maria and California wildfire losses.

The contribution from investment activities is positive, mainly driven by the impact of credit spread tightening and positive performance across equities and alternative investments.

Positive foreign exchange movements are mainly due to the strengthening of the Canadian dollar against the US dollar.

Dividend payments lead to a decline in the SST NAV of USD 1.7 billion partially offset by a capital contribution from SRZ to support investment activities in Asia.

Deductions mainly reflect projected dividends (to be paid in 2020) as well as deferred taxes on real estate. These items increase by USD 24 million compared to SST 2019.

Supplementary capital is recognised as risk bearing under SST. The increase in SST supplementary capital of USD 1.7 billion reflects the issuance of one new senior and the replacement of two subordinated debt instruments.

A description of the change in MVM, which represents the capital costs for the run-off period, is provided together with the SST target capital (TC) comments below.

SST target capital

In order to derive SST TC, total risk is adjusted for the line item Other impacts as shown in the table below.

USD millions	SST 2019	SST 2020	Change since SST 2019
Total risk	**15 614**	**17 355**	**1 742**
Other impacts	137	2 368	2 231
SST target capital (TC)	**15 751**	**19 723**	**3 972**
Market value margin (MVM)	3 660	5 682	2 022
SST target capital – MVM	**12 091**	**14 041**	**1 950**

SST target capital increases to USD 19.7 billion due to an increase in the MVM (included in line item other impacts) and higher total risk (see Risk profile for details).

Other impacts mainly reflect MVM, the impact from business development over the forecasting period as well as requirements from FINMA that are not included in total risk as they are not consistent with Swiss Re's own risk view.

The increase in MVM is mainly driven by the impact of lower interest rates and growth of mortality and health business in Asia and the US.

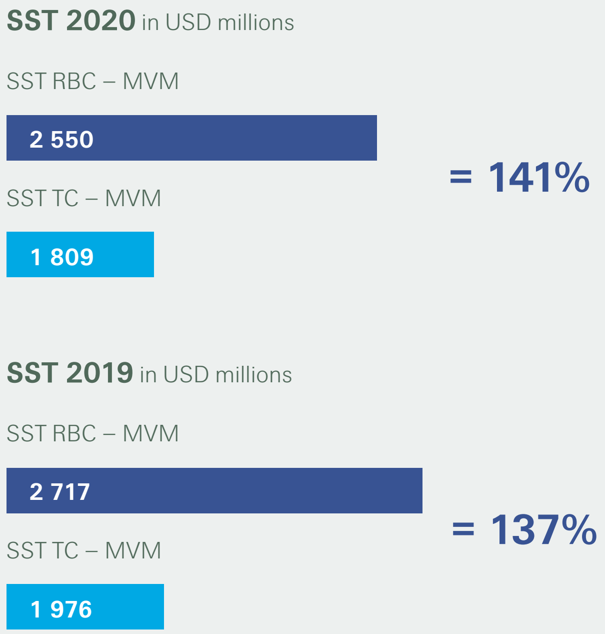
Swiss Re Corporate Solutions Ltd

Management summary

The SST ratio of Swiss Re Corporate Solutions Ltd (SRCS) increased to 141% mainly driven by the purchase of additional reinsurance coverage from Swiss Reinsurance Company Ltd, further supported by a capital contribution from the Group. These impacts are partially offset by negative underwriting performance, driven by an increase in severity and frequency of man-made losses as well as reserve strengthening.

This Report provides qualitative and quantitative information about the financial condition of SRCS. This Report includes financial information already published in *SRCS's 2019 Annual Report*, available on *www.swissre.com/investors/financial-information*.

Solvency Overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

Business activities	In this section, we provide information about the business model, the strategy and significant events. *> Read more*
Performance	We present the performance of the year under review based on the Swiss statutory income statement. *> Read more*
Governance and risk management	This section provides an overview of the system of governance, key governing bodies, risk management systems and policies. *> Read more*
Risk profile	The main components of the total risk calculated under SST are discussed in this section. *> Read more*
Valuation	In this section, we provide the SST balance sheet and additional quantitative and qualitative explanations on differences to the audited statutory financial statements of SRCS. *> Read more*
Capital management	The capital management strategy of SRCS and key changes in 2018 are discussed in this section. *> Read more*
Solvency	This section presents SRCS's SST calculation and includes explanation on changes compared to the prior year. *> Read more*

Business activities

Reinsurance business

Strategy and priorities
SRCS conducts the commercial insurance business of the Swiss Re Group and is committed to deliver long-term profitability and economic growth. Corporate Solutions offers customised, innovative and multi-line, multi-year risk transfer solutions, taking into account the unique needs of local markets and specialty industries.

The rapid spread of the coronavirus, which has been declared a pandemic, and the actions being taken to contain it on an increasingly global basis have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. There is an increasing likelihood that the coronavirus and containment efforts could have adverse effects on the global economy and could possibly lead to a global recession. Swiss Re is closely monitoring developments and the potential impact of the spread of infection and global responses on, for example, asset prices and insurance exposures, as well as on its operations.

Outlook
After years of an unsustainable pricing environment, the commercial insurance market started to harden in 2019. While rates and terms and conditions have improved, commercial risks, particularly in the large corporate segment, remain inadequately priced and the industry continues to be unprofitable overall. Corporate Solutions expects a continued market hardening via increased rates and a focus on terms and conditions over the next 12 months.

Investments

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

Outlook
Global economic growth is expected to slow significantly in 2020 due to the currently ongoing spread of the COVID-19, with several G7 countries at risk for a recession during the year. Central banks are set to cut policy rates further and stay very accommodative in this environment of elevated uncertainty. The US Federal Reserve has already enacted ad-hoc interest rate cuts for a total of 150 bp in March. On the policy front, the attention is also on the fiscal policy responses that are currently being discussed.

Besides the rapidly evolving COVID-19 situation, other important themes for 2020 include the continued trade policy uncertainty, and the US presidential elections.

Reinsurance and sub-holding company

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

Claims on and obligations towards affiliated companies

CHF millions	2018	2019
Loans	1 181	1 212
Funds held by ceding companies	486	642
Reinsurance recoverable on technical provisions retroceded	242	1 780
Premiums and other receivables from reinsurance	1 069	1 833
Other receivables	293	414
Funds held under reinsurance treaties		342
Reinsurance balances payable	342	1 400
Other liabilities	24	10
Subordinated liabilities	296[1]	291[1]

[1] The subordinated liabilities were against the parent company Swiss Re Ltd. It is a subordinated floating rate callable loan due in 2028 with a first optional redemption date on 19 December 2023.
There were no other outstanding claims on and obligations towards the parent company Swiss Re Ltd at the end of the period 2019 and 2018.

Share capital and major shareholder

The nominal share capital of SRCS amounted to CHF 100 million. It is divided into 100 000 shares, each with a nominal value of CHF 1 000. The shares were fully paid-in and held directly by Swiss Re Ltd. As of 31 December 2019 and 2018, SRCS was a wholly-owned subsidiary of Swiss Re Ltd.

List of branch offices

- Swiss Re Corporate Solutions Ltd, Dubai Branch
- Swiss Re Corporate Solutions Ltd, Labuan Branch

Variable interest entities

SRCS and its subsidiaries enter into arrangements with variable interest entities (VIEs). For more information, please see *Note 13* of SRCS's consolidated 2019 Annual Report, pages 53 and 54.

Significant events

As a consequence of the tax regime change in the US in 2017, SRCS continued to restructure its assumed intragroup retrocession program with the affiliated Westport Insurance Company and its subsidiaries. In 2019, the US-business was partly retroceded again to a newly established taxable presence of SRCS in the US.

In addition, SRCS entered with SRZ into a Loss Portfolio Transfer (LPT), covering part of the liability business, and an Adverse Development Cover (ADC), protecting accident years 2012–2018 across SRCS's portfolio.

Report of the statutory auditors

PricewaterhouseCoopers Ltd is the auditor of SRCS. For more information, please see the *Report of the statutory auditor* in SRCS's 2019 Annual Report, pages 77–80.

Performance

	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
CHF millions	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Premiums written gross	1 589	4 315	21	16	–49	338	–1	4	346	454	619	1 855	130	1 162	523	486
Premiums written retroceded	–128	–323							–13	–29	–99	–148	–7	–131	–9	–15
Premiums written net	**1 461**	**3 992**	**21**	**16**	**–49**	**338**	**–1**	**4**	**333**	**425**	**520**	**1 707**	**123**	**1 031**	**514**	**471**
Change in unearned premiums gross	338	–841	–3		53	–52	1	–1	47	18	255	–400	259	–295	–274	–111
Change in unearned premiums retroceded	1	21							1	2	1	6	1	14	–2	–1
Premiums earned	**1 800**	**3 172**	**18**	**16**	**4**	**286**	**0**	**3**	**381**	**445**	**776**	**1 313**	**383**	**750**	**238**	**359**
Other reinsurance revenues	21	75							3		7	5	10	70	1	
Total revenues from reinsurance business	**1 821**	**3 247**	**18**	**16**	**4**	**286**	**0**	**3**	**384**	**445**	**783**	**1 318**	**393**	**820**	**239**	**359**
Claims paid and claim adjustment expenses gross	–1 729	–2 138	–2	–7	–121	–89	–1	–1	–288	–415	–901	–914	–373	–581	–43	–131
Claims paid and claim adjustment expenses retroceded	4	–967							10	–1		–1		–965	–6	
Change in unpaid claims gross	54	–1 495	–3		73	–100	2	–1	–30	–73	122	–100	–86	–1 044	–24	–177
Change in unpaid claims retroceded	152	1 603							–14	43	151	–5	2	1 565	13	
Change in unpaid claims for unit-linked life insurance																
Claims incurred	**–1 519**	**–2 997**	**–5**	**–7**	**–48**	**–189**	**1**	**–2**	**–322**	**–446**	**–628**	**–1 020**	**–457**	**–1 025**	**–60**	**–308**
Acquisition and operating costs gross	–771	–1 146	–4	–6	33	–76		–1	–142	–162	–317	–458	–204	–284	–137	–159
Acquisition and operating costs retroceded		3										2		2		–1
Acquisition and operating costs net	**–771**	**–1 143**	**–4**	**–6**	**33**	**–76**	**0**	**–1**	**–142**	**–162**	**–317**	**–456**	**–204**	**–282**	**–137**	**–160**
Other reinsurance expenses		–75												–75		
Total expenses from reinsurance business	**–2 290**	**–4 215**	**–9**	**–13**	**–15**	**–265**	**1**	**–3**	**–464**	**–608**	**–945**	**–1 476**	**–661**	**–1 382**	**–197**	**–468**
Investment income	64	239														
Investment expenses	–11	–8														
Investment result	**53**	**231**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Investment result from unit-linked life insurance																
Other financial income	4	6														
Other financial expenses	–30	–32														
Operating result	**–442**	**–763**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest expenses on debt and subordinated liabilities	–24	–39														
Other income	10	24														
Other expenses	–43	–79														
Extraordinary income and expenses																
Income before income tax expense	**–499**	**–857**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax expense	1	–1														
Net income	**–498**	**–858**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Total revenues and expenses from reinsurance business experienced a loss of CHF 968 million in 2019, compared to a loss of CHF 469 million in 2018.

Premiums earned increased from CHF 1 800 million in 2018 to CHF 3 172 million in 2019, mainly due to the change of the intragroup retrocession program with Westport Insurance Corporation and higher premiums from Swiss Re International, partially offset by the premium paid for the new ADC with SRZ.

Claims incurred increased from CHF 1 519 million in 2018 to CHF 2 997 million in 2019. The increase was mainly driven by the change of the intragroup retrocession program with Westport Insurance Corporation and higher losses from Swiss Re International, partially offset by the reinsurance recoverable from the ADC with Swiss Reinsurance Company Ltd.

Acquisition costs increased from CHF 545 million in 2018 to CHF 940 million in 2019. The increase was mainly driven by the change of the intragroup retrocession program with Westport Insurance Corporation, partially offset by lower costs from Swiss Re International.

Operating costs decreased by CHF 23 million to CHF 203 million in the current year (2018: CHF 226 million), mainly due to lower management expenses.

Investment result

Investment income increased from CHF 64 million in 2018 to CHF 239 million in 2019. The increase was mainly driven by income from shares of investment funds and realised gain on the redemption of an investment fund

Investment expenses decreased from CHF 11 million in 2018 to CHF 8 million in 2019. The decrease mainly related to lower realised losses from fixed income securities.

Investment result

CHF millions	Income	Value readjustment	Realised gains	2019 Total
Investment income				
Subsidiaries and affiliated companies				
Fixed income securities	27		4	31
Equity securities				
Loans	42			42
Shares in investment funds	114		44	158
Short-term investments	6		1	7
Alternative investments				
Other investments	120		45	165
Income from investment services	1			1
Investment income	**190**	**0**	**49**	**239**

CHF millions	Income	Value readjustment	Realised gains	2019 Total
Investment expenses				
Subsidiaries and affiliated companies				
Fixed income securities			–1	–1
Equity securities				
Loans				
Shares in investment funds				
Short-term investments				
Alternative investments				
Other investments				
Investment management expenses	–7			–7
Investment expenses	**–7**	**0**	**–1**	**–8**
Investment result				**231**

CHF millions	Income	Value readjustment	Realised gains	2018 Total
Investment income				
Subsidiaries and affiliated companies	2			2
Fixed income securities	20			20
Equity securities				
Loans	36			36
Shares in investment funds	1			1
Short-term investments	4			4
Alternative investments				
Other investments	5			5
Income from investment services	1			1
Investment income	64	0	0	64

CHF millions	Income	Value readjustment	Realised gains	2018 Total
Investment expenses				
Subsidiaries and affiliated companies				
Fixed income securities			–3	–3
Equity securities				
Loans				
Shares in investment funds				
Short-term investments				
Alternative investments				
Other investments				
Investment management expenses	–8			–8
Investment expenses	–8	0	–3	–11
Investment result				53

Governance and risk management

Board of Directors and Executive Management

Board of Directors
- Walter B. Kielholz, Chairman
- Renato Fassbind, Vice Chairman
- Raymond K. F. Ch'ien, Member of the Board of Directors
- Karen Gavan, Member of the Board of Directors
- Trevor Manuel, Member of the Board of Directors
- Jay Ralph, Member of the Board of Directors
- Joerg Reinhardt, Member of the Board of Directors
- Eileen Rominger, Member of the Board of Directors
- Philip K. Ryan, Member of the Board of Directors
- Sir Paul Tucker, Member of the Board of Directors
- Jacques de Vaucleroy, Member of the Board of Directors
- Susan L. Wagner, Member of the Board of Directors
- Larry Zimpleman, Member of the Board of Directors

Changes in 2019
- Renato Fassbind has been elected Vice Chairman as of 17 April 2019 (was already member of the Board of Directors)

Executive Management
- Andreas Berger, Chief Executive Officer
- Angelo Colombo, Member of the Executive Committee
- Samrat Dua, Member of the Executive Committee
- James George, Member of the Executive Committee
- Ivan Gonzalez, Member of the Executive Committee
- Ashley Hirst, Member of the Executive Committee
- Fred Kleiterp, Member of the Executive Committee
- Kera McDonald, Member of the Executive Committee
- Jonathan Rake, Member of the Executive Committee
- Markus Stiefel, Member of the Executive Committee
- Martin Müller, Chief Financial Officer, Member of the Executive Committee
- Nina Arquint, Chief Risk Officer, not Member of the Executive Committee*
- Edmond Kartun, Appointed Actuary, not Member of the Executive Committee

Changes in 2019
- Andreas Berger, Chief Executive Officer, has been appointed as of 1 March 2019. Christian Mumenthaler led SRCS ad interim from 1 January 2019 to 28 February 2019
- Angelo Colombo has been appointed as member of the Executive Committee as of 7 October 2019
- Samrat Dua has been appointed as member of the Executive Committee as of 1 July 2019
- Rudolf Flunger stepped down as member of the Executive Committee as of 1 May 2019
- James George has been appointed as member of the Executive Committee as of 1 July 2019
- Ivan Gonzalez has been appointed as member of the Executive Committee as of 1 July 2019
- Ashley Hirst has been appointed as member of the Executive Committee as of 1 July 2019
- Fred Kleiterp has been appointed as member of the Executive Committee as of 1 July 2019
- Kera McDonald has been appointed as member of the Executive Committee as of 1 July 2019
- Jonathan Rake has been appointed as member of the Executive Committee as of 1 July 2019
- Markus Stiefel has been appointed as member of the Executive Committee as of 1 July 2019
- Serge Tröber stepped down as member of the Executive Committee as of 1 July 2019

* Nina Arquint has been appointed as Chief Risk Officer as of 1 July 2019 and member of the Executive Committee as of 1 January 2020

Governance and risk management

As a Business Unit top-level entity, SRCS is subject to enhanced governance requirements, which apply to all "Level I" classified legal entities, which includes the following requirements:

- Develop and maintain corporate and risk governance documentation that governs the responsibilities of the legal entity Board, committees and management
- Establish an Audit Committee as well as a Finance and Risk Committee to support the legal entity Board in performing its oversight responsibility for risk and capital steering
- Designate a Chief Risk Officer and Chief Financial Officer

All risk-related activities of SRCS and its subsidiaries are subject to Swiss Re's risk management framework, which includes:

- An independent Risk Management function responsible for risk oversight and control across Swiss Re and comprises dedicated risk teams for legal entities and regions, as well as central teams that provide specialised risk expertise and oversight.
- A clearly defined risk control framework which comprises a body of standards that establish an internal control system for taking and managing risk.

Moreover, risk management activities at SRCS are complemented by Swiss Re's Group Internal Audit and Compliance units.

Swiss Re's 2019 Financial Report describes the governance and risk management structure as it applies to SRCS. For more information, please refer to the *> Group governance and risk management* section.

Risk profile

SRCS is exposed to insurance and financial risks that are calculated in Swiss Re's internal risk model, as well as other risks that are not explicitly part of the economic capital requirement but are actively monitored and controlled due to their significance for the entity. These include operational, liquidity, model, valuation, regulatory, political, strategic and sustainability risks (see *Swiss Re's risk landscape*, 2019 Financial Report, page 68).

The table below shows the risk categories calculated in Swiss Re's internal risk model. On the insurance risk, SRCS is exposed to property and casualty risk, which is mainly driven by costing and reserving, D&O & auditors' PI, cyber, EQ Pacific North West and non-life claims inflation.

The financial risk of SRCS derives from financial market and credit risk. Financial market risk is mainly related to credit spread risk, commodity risk and equity risk. Credit risk is driven by credit and surety underwriting business and credit risk on capital market products.

The risk profile of SRCS, as part of the execution of management actions to restore profitability, has slightly shifted during 2019, with credit risk having a higher contribution than SST 2019 and property and casualty risks having an equally lower contribution compared to SST 2019.

Total risk

Total risk is based on 99% tail VaR and represents the average unexpected loss that occurs with a frequency of less than once in 100 years over a one-year time horizon.

USD millions	SST 2019	SST 2020	Change since SST 2019
Property and casualty risk	1 853	1 403	–450
Life and health risk			n/a
Financial market risk	658	489	–169
Credit risk	711	731	20
Diversification[1]	–1 006	–753	253
Total risk	**2 216**	**1 870**	**–346**

[1] The effect of diversification at risk category level represents the difference between total risk and the sum of standalone tail VaR amounts in the individual risk categories. It does not reflect diversification within risk categories.

In SST 2020, total risk decreases to USD 1.9 billion, mainly due to lower property and casualty risk and financial market risk, partially offset by higher credit risk and lower diversification.

- Property and casualty risk decrease is largely driven by the purchase of an ADC from SRZ, reducing non-life claims inflation risk, generic liability risk, and costing and reserving risk. This is further supported by lower exposures to natural catastrophe and cyber risk due to lower business volumes.
- The decrease in financial market risk is mainly due to the de-risking of the credit portfolio, resulting in lower credit spread risk.
- Credit risk increases slightly, mainly driven by higher credit and surety underwriting risk.

Operational risk

SRCS uses a Group-wide risk matrix methodology and Swiss Re's Global Risk Register to capture operational risks. The matrix in particular focuses on risks exceeding risk tolerance as they require management actions. Adherence to risk tolerance is monitored and reported at least on a quarterly basis. The overall control environment within SRCS remains adequate.

Cyber risk is currently a key focus of the SRCS's operational risk controls. A cyber risk assessment has confirmed that the SRCS's cyber security is sufficient for meeting known and existing threats, and appropriate controls are in place. In 2019, the cyber security programme was further strengthened, and preventative, detective and responsive security controls are being implemented to prepare SRCS for future threats.

Other significant risks

For details on other significant risks, including liquidity, model, valuation, regulatory, political, strategic and sustainability risks, see the Group's 2019 Financial Report sections on *Liquidity management* on page 60, *Swiss Re's risk landscape* on pages 68 and 69, and *Management of other significant risks* on pages 74–77.

Risk concentration

SRCS uses 99% tail VaR to measure its risk concentrations. Additionally, risk concentrations are also measured via value at risk calculations for major natural catastrophe scenarios with a 200-year return period and stress calculations for credit default, as well as sensitivities to key financial market parameters.

In SST 2020, the largest potential annualised unexpected loss from an insurance peak scenario or a credit default event stems from the credit default scenario.

Among financial market sensitivities, the SRCS's SST ratio is most sensitive to an increase in credit spreads.

Risk mitigation

SRCS manages and controls its risks through an extended limit framework. Insurance risks are also mitigated through retrocession, insurance risk swaps or transferring risk to capital markets. For financial risks, SRCS uses financial market derivative instruments as well as financial market securities to hedge financial market and credit risk arising from investments and insurance liabilities.

Valuation

SST balance sheet

The SST balance sheet is prepared based on the same market-consistent valuation principles as Swiss Re's internal EVM framework. EVM is therefore used as a basis for preparing the SST balance sheet and valuation adjustments to EVM mainly affect capital costs and deferred taxes. The difference between assets and liabilities is defined as the SST net asset value, which is the basis for the calculation of the SST RBC.

The SST valuation methodology is further described in the > *Appendix* of this Report.

USD millions		Notes	SST 2019	SST 2020	Change since SST 2019
Market-consistent value of investments	Real estate				n/a
	Participations		1 677	1 676	0
	Fixed-income securities	1	993	1 561	568
	Loans		1 377	1 427	50
	Mortgages				n/a
	Equities			132	132
	Other investments		**2 168**	**1 619**	**–550**
	Collective investment schemes	1	1 974	1 540	–433
	Alternative investments				n/a
	Structured products				n/a
	Other investments		195	78	–116
	Total investments		**6 215**	**6 415**	**200**
Market-consistent value of other assets	Financial investments from unit-linked life insurance				n/a
	Receivables from derivative financial instruments		5	10	5
	Deposits made under assumed reinsurance contracts		479	620	141
	Cash and cash equivalents	2	339	642	303
	Reinsurers' share of best estimate of provisions for insurance liabilities		**252**	**1 356**	**1 105**
	Direct insurance: life insurance business (excluding unit linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit linked life insurance)				n/a
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business	3	252	1 356	1 105
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
	Fixed assets				n/a
	Deferred acquisition costs				n/a
	Intangible assets				n/a
	Receivables from insurance business	4	1 200	2 068	868
	Other receivables	5	301	658	357
	Other assets			7	7
	Unpaid share capital				n/a
	Accrued assets				n/a
	Total other assets		**2 576**	**5 361**	**2 785**
Total market-consistent value of assets			**8 791**	**11 776**	**2 985**

USD millions		Notes	SST 2019	SST 2020	Change since SST 2019
BEL: Best estimate of liabilities (including unit linked life insurance)	**Best estimate of provisions for insurance liabilities**		**5 260**	**7 236**	**1 977**
	Direct insurance: life insurance business (excluding unit linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit linked life insurance)				n/a
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business	6	5 260	7 236	1 977
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Best estimate of provisions for unit-linked life insurance liabilities				**n/a**
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
Market-consistent value of other liabilities	Non-technical provisions		62	23	–39
	Interest-bearing liabilities				n/a
	Liabilities from derivative financial instruments		6	11	5
	Deposits retained on ceded reinsurance				n/a
	Liabilities from insurance business	7	348	1 457	1 110
	Other liabilities		54	262	208
	Accrued liabilities		7	11	5
	Subordinated debts		817	847	31
Total BEL plus market-consistent value of other liabilities			**6 552**	**9 848**	**3 296**
Market-consistent value of assets minus total from BEL			**2 239**	**1 928**	**–311**

Notes

1. The differences in fixed income securities and collective investment schemes reflect a shift from investment funds fixed income securities to direct investments in fixed income securities, mostly US bonds.
2. The increase in cash and cash equivalents is mainly due to sales proceeds from sale of US bonds and redemptions of US and UK bonds, offset by additions of short-term US bonds.
3. The increase in reinsurers´ share of best estimate of provisions for insurance liabilities for non-life reinsurance business is driven by the introduction of the LPT and ADC with SRZ.
4. The increase in receivables from insurance business is mainly driven by the change of the intra-group retrocession program with Westport Insurance Corporation and higher receivables from Swiss Re International SE.
5. The increase in other receivables is driven by cash pooling.
6. The increase in non-life reinsurance best estimate liabilities before retrocessions is mainly driven by higher frequency and severity of large and medium-sized man-made losses, coupled with reserving actions.
7. The increase in liabilities from insurance business is mainly driven by the introduction of the LPT with SRZ and increased payables with Swiss Re International SE and Westport Insurance Corporation.

SST balance sheet comparison with Swiss statutory financial statements

The SST balance sheet comparison with the audited financial statements provides insights into the main valuation and scope differences.

An overview of the main valuation and scope differences and the definition of the aggregated line items is included in the > *Appendix* of this Report.

Assets

USD millions	Swiss Statutory	SST	Difference
Real estate			
Investments in subsidiaries and affiliated companies	1 575	1 676	101
Fixed-income securities	1 567	1 561	–5
Loans	1 251	1 427	175
Mortgages			
Equity securities		132	132
Other investments	2 254	1 619	–635
Investments for unit-linked and with-profit business			
Cash and cash equivalents	11	642	630
Funds held by ceding companies and other r eceivables from reinsurance	2 722	2 688	–34
Reinsurance recoverable from retrocessions	1 906	1 356	–550
Other assets	1 016	675	–341
Total assets	**12 302**	**11 776**	**–526**

Investments in subsidiaries and affiliated companies
Differences in valuation: SST reports investments in subsidiaries and affiliated companies at market consistent value. In statutory reporting, participations are carried at cost, less necessary and legally permissible depreciation, fixed at historic FX rates.

Fixed-income securities
Differences in valuation: SST carries fixed income securities at market value. In statutory reporting, fixed income securities are valued at their amortised cost less necessary depreciation to address other than temporary market value decreases.

Loans
Differences in valuation: In SST, intra-group loans are valued by discounting future estimated cash flows at risk-free rates, while under statutory reporting those loans are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Equity securities
Differences in scope: In SST, some shares in public equity investment funds are included in equity securities. Under statutory reporting, those funds are part of other investments.

Other investments

Differences in scope: In SST, short-term investments are defined on the basis of the remaining duration at time of purchase. Statutory reporting classifies short-term investments between cash and cash equivalents and other investments on the basis of initial duration. In SST, some public equity investment funds are classified as part of equity securities. In statutory reporting, shares in investment funds are classified as other investments.

Differences in valuation: SST reports other investments such as shares in investment funds, private equity or hedge funds at market value. In statutory reporting, those securities are valued at cost, less necessary and legally permissible depreciation.

Cash and cash equivalents

Differences in scope: In SST, short-term investments are defined based on the remaining duration at time of purchase, while statutory reporting classifies these investments based on the initial duration into short-term or cash and cash equivalents.

Funds held by ceding companies and other receivables from reinsurance

Differences in valuation: In SST, funds withheld for which a fixed interest is credited are valued by discounting future estimated cash flows at risk-free rates. Under statutory reporting, those are generally measured at the consideration received or at market value of the underlying assets.

Reinsurance recoverable from retrocessions

Differences in valuation: Same principles apply as for re/insurance liabilities before retrocession described below.

Other assets

Differences in valuation: In SST, other assets are measured at fair value. In statutory reporting, other assets are generally carried at nominal value. Deferred acquisition costs are not valued for SST.

Liabilities

USD millions	Swiss Statutory	SST	Difference
Re/insurance liabilities before retrocession	8 718	7 236	–1 482
Unit-linked and with-profit liabilities			n/a
Debt	800	847	47
Funds held under reinsurance treaties	354		–354
Other liabilities	1 571	1 764	193
Total liabilities	**11 442**	**9 848**	**–1 594**

Re/insurance liabilities before retrocession
Differences in valuation: In SST, liabilities are generally discounted using current risk-free rates. In statutory reporting there is generally no discounting for non-life technical provisions.

Debt
Differences in valuation: In SST, debt qualified as SST supplementary capital is carried at fair value. In statutory reporting, debt is carried at redemption value.

Funds held under reinsurance treaties
Differences in scope: SRCS entered with Swiss Reinsurance Company Ltd into a Loss Portfolio Transfer (LPT) in 2019. In statutory reporting, part of the LPT is shown in funds held under reinsurance treaties. In SST, the whole LPT is reflected in other liabilities.

Differences in valuation: In SST, the valuation is based on best estimates of the underlying cash flows. In statutory reporting, funds held under reinsurance treaties are carried at consideration received or market value of the underlying assets.

Other liabilities
Differences in scope: In SST, the whole LPT is reflected in other liabilities. In statutory reporting, only part of the LPT is reflected in other liabilities; the other part is shown in funds held under reinsurance treaties.

Differences in valuation: Derivative financial instruments are measured at fair value under SST. In statutory reporting, derivatives generally are carried at cost, less necessary and legally permissible depreciation.

Capital management

SRCS is the holding entity of Swiss Re's Corporate Solutions Business Unit. It plans, assesses and steers its own risk and solvency position in combination with the risk and solvency positions of its subsidiaries.

For the Group and its Swiss regulated Business Unit holding companies, Swiss Reinsurance Company Ltd and SRCS, the Group Risk Policy sets SST capitalisation targets on a consolidated basis, which define the capitalisation objective for executive management in normal operating circumstances. Target capital is used as a basis to coordinate capital planning and capital management actions. Any deviation from target capitalisation must be restored as soon as practical, and in any event over the applicable three-year plan. Surplus capital is expected to be made available to the Group holding company.

Change in shareholder's equity

CHF millions	Share Capital	Legal capital reserves	Voluntary profit reserves	Loss brought forward	Net loss for the financial year	Total Shareholder's equity
Shareholder's equity 1.1. 2018	100	2 396	46	14	–904	1 652
Allocation to voluntary profit reserves		–905	905			0
Allocation to retained earnings				–904	904	0
Dividend for the financial year 2017			–48			–48
Net result for the year					–498	–498
Shareholder's equity 31.12.2018	100	1 491	903	–890	–498	1 106
Shareholder's equity 1.1. 2019	100	1 491	903	–890	–498	1 106
Capital injection on 24 June 2019 from Swiss Re Ltd		584				584
Allocation to voluntary profit reserves		–1 584	1 584			0
Allocation to retained earnings				–498	498	0
Dividend for the financial year 2018						
Net result for the year					–858	–858
Shareholder's equity 31.12.2019	**100**	**491**	**2 487**	**–1 388**	**–858**	**832**

Shareholder's equity

Shareholder's equity decreased from CHF 1 106 million at 31 December 2018 to CHF 832 million at 31 December 2019. The decrease resulted from the net loss for 2019 of CHF 858 million, partially offset by the capital contribution of CHF 584 million from Swiss Re Ltd.

The nominal share capital of SRCS remained unchanged at CHF 100 million at 31 December 2019.

Solvency

SRCS uses an internal risk model to determine the economic capital required to support the risks on the SRCS's books, as well as to allocate risk-taking capacity to the different lines of business. The model also provides the basis for capital cost allocation in Swiss Re's EVM framework, which is used for pricing, profitability evaluation and compensation decisions. In addition to these internal purposes, the model is used to determine regulatory capital requirements under economic solvency frameworks such as the SST and Solvency II.

For more information, please see the *Internal control system and risk model section* of the 2019 Financial Report.

In 2017, FINMA approved Swiss Re's internal model and its components for SST reporting purposes under their revised model review process. As a result of the material review on credit risk conducted by FINMA in 2018, Swiss Re implemented a minor update to the credit risk module, which has negligible impact on the credit risk figures. In 2019 FINMA conducted a material review of the Tropical Cyclone North Atlantic model, which was approved for use without conditions.

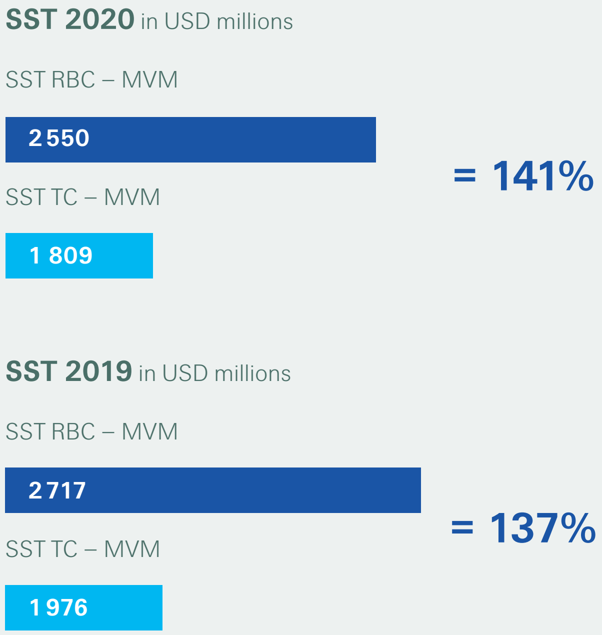
Since SST 2019, three major model changes have been implemented and were approved by FINMA in September 2019:
- Costing & reserving risk – The improved correlation within portfolios and adjusted calibration of costing risk increase the costing & reserving risk but have no material impact on total risk.
- Non-life claims inflation risk – The update of the inflation model resulted in a decrease in total risk.
- Foreign exchange risk – The removal of contingent foreign exchange risk has no material impact on risk figures. In addition further model currencies were introduced commensurate with business growth in the respective areas.

Solvency

The SST ratio of SRCS increases to 141% mainly driven by the purchase of additional reinsurance coverage from Swiss Reinsurance Company Ltd, further supported by a capital contribution from the Group. These impacts are partially offset by negative underwriting performance, driven by an increase in severity and frequency of man-made losses as well as reserve strengthening.

Based on current SST rules introduced in 2017, the ratio is calculated as SST risk-bearing capital (SST RBC) minus the market value margin (MVM), divided by SST target capital (TC) minus the MVM.

Solvency Overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

SST risk-bearing capital

The SST RBC is derived from the SST net asset value (NAV), which represents the difference between the market consistent value of assets and liabilities, according to the valuation methodology prescribed under SST. For this purpose, the SST NAV is adjusted for the items shown in the table below.

USD millions	SST 2019	SST 2020	Change since SST 2019
SST net asset value	**2239**	**1928**	**–311**
Deductions			n/a
SST core capital	**2238**	**1928**	**–311**
Supplementary capital	817	847	31
SST risk-bearing capital (SST RBC)	**3055**	**2775**	**–280**
Market value margin (MVM)	338	225	–113
SST RBC – MVM	**2717**	**2550**	**–168**

The decrease in SST NAV to USD 1.9 billion is mainly driven by a negative underwriting contribution, partially offset by a capital contribution from Swiss Reinsurance Company Ltd as well as a positive investment contribution:

- The negative underwriting contribution is mainly driven by previous years' business developments from reserving actions, large and medium-sized man-made losses, mainly relating to adverse industry trends for US casualty business. This is partially offset by a positive recovery from the Adverse Development Cover with Swiss Reinsurance Company Ltd and rate hardening.
- The positive investment contribution reflects the impact of spread tightening on credit investments and a positive performance from equity investments.

No dividend projections are included for SST 2020. Supplementary capital is recognised as risk bearing under SST. The increase in SST supplementary capital of USD 31 million reflects lower interest rates and credit spread tightening.

A description of the change in MVM, which represents the capital costs for the run-off period, is provided together with the SST target capital (TC) comments below.

SST target capital

In order to derive SST TC, total risk is adjusted for the line item Other impacts as shown in the table below.

USD millions	SST 2019	SST 2020	Change since SST 2019
Total risk	**2 216**	**1 870**	**–346**
Other impacts	98	164	66
SST target capital (TC)	**2 314**	**2 034**	**–280**
Market value margin (MVM)	338	225	–113
SST target capital – MVM	**1 976**	**1 809**	**–167**

The SST TC of SRCS decreases to USD 2.0 billion, driven primarily by a decrease in total risk (see Risk profile for details) and partially offset by Other impacts.

Other impacts mainly reflect run-off capital costs (MVM), the impact from business development over the forecasting period as well as requirements from FINMA that are not included in total risk as they are not consistent with Swiss Re's own risk view.

MVM decreases driven by non-life claims inflation and generic liability due to increased risk transfer.

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Swiss Re Life Capital Reinsurance Ltd

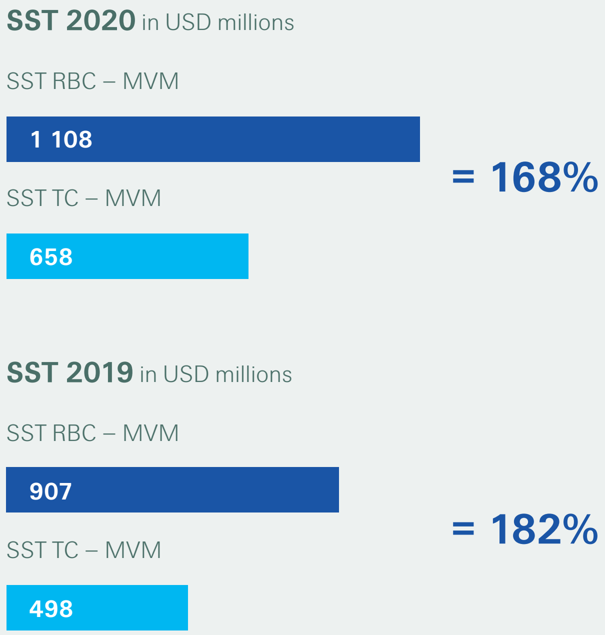
Management summary

In SST 2020, the SST ratio of Swiss Re Life Capital Reinsurance Ltd (SRLC Re) decreases to 168%, 14 percentage points lower than in SST 2019. This change is mainly driven by the restructure of SRLC Re, underperformance of Elips Life AG and the recapture of a part of the Admin Re US business by the cedent.

Under the restructure, SRLC Re assumed ownership of the open book entities within Swiss Re's Life Capital business. This impacted SRLC Re's balance sheet as well as its risk exposures.

This Report provides qualitative and quantitative information about the financial condition of SRLC Re.

Solvency Overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

Business activities

In this section, we provide information about the business model, the strategy and significant events. > *Read more*

Performance

We present the performance of the year under review based on the Swiss statutory income statement. > *Read more*

Governance and risk management

This section provides an overview of the system of governance, key governing bodies, risk management systems and policies. > *Read more*

Risk profile

The main components of the total risk calculated under SST are discussed in this section. > *Read more*

Valuation

In this section, we provide the SST balance sheet and additional quantitative and qualitative explanations on differences to the audited statutory financial statements of SRLC Re. > *Read more*

Capital management

SRLC Re's capital management strategy and key changes in 2019 are discussed in this section. > *Read more*

Solvency

This section presents SRLC Re's SST calculation and includes explanations on changes compared to the prior year. > *Read more*

Business activities

Reinsurance business

Strategy and priorities
SRLC Re was created to pool risks and optimise the capital position across the businesses of the Life Capital Business Unit. SRLC Re will continue to enable Life Capital's growth strategy, reinsuring as much risk as appropriate to minimise new business capital strain from growth in the open book entities of Life Capital (LC). Additionally, it will be available to support the Group's strategic initiatives where necessary.

In 2019, SRLC Re concluded a legal reorganisation which saw the transfer of certain open book entities as indirect subsidiaries of SRLC Re. SRLC Re will continue to provide as much reinsurance to those businesses as appropriate to maximise value for the Business Unit.

SRLC Re's priorities for 2020 include:
- Consider restructuring of its intra-group retrocession agreements with affiliated closed book businesses with the Group;
- Further optimising the funding of subsidiaries to support new business growth, fund setup and build costs.

The rapid spread of the coronavirus, which has been declared a pandemic, and the actions being taken to contain it on an increasingly global basis, have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. There is an increasing likelihood that the coronavirus and containment efforts could have adverse effects on the global economy and could possibly lead to a global recession. Swiss Re is closely monitoring developments and the potential impact of the spread of infection and global responses on asset prices and insurance exposures, as well as on its operations.

Outlook
Life Capital's businesses provide access to the primary insurance risk pool through its fast growing B2B2C digital platform iptiQ and its Group L&H business elipsLife. The Admin Re US business provides access to the closed book pool.

SRLC Re is an internal reinsurer primarily dedicated to the Life Capital Business Unit.

In 2019 elipsLife expanded to the US and iptiQ expanded into property & casualty (P&C) personal lines in Europe. As of the end of the year, iptiQ had onboarded 29 partners across Europe and the US, providing protection to 377 000 customers.

With the growth of elipsLife and iptiQ, the business ceded to SRLC Re also increased.

The Life Capital Business Unit will continue its strategy to grow its Group and Individual L&H protection and personal lines P&C risk businesses. The ambition is to build a leading primary life and health and P&C business.

Investments

Strategy and priorities

Financial investments are managed in accordance with Swiss Re's Targeted Standard on Asset Management and SRLC Re's investment guidelines, which are intended to ensure compliance with regulatory requirements, as well as a prudent level of financial market risk exposure and diversification. The general principle governing investment management in SRLC Re is the creation of economic value on the basis of returns relative to the liability benchmark, while adhering to the investment guidelines, the general prudence principle and considering portfolio implications for statutory reserving. The liability benchmark is determined by approximating an investable benchmark from projected liability cash flows. A cash benchmark is used for the economic surplus.

Outlook

Global economic growth is expected to slow significantly in 2020 due to the currently ongoing spread of the COVID-19, with several G7 countries at risk for a recession during the year. Central banks are set to cut policy rates further and stay very accommodative in this environment of elevated uncertainty. The US Federal Reserve has already enacted ad-hoc interest rate cuts for a total of 150bp in March. On the policy front, the attention is also on the fiscal policy responses that are currently being discussed.

Besides the rapidly evolving COVID-19 situation, other important themes for 2020 include the continued trade policy uncertainty, and the US presidential elections.

Reinsurance and sub-holding companies

SRLC Re is a wholly-owned subsidiary of Swiss Re Life Capital Ltd, the holding company for the Life Capital Business Unit. SRLC Re is domiciled in Zurich, Switzerland.

Claims on and obligations towards affiliated companies

CHF millions	2018	2019
Premiums and other receivables from reinsurance	1 550	1 400
Funds held by ceding companies	7 337	6 017
Loans		20
Other receivables	207	116
Funds held under reinsurance treaties	1 619	1 068
Reinsurance balances payable	1 490	1 167
Other liabilities	2	20

None of these balances are towards the parent company Swiss Re Life Capital Ltd

Share capital and major shareholder

The share capital of SRLC Re amounted to CHF 10 million. It is divided into 10 000 registered shares, each with a nominal value of CHF 1 000. The shares were fully paid-in and held directly by SRLC. As of 31 December 2019, SRLC Re was a fully owned subsidiary of SRLC.

Variable interest Entities

SRLC Re and its subsidiaries do not have arrangements with variable interest entities.

Significant events

In the first half of 2019, SRLC Re concluded a legal reorganisation which saw the transfer of certain iptiQ and elipsLife open book entities as indirect subsidiaries of SRLC Re. This reorganisation increased equity by CHF 250 million and delivered capital efficiency and flexibility for the Life Capital Business Unit. In addition, SRLC Re received capital contributions of CHF 194 million, of which CHF 193 million was contributed into its subsidiaries to support new business growth, fund setup and build costs. A subordinated loan of CHF 20 million was granted from SRLC Re to Elips Life AG in the final quarter of 2019.

In addition, the majority of retrocession agreements covering business jointly originated with the Reinsurance Business Unit (Reinsurance) to Swiss Reinsurance Company Ltd (SRZ) were recaptured by SRLC Re in the first quarter of 2019.

In the last quarter of 2019, the retrocession arrangement with Swiss Re Life & Health America Inc. (SRLHA) for the closed book business was recaptured by SRLHA, as part of a larger transaction within the Swiss Re Group. SRLC Re received a positive transfer price upon recapture.

Report of the statutory auditors

PricewaterhouseCoopers Ltd is the auditor of SRLC Re. For more information, please see the *Report of the statutory auditor*.

Performance

	Total		Life		Accident & Health	
CHF millions	2018	2019	2018	2019	2018	2019
Premiums written gross	1 410	1 525	714	741	696	784
Premiums written retroceded	–881	–430	–498	–470	–383	40
Premiums written net	**529**	**1 095**	**216**	**271**	**313**	**824**
Change in unearned premiums gross		–4				–4
Change in unearned premiums retroceded		–66				–66
Premiums earned	**529**	**1 025**	**216**	**271**	**313**	**754**
Other reinsurance revenues	514	595	491	535	23	60
Total revenues from reinsurance business	**1 043**	**1 620**	**707**	**805**	**336**	**815**
Claims paid and claim adjustment expenses gross	–1 356	–1 440	–827	–756	–529	–684
Claims paid and claim adjustment expenses retroceded	675	489	409	320	266	169
Change in unpaid claims and life and health benefits gross	–82	–10	22	34	–104	–44
Change in unpaid claims and life and health benefits retroceded	59	–180	–10	–26	69	–154
Change in unpaid claims for unit-linked life insurance						
Claims incurred	**–704**	**–1 141**	**–406**	**–427**	**–298**	**–714**
Acquisition and operating costs gross	–283	–331	–159	–190	–124	–141
Acquisition and operating costs retroceded	128	47	77	45	51	2
Acquisition and operating costs net	**–155**	**–284**	**–82**	**–145**	**–73**	**–139**
Other reinsurance expenses	–128	–180	–109	–151	–19	–29
Total expenses from reinsurance business	**–987**	**–1 605**	**–597**	**–723**	**–390**	**–882**
Investment income	5	11				
Investment expenses		–1				
Investment result	**5**	**10**	**0**	**0**	**0**	**0**
Investment result from unit-linked life insurance						
Other financial income		20				
Other financial expenses		–17				
Operating result	**61**	**28**	**0**	**0**	**0**	**0**
Interest expenses on debt and subordinated liabilities						
Other income						
Other expenses	–8	–9				
Extraordinary income and expenses						
Income before income tax expense	**53**	**19**	**0**	**0**	**0**	**0**
Income tax expense	–11	–12				
Net income	**42**	**7**	**0**	**0**	**0**	**0**

Reinsurance results

Total revenues and expenses from reinsurance business experienced a gain of CHF 15 million in 2019, compared to a gain of CHF 56 million in 2018. The results in 2019 were mainly driven by US closed book performance and the positive transfer price received from SRLHA upon recapture of the closed book business, partially offset by new business strain on the life open book businesses arising from continued growth, some adverse experience and reserve strengthening in the European open book businesses and a negative transfer price upon recapture of business jointly originated with Reinsurance.

Premiums earned increased from CHF 529 million in 2018 to CHF 1 025 million in 2019. The increase was predominately driven by growth in the open book life and health insurance businesses and a decrease in retroceded premiums following recapture of business jointly originated with Reinsurance.

Other reinsurance revenues increased from CHF 514 million in 2018 to CHF 595 million in 2019 due to increased revenues from the closed book businesses.

Claims and claim adjustment expenses and life and health benefits increased from CHF 704 million in 2018 to CHF 1 141 million in 2019. The increase was impacted by growth in the open book life and health insurance businesses, more exposure following recapture of business jointly originated with Reinsurance and some adverse experience and reserve strengthening in the European open book businesses.

Acquisition costs net increased from CHF 155 million in 2018 to CHF 284 million in 2019, mainly driven by growth in the open book life and health insurance businesses and more retained business from recapture of business jointly originated with Reinsurance.

Other reinsurance expenses increased from CHF 128 million in 2018 to CHF 180 million in 2019 due to increased expenses from the intragroup retrocession agreement with SRZ for the Canadian business and the one off impact of recapture of business jointly originated with Reinsurance.

Investment result

Investment result increased from CHF 5 million in 2018 to CHF 10 million in 2019 largely due to higher interest income on corporate bonds.

Investment result

CHF millions	Income	Value readjustments	Realised gains	2019 Total
Investment income				
Fixed income securities	9		1	10
Short-term investments	1			1
Other investments	1			1
Income from investment services				
Investment income	**10**	**0**	**1**	**11**

CHF millions	Expenses	Value readjustments	Realised losses	2019 Total
Investment expenses				
Fixed income securities				
Short-term investments				
Other investments				
Investment management expenses	–1			–1
Investment expenses	**–1**	**0**	**0**	**–1**
Investment result	**9**	**0**	**1**	**10**

CHF millions	Income	Value readjustments	Realised gains	2018 Total
Investment income				
Fixed income securities	4			4
Short-term investments	1			1
Other investments	1			1
Income from investment services				
Investment income	5	0	0	5

CHF millions	Expenses	Value readjustments	Realised losses	2018 Total
Investment expenses				
Fixed income securities				
Short-term investments				
Other investments				
Investment management expenses				
Investment income	0	0	0	0
Investment result	5	0	0	5

Governance and risk management

Board of Directors and Executive Management

Board of Directors
- Thierry Léger, Chairman
- Réjean Besner, Member of the Board of Directors
- Christian Herzog, Member of the Board of Directors
- Brian Rosenblum, Member of the Board of Directors
- Felix Stutz, Member of the Board of Directors

Changes in 2019
- Ian Patrick stepped down as member of the Board of Directors as of 22 March 2019
- Brian Rosenblum has been elected as member of the Board of Directors as of 22 March 2019

Executive Management
- Julien Descombes, Chief Executive Officer
- Dave Bell, Member of the Executive Committee
- Ralf Krüger, Member of the Executive Committee
- Simone Lieberherr, Member of the Executive Committee
- Alex Kirk, Chief Financial Officer, Member of the Executive Committee
- Chris Mehta, Chief Risk Officer, Member of the Executive Committee
- Hansjörg Furrer, Appointed Actuary, Member of the Executive Committee

Changes in 2019
- Alex Kirk has been appointed as Chief Financial Officer and member of the Executive Committee as of 18 March 2019
- Ralf Krüger has been appointed as member of the Executive Committee as of 18 March 2019
- Neil Rolfe stepped down as Chief Financial Officer and member of the Executive Committee as of 18 March 2019

Governance and risk management

Swiss Re's 2019 Financial Report describes the governance and risk management framework for the Group and its legal entities. For more information, please refer to the Group Governance and risk management section > *Read more*. This information also applies to SRLC Re, with the following deviations to mention:

SRLC Re, a subsidiary of SRLC, is a Swiss regulated entity that is authorised by FINMA to write reinsurance. It acts as a risk pooling vehicle, optimising the capital base of the Life Capital business by reinsuring risks from across the business segment and providing capital support for new business.

All risk-related activities of SRLC Re are subject to Swiss Re's risk management framework. SRLC Re is subject to the corporate governance and risk governance requirements of a Level I entity (a Swiss Re legal entity that is subject to the strongest governance and controls). These include clear separation of management and Board supervision, mandatory representation of external directors and governance documentation to establish the roles and responsibilities of the SRLC Re's governing bodies. In addition, SRLC Re fully adopts Swiss Re's risk management principles, including roles for delegated risk-taking and oversight, as well as risk culture and behaviour. Moreover, risk management activities at SRLC Re are complemented by Swiss Re's Group Internal Audit and Compliance units.

SRLC Re has set out its risk governance, responsibilities, risk appetite and risk limits in the SRLC Re Risk Management Standards. These standards are reviewed annually or in the event of a significant change in the business structure or governance arrangements of SRLC Re. They have been issued by the SRLC Re Board as an addendum to the Group and SRLC risk documents.

SRLC Re fully adopts Swiss Re's risk control framework, which has been reviewed and endorsed for use by the Board for use at legal entity level. To meet some of the requirements within the framework, SRLC Re leverages synergies with other Group Risk Management functions.

SRLC Re makes use of Swiss Re's internal risk model and follows the Group Risk Management Standards, Group Risk Category Standards and model-related standards in their approach to integrated risk measurement, including model development and governance.

The production of integrated risk measurement calculations is performed by Group Risk Management functions under the responsibility of the SRLC Re Chief Risk Officer, including calculations required for SST reporting, business planning and for assessing compliance with legal entity risk appetite and limits. The CRO of SRLC Re is responsible for reviewing, challenging and signing off integrated risk calculations before they are reported to the SRLC Re Executive Committee and Board as well as to FINMA.

SRLC Re fully adopts the Group approaches to risk exposure control through legal entity capital adequacy, liquidity adequacy and risk capacity limits.

Regular risk reports are produced for the SRLC Re Executive Committee and the Board which cover all material risk exposures of SRLC Re. These include quantitative and qualitative risks, including operational risks.

Risk profile

SRLC Re is exposed to insurance and financial risks, as well as other risks that are not explicitly part of the economic capital requirement but are actively monitored and controlled due to their significance for the entity. These include operational, liquidity, model, valuation, regulatory, political and strategic risks (see *Swiss Re's risk landscape*, 2019 Financial Report, page 68).

On the insurance risk side, SRLC Re is exposed to life and health risk, which is driven by lapse, lethal pandemic, income protection and mortality trend risk. It is also exposed to property and casualty risks written by its indirect subsidiary, iptiQ EMEA P&C S.A., which was established in 2019. Property and casualty risks are currently not material.

The financial risk of SRLC Re arises from both financial market risk and credit risk. Key drivers of financial market risk are credit spread and foreign exchange risk. Credit risk is mainly driven by the default risk on fixed-income products.

Total risk

Total risk is based on 99% tail VaR and represents the average unexpected loss that occurs with a frequency of less than once in 100 years over a one-year time horizon.

USD millions	SST 2019	SST 2020	Change since SST 2019
Property and casualty			n/a
Life and health	415	522	107
Financial market	361	364	3
Credit	74	81	7
Diversification[1]	–287	–309	–22
Total risk	**563**	**658**	**95**

[1] The effect of diversification at risk category level represents the difference between total risk and the sum of standalone tail VaR amounts in the individual risk categories. It does not reflect diversification within risk categories.

Total risk increases to USD 658 million, driven by higher life and health risk, which reflects increased risk exposure following the restructure of SRLC Re, as well as growth within the open book businesses.

Operational risk

SRLC Re uses the Group-wide risk matrix methodology and Swiss Re's Global Risk Register to capture operational risks which exceed or approach the SRLC Re's risk tolerance limit. Adherence to risk tolerance is monitored and reported at least on a quarterly basis.

SRLC Re has proper processes and procedures in place in order to identify and implement mitigation strategies, closely monitor their developments and, if required, act timely upon changes to these risks.

Key focus areas of SRLC Re's operational risk management include risks related to key person dependency, as well as risks arising from the readiness of business models and associated processes. These risks are driven by strategic growth within SRLC Re.

Other significant risks

For details on other significant risks, including liquidity, model, valuation, regulatory, political, strategic and sustainability risks, see the Group's 2019 Financial Report sections on *Liquidity Management* on page 60, *Swiss Re's risk landscape* on pages 68 and 69, and *Management of other significant risks* on pages 74–77.

Risk concentration

SRLC Re uses 99% tail VaR to measure its risk concentrations. Additionally, risk concentrations are also measured via value at risk calculations for major natural catastrophe scenarios with a 200-year return period and stress calculations for credit default, as well as sensitivities to key financial market parameters.

SRLC Re's largest potential annualised unexpected loss from an insurance peak scenario or a credit default event in SST 2020 derives from the lapse scenario.

Among the financial market sensitivities, SRLC Re's SST ratio is most sensitive to a decrease in interest rates.

Risk mitigation

SRLC Re manages and controls its risks through a limit framework.

Valuation

SST balance sheet

The SST balance sheet is prepared based on the same market-consistent valuation principles as applied in Swiss Re's internal EVM framework. EVM is therefore used as a basis for preparing the SST balance sheet and valuation adjustments to EVM mainly affect capital costs and deferred taxes. The difference between assets and liabilities is defined as the SST net asset value, which is the basis for the calculation of the SST RBC.

The SST valuation methodology is further described in the > *Appendix* of this Report.

USD millions		Notes	SST 2019	SST 2020	Change since SST 2019
Market-consistent value of investments	Real estate				n/a
	Participations	1	–35	312	348
	Fixed-income securities	2	461	634	173
	Loans	3	7 105	21	–7 085
	Mortgages				n/a
	Equities				n/a
	Other investments		**75**	**38**	**–38**
	Collective investment schemes				n/a
	Alternative investments				n/a
	Structured products				n/a
	Other investments		75	38	–38
	Total investments		**7 607**	**1 005**	**–6 601**
Market-consistent value of other assets	Financial investments from unit-linked life insurance				n/a
	Receivables from derivative financial instruments		1	3	2
	Deposits made under assumed reinsurance contracts	4	3 986	6 198	2 212
	Cash and cash equivalents		45	56	11
	Reinsurers' share of best estimate of provisions for insurance liabilities		**–397**	**–273**	**124**
	Direct insurance: life insurance business (excluding unit-linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit-linked life insurance)	5	–397	–273	124
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business				n/a
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
	Fixed assets				n/a
	Deferred acquisition costs				n/a
	Intangible assets				n/a
	Receivables from insurance business		1 426	1 445	20
	Other receivables	6	213	109	–104
	Other assets				n/a
	Unpaid share capital				n/a
	Accrued assets				n/a
	Total other assets		**5 274**	**7 538**	**2 264**
Total market-consistent value of assets			**12 881**	**8 544**	**–4 337**

USD millions		Notes	SST 2019	SST 2020	Change since SST 2019
BEL: Best estimate of liabilities (including unit linked life insurance)	**Best estimate of provisions for insurance liabilities**		**8 606**	**4 831**	**–3 775**
	Direct insurance: life insurance business (excluding unit-linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit-linked life insurance)	7	8 606	4 831	–3 775
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business				n/a
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Best estimate of provisions for unit-linked life insurance liabilities				**n/a**
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
Market-consistent value of other liabilities	Non-technical provisions		13	24	10
	Interest-bearing liabilities				n/a
	Liabilities from derivative financial instruments		1	3	2
	Deposits retained on ceded reinsurance	8	1 683	1 149	–534
	Liabilities from insurance business	9	1 375	1 220	–155
	Other liabilities			3	3
	Accrued liabilities			1	0
	Subordinated debts				n/a
Total BEL plus market-consistent value of other liabilities			**11 679**	**7 231**	**–4 448**
Market-consistent value of assets minus total from BEL			**1 201**	**1 313**	**111**

Notes
1. The increase in participations reflects the completion of the legal entity ownership restructuring capturing the additional economic value of consolidating Swiss Re Life Capital's open book subsidiaries on to SRLC Re's balance sheet.
2. The increase in fixed income securities is largely due to purchase of corporate bonds denominated in US dollars and government bonds in euro.
3. The decrease in loans reflects a reclassification of amounts from US closed book business from policy loans to deposits made under assumed reinsurance contracts following a change in reporting methodology, partially offset by a new subordinated loan to Elips Life AG.
4. The increase in deposits made under assumed reinsurance contracts relates mainly to a reclassification of loan amounts from US closed book business (see Note 3), partially offset by a change in modelling methodology of the transferred policy loans, a recapture of closed book business ceded from SRLHA and the finalisation of a restructure of a Canadian funds withheld position.
5. The decrease of reinsurers' negative share of best estimate of provisions for reinsurance life liabilities (excluding unit-linked life insurance) is mainly driven by Canadian business updates partially offset by the recapture of the intra-group retrocession arrangements with SRZ on open book businesses.
6. The decrease of other receivables relates to a lower cash pooling balance, largely denominated in US dollar.
7. The decrease of best estimate of provisions for reinsurance life insurance liabilities (excluding unit-linked life insurance) largely reflects the modelling methodology change in the US closed book business which is offset within deposits made under assumed reinsurance contracts (see Note 4) and a recapture of closed book business ceded from SRLHA.
8. The decrease of deposits retained on ceded reinsurance is due to the finalisation of the restructure of a Canadian funds withheld position.
9. The decrease of liabilities from insurance business largely relates to the recapture of the intra-group retrocession arrangements with SRZ on open book businesses

SST balance sheet comparison with Swiss statutory

The SST balance sheet comparison with the audited financial statements provides insights on the main valuation and scope differences.

An overview of the main valuation and scope differences and the definition of the aggregated line items is included in the > *Appendix* of this Report.

Assets

USD millions	Swiss Statutory	SST	Difference
Real estate			n/a
Investments in subsidiaries and affiliated companies	464	312	–152
Fixed income securities	603	634	32
Loans	21	21	0
Mortgages			n/a
Equity securities			n/a
Other investments	92	38	–54
Investments for unit-linked and with-profit business			n/a
Cash and cash equivalents	2	56	54
Funds held by ceding companies and other receivables from reinsurance	7 659	7 644	–15
Reinsurance recoverable from retrocessions	1 204	–273	–1 477
Other assets	129	112	–17
Total assets	**10 173**	**8 544**	**–1 630**

Investments in subsidiaries and affiliated companies
Differences in valuation: SST reports investments in subsidiaries and affiliated companies at market-consistent value. In statutory reporting, participations are carried at cost, less necessary and legally permissible depreciation, fixed at historic FX rates.

Fixed income securities
Differences in valuation: SST carries fixed income securities at market value. In statutory reporting, fixed income securities are valued at their amortised cost less necessary depreciation to address other than temporary market value decreases.

Other investments
Differences in scope: In SST, short-term investments are defined on the basis of the remaining duration at time of purchase. Statutory reporting classifies short-term investments between cash and cash equivalents and other investments on the basis of initial duration.

Cash and cash equivalents
Differences in scope: Please see above difference in scope for other investments..

Reinsurance recoverable from retrocessions
Differences in valuation: Same principles apply as for re/insurance liabilities before retrocession described below.

Liabilities

USD millions	Swiss Statutory	SST	Difference
Re/insurance liabilities before retrocession	7 212	4 831	–2 381
Unit-linked and with-profit liabilities			n/a
Debt			n/a
Funds held under reinsurance treaties	1 102	1 149	47
Other liabilities	1 253	1 251	–2
Total liabilities	**9 567**	**7 231**	**–2 336**

Re/insurance liabilities before retrocession
Differences in valuation: SST uses best estimates to value the reinsurance liabilities without specific margin for prudence. Statutory reporting values reinsurance liabilities at best estimates and requires provisions for adverse deviations (PADs). Other valuation differences arise from the discounting of the liability cash flows. In SST all liabilities are generally discounted using current risk-free rates. Under statutory reporting, technical provisions are generally discounted at the yields of the backing assets for life and health.

Funds held under reinsurance treaties
Differences in valuation: In SST, the valuation is based on best estimates of the underlying cash flows. Under statutory reporting, funds held under reinsurance treaties are carried at consideration received or market value of the underlying assets.

Other liabilities
Differences in valuation: In SST, no specific provision is made for currency fluctuations. In statutory reporting, a provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end.

Capital management

SRLC Re has established a capital target based on the consolidated SST capital, in line with the Group approach to capitalising subsidiaries. This is used as a basis for capital planning and determining capital management actions. The entity is expected to operate in a range around the target, with any deficits addressed through capital contributions from Group or other actions.

Change in shareholder's equity

CHF millions	Share Capital	Legal capital reserves	Legal profit reserves	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Total Shareholder's equity
Shareholder's equity 1.1.2018	10	166			3		179
Allocations relating to AGM decision 2017[1]							
Dividend for the financial year 2017[1]							
Allocation to legal capital reserves from capital contributions		65					65
Allocation to voluntary profit reserves		–161		161			0
Net income for the financial year						42	42
Shareholder's equity 31.12.2018	10	70		161	3	42	286
Shareholder's equity 1.1.2019	10	70		161	3	42	286
Allocations relating to AGM decision 2018		–65		110	–3	–42	0
Dividend for the financial year 2018				–150			–150
Allocation to legal capital reserves from capital contributions		444					444
Allocation to voluntary profit reserves							
Net income for the financial year						7	7
Shareholder's equity 31.12.2019	**10**	**449**	**0**	**121**	**0**	**7**	**587**

[1] Extended financial year as of incorporation date

Shareholder's equity

Shareholder's equity increased from CHF 286 million as of 31 December 2018 to CHF 587 million as of 31 December 2019.

The increase reflected the capital contributions of CHF 444 million (including CHF 250 million following the legal reorganisation) and the net income for the financial year 2019 of CHF 7 million, partly offset by the dividend payment in cash of CHF 150 million.

Solvency

SRLC Re uses an internal risk model to determine the economic capital required to support the risks on the SRLC Re's books, as well as to allocate risk-taking capacity to the different lines of business. The model also provides the basis for capital cost allocation in Swiss Re's EVM framework, which is used for pricing, profitability evaluation and compensation decisions. In addition to these internal purposes, the model is used to determine regulatory capital requirements under economic solvency frameworks such as the SST and Solvency II.

For more information, please see the *internal control system and risk model* section of the 2019 Financial Report.

In 2017, FINMA approved Swiss Re's internal model and its components for SST reporting purposes under their revised model review process. As a result of the material review on credit risk conducted by FINMA in 2018, Swiss Re implemented a minor update to the credit risk module, which has negligible impact on the credit risk figures. In 2019, FINMA conducted a material review of the Tropical Cyclone North Atlantic model, which was approved for use without conditions.

Since SST 2019, three major model changes have been implemented and were approved by FINMA in September 2019:

- Costing & reserving risk – The improved correlation within portfolios and adjusted calibration of costing risk increase the costing & reserving risk but have no material impact on total risk.
- Non-life claims inflation risk – The update of the inflation model resulted in a decrease in total risk.
- Foreign exchange risk – The removal of contingent foreign exchange risk has no material impact on risk figures. In addition, further model currencies were introduced commensurate with business growth in the respective areas.

Solvency

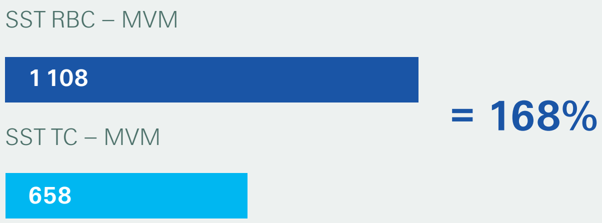
In SST 2020, the SST ratio of SRLC Re decreases to 168%, 14 percentage points lower than in SST 2019. This change is mainly driven by the restructure of SRLC Re, underperformance of Elips Life AG and the recapture of a part of the Admin Re US business by the cedent.

Under the restructure, SRLC Re assumed ownership of the open book entities within Swiss Re's Life Capital business. This impacted SRLC Re's balance sheet as well as its risk exposures.

Based on current SST rules introduced in 2017, the ratio is calculated as SST risk-bearing capital (SST RBC) minus the market value margin (MVM), divided by SST target capital (TC) minus the MVM.

Solvency Overview

SST 2020 in USD millions



SST 2019 in USD millions

SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

SST risk-bearing capital

The SST RBC is derived from the SST net asset value (NAV), which represents the difference between the market consistent value of assets and liabilities, according to the valuation methodology prescribed under SST. For this purpose, the SST NAV is adjusted for the items shown in the table below.

USD millions	SST 2019	SST 2020	Change since SST 2019
SST net asset value	**1 201**	**1 313**	**111**
Deductions	–120		120
SST core capital	**1 081**	**1 313**	**231**
Supplementary capital			n/a
SST risk-bearing capital (SST RBC)	**1 081**	**1 313**	**231**
Market value margin (MVM)	174	205	30
SST RBC – MVM	**907**	**1 108**	**201**

The increase in SST NAV to USD 1.3 billion is mainly driven by the impact from the restructure, net capital inflows and investment results, partially offset by a negative underwriting contribution:

- The restructure captures the additional economic value of consolidating Swiss Re Life Capital's subsidiaries to SRLC Re's balance sheet.
- Capital contributions from Swiss Re Ltd reflect support for new business growth.
- The positive investment contribution is mainly driven by credit spread tightening.
- The negative underwriting contribution is mainly driven by underperformance of Elips Life AG and the recapture of a part of the Admin Re US business by the cedent.

No dividend projection is included for SST 2020. SST 2019 reflected projected internal dividends to be paid.

SRLC Re has no supplementary capital.

A description of the change in MVM, which represents the capital costs for the run-off period, is provided together with the SST target capital (TC) comments below.

SST target capital

In order to derive SST TC, total risk is adjusted for the line item Other impacts as shown in the table below.

USD millions	SST 2019	SST 2020	Change since SST 2019
Total risk	**563**	**658**	**95**
Other impacts	109	205	96
SST target capital (TC)	**672**	**863**	**191**
Market value margin (MVM)	174	205	30
SST target capital – MVM	**498**	**658**	**161**

SST TC increases to USD 863 million, reflecting a rise in the market value margin (included under Other impacts) and higher total risk (see Risk profile for details *> Read more*).

Other impacts mainly reflect run-off capital costs (MVM), the impact from business development over the forecasting period as well as requirements from FINMA that are not included in total risk as they are not consistent with Swiss Re's own risk view.

The increase in MVM is mainly driven by the impact of lower US dollar and euro interest rates.

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Swiss Re International SE Zurich branch

Management summary

Swiss Re International SE, Luxembourg, Zurich branch (SRI SE Zurich branch), domiciled in Zurich, Switzerland, is a re/insurance branch within the Swiss Re Group. SRI SE Zurich branch engages in Swiss and foreign commercial re/insurance business.

SRI SE Zurich branch is part of Swiss Re International SE, Luxembourg which is regulated by the Commissariat aux Assurances, the Luxembourg insurance supervisory authority. SRI SE Zurich branch is also locally supervised by FINMA, the Swiss insurance supervisory authority. Information about the solvency position of Swiss Re International SE, Luxembourg is disclosed according to Luxembourg regulations only. Swiss regulations do not require the disclosure of solvency information of SRI SE Zurich branch in this Report.

This Report provides qualitative and quantitative information about the statutory financial condition of SRI SE Zurich branch.

Business activities

In this section, we provide information about the business model, the strategy and significant events. *> Read more*

Performance

We present the performance of the year under review based on the Swiss statutory income statement. *> Read more*

Business activities

Re/insurance strategy and priorities

Strategy and priorities
Swiss Re International SE, through its branches, conducts re/insurance business and is committed to deliver long-term profitability and economic growth. It offers customised, innovative and multi-line, multi-year risk transfer solutions, taking into account the unique needs of local markets and specialty industries.

Outlook
After years of an unsustainable pricing environment, the commercial insurance market has started to harden in 2019. While rates and terms and conditions have improved, commercial risks, particularly in the large corporate segment, remain inadequately priced and the industry continues to be unprofitable overall. Corporate Solutions expects a continued market hardening via increased rates and a focus on terms and conditions over the next 12 months.

Investments

Strategy and priorities
Financial investments are managed in accordance with Swiss Re's Targeted Standard on Asset Management and investment guidelines of SRI SE Zurich branch, which are intended to ensure compliance with regulatory requirements. The general principle governing investment management in the SRI SE Zurich branch is the creation of economic value on the basis of returns relative to the liability benchmark, while adhering to the investment guidelines and the general prudence principle. The liability benchmark is determined by approximating an investable benchmark from projected liability cash flows.

Outlook
Global economic growth is expected to slow significantly in 2020 due to the currently ongoing spread of the COVID-19, with several G7 countries at risk for a recession during the year. Central banks are set to cut policy rates further and stay very accommodative in this environment of elevated uncertainty. As of mid-March, the US Federal Reserve has already enacted two surprise interest rate cuts for a total of 150bp. On the policy front, the attention is also on the fiscal policy responses that are currently being discussed.

Besides the rapidly evolving COVID-19 situation, other important themes for 2020 include the continued trade policy uncertainty, and the US presidential elections.

Re/insurance and holding company

SRI SE Zurich branch, domiciled in Zurich, Switzerland, is a re/insurance branch within the Swiss Re Group. SRI SE Zurich branch is part of Swiss Re International SE, Luxembourg.

Claims on and obligations towards affiliated companies

CHF thousands	Parent companies 2018	Other Group companies 2018	Parent companies 2019	Other Group companies 2019
Premiums and other receivables from re/insurance	3 868	202	7 437	200
Other receivables	–28	41 036		32 081
Re/insurance balances payable	39 203	–5 169	73 136	63
Other liabilities	39 060	4 575	11 162	–11 365

Report of the statutory auditors

PricewaterhouseCoopers Ltd is the auditor of SRI SE Zurich branch. For more information, please see the *Report of the statutory auditor*.

Performance

CHF millions	2018	2019
Premiums written gross	173	152
Premiums written retroceded	–156	–137
Premiums written net	**17**	**15**
Change in unearned premiums gross	–8	6
Change in unearned premiums retroceded	7	–6
Premiums earned	**16**	**15**
Other re/insurance revenues		
Total revenues from re/insurance business	**16**	**15**
Claims paid and claim adjustment expenses gross	–10	–82
Claims paid and claim adjustment expenses retroceded	9	80
Change in unpaid claims gross	–172	–105
Change in unpaid claims retroceded	160	93
Change in unpaid claims for unit-linked life insurance		
Claims incurred	**–13**	**–14**
Acquisition and operating costs gross	–47	–39
Acquisition and operating costs retroceded	45	35
Acquisition and operating costs net	**–2**	**–4**
Other re/insurance expenses	–4	
Total expenses from re/insurance business	**–19**	**–18**
Investment income	3	1
Investment expenses		
Investment result	**3**	**1**
Investment result from unit-linked life insurance		
Other financial income		
Other financial expenses	–1	
Operating result	**–1**	**–2**
Interest expenses on debt and subordinated liabilities		
Other income		5
Other expenses		–1
Extraordinary income and expenses		
Income before income tax expense	**–1**	**2**
Income tax expense		
Net income	**–1**	**2**

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											Direct inland business						Direct foreign business	
	Total		Personal accident		Health		Motor		Transport		Fire, natural catastrophe, property		General liability		Miscellaneous		Total	
CHF millions	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Premiums written gross	172	144		1					4	3	12	11	7	6	14	12	135	111
Premiums written retroceded	–155	–130		–1					–3	–3	–11	–10	–6	–6	–12	–11	–123	–99
Premiums written net	**17**	**14**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**1**	**1**	**0**	**2**	**1**	**12**	**12**
Change in unearned premiums gross	–8	14								1	–1				–1	–2	–6	15
Change in unearned premiums retroceded	7	–13															7	–13
Premiums earned	**16**	**15**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**1**	**0**	**1**	**–1**	**13**	**14**
Other re/insurance revenues																		
Total revenues from re/insurance business	**16**	**15**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**0**	**1**	**1**	**0**	**1**	**–1**	**13**	**14**
Claims paid and claim adjustment expenses gross	–10	–85							–2	–1	–1	–6	–1	–6			–6	–72
Claims paid and claim adjustment expenses retroceded	9	81							4	9	3	7	2	6				59
Change in unpaid claims gross	–133	–145							–1	–1	–1	–2	–3	–1	–2	–3	–126	–138
Change in unpaid claims retroceded	145	87							1	12	3			–2	1		140	77
Change in unpaid claims for unit-linked life insurance																		
Claims incurred	**11**	**–62**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**19**	**4**	**–1**	**–2**	**–3**	**–1**	**–3**	**8**	**–74**
Acquisition and operating costs gross	–47	–38							–1	–1	–1				–3	–2	–42	–35
Acquisition and operating costs retroceded	45	34															45	34
Acquisition and operating costs net	**–2**	**–4**	**0**	**0**	**0**	**0**	**0**	**0**	**–1**	**–1**	**–1**	**0**	**0**	**0**	**–3**	**–2**	**3**	**–1**
Other re/insurance expenses																		
Total expenses from re/insurance business	**9**	**–66**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**18**	**3**	**–1**	**–2**	**–3**	**–4**	**–5**	**11**	**–75**

															Indirect business	
	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
CHF millions	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Premiums written gross	1	8									1			8		
Premiums written retroceded	–1	–7									–1			–7		
Premiums written net	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**
Change in unearned premiums gross		–8												–8		
Change in unearned premiums retroceded		7												7		
Premiums earned	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**–1**	**0**	**0**
Other re/insurance revenues																
Total revenues from re/insurance business	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Claims paid and claim adjustment expenses gross		3												3		
Claims paid and claim adjustment expenses retroceded		–1								1		1		–3		
Change in unpaid claims gross	–39	40									1	3	–40	37		
Change in unpaid claims retroceded	15	6								1		2	15	3		
Change in unpaid claims for unit-linked life insurance																
Claims incurred	**–24**	**48**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**1**	**6**	**–25**	**40**	**0**	**0**
Acquisition and operating costs gross		–1										–1				
Acquisition and operating costs retroceded		1												1		
Acquisition and operating costs net	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**–1**	**0**	**1**	**0**	**0**
Other re/insurance expenses	–4												–4			
Total expenses from re/insurance business	**–28**	**48**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**1**	**5**	**–29**	**41**	**0**	**0**

Total revenues and expenses from re/insurance business experienced a loss of CHF 3.0 million in 2019, compared to a loss of CHF 2.9 million in 2018.

Premiums earned decreased by CHF 0.9 million to CHF 15.0 million in 2019, mainly due to multiyear policies, relating to general business volatility (relatively small, short-term and low-price business). The main drivers of the decrease in premiums written gross were the decreased liability business, the lower property business, partially offset by higher premiums from accident business. The decrease is primarily caused by foreign business.

Claims incurred increased by CHF 1.4 million to CHF 14.4 million in 2019, mainly due to losses from Swiss business. The main drivers of the increase in claims incurred are higher claims from the property and transport business, partially offset by a decrease in claims incurred from the casualty business.

As in the prior year, the SRI SE Zurich branch left the equalisation provision unchanged.

Other reinsurance result improved by CHF 4.2 million to a loss of CHF 0.1 million, mainly driven by the non-renewal of Funds Withheld Agreement with Swiss Re Corporate Solutions Ltd. in respect to the change in the tied asset calculation (since 2018 reinsurance recoverables are eligible as tied assets).

Investment result

Net investment result decreased by CHF 1.5 million to CHF 1.3 million in 2019 compared to prior year, mainly due to the amortisation of bonds held.

Investment result

CHF thousands	Income	Value readjustments	Realised gains	2019 total
Investment income				
Fixed-income securities	962		2	964
Other investments (Short-term investments)	407		9	416
Investment income	**1 369**	**0**	**11**	**1 380**
	Expenses	**Value adjustments**	**Realised losses**	**2019 total**
Investment expenses				
Fixed-income securities			–4	–4
Investment management expenses	–44			–44
Other investments (Short-term investments)			–5	–5
Investment expenses	**–44**	**0**	**–9**	**–53**
Investment result	**1 325**	**0**	**2**	**1 327**

CHF thousands	Income	Value readjustments	Realised gains	2018 total
Investment income				
Fixed-income securities	1 143		34	1 177
Other investments (Short-term investments)	2 085		10	2 095
Investment income	3 228	0	44	3 272
	Expenses	Value adjustments	Realised losses	2018 total
Investment expenses				
Fixed-income securities			–110	–110
Investment management expenses	–322			–322
Other investments (Short-term investments)			–36	–36
Investment expenses	–322	0	–146	–468
Investment result	2 906	0	–102	2 804

Change in capital and retained earnings

CHF thousands	Current account with Branchs head office	Retained earnings brought forward	Net result	Total
Beginning balance 1.1.2018	20 660	–6 128	5 217	19 749
Allocation to retained earnings		5 217	–5 217	0
Capital contribution	42 000			42 000
Decrease of payables	–3 044			–3 044
Net loss for financial year			–1 194	–1 194
Net capital and retained earnings 31.12.2018	**59 616**	**–911**	**–1 194**	**57 511**
Beginning balance 1.1.2019	59 616	–911	–1 194	57 511
Allocation to retained earnings		–1 194	1 194	0
Capital contribution				
Corrective reclassifications	2 842			2 842
Net income for financial year			2 372	2 372
Net capital and retained earnings 31.12.2019	**62 458**	**–2 105**	**2 372**	**62 725**

Appendix

This appendix provides further information on the SST methodology and the valuation for solvency purposes. The scope, the legal basis and the components of the SST calculation are explained. The main valuation and scope differences between the SST balance sheet and the audited financial statements are summarised.

Methodology and valuation

Introduction

The SST is the solvency regime applicable to re/insurance entities and groups domiciled in Switzerland. The key principles of the SST are defined in the Insurance Supervision Ordinance (ISO) and in the FINMA circular 2017/03 on SST.

Swiss Re Group and its Swiss regulated entities submit their SST report to FINMA. The SST report 2020 is filed with FINMA in April 2020. The published SST ratio is subject to FINMA's review and approval. Swiss Re applies an internal model to calculate the SST ratio, which is also subject to FINMA's approval.

The calculation of the SST ratio includes forward-looking elements. For factors that could affect the SST ratio, see > *Note on risk factors* and > *Cautionary note on forward-looking statements*.

Key principles

The SST is a market-consistent and risk-based approach to determine available and required capital. An entity is solvent under SST if the available capital (the SST risk-bearing capital) is higher than the required capital (the SST target capital).

The SST ratio determines the solvency position of an entity:

$$\frac{\text{SST risk-bearing capital} - \text{market value margin}}{\text{SST target capital} - \text{market value margin}}$$

The market value margin (ie, the run-off capital costs) is a reserve for capital costs included in the SST target capital. FINMA circular 2017/03 on SST requires that the market value margin is subtracted from the SST risk-bearing capital and the SST target capital, aligning the definition of the SST ratio more closely with Solvency II.

SST risk-bearing capital

The SST risk-bearing capital is the amount of capital that is available to protect the policyholders of an entity in case of a large and unexpected adverse event.

The SST risk-bearing capital is derived as follows:

SST net asset value

– Deductions

+ Supplementary capital

= SST risk-bearing capital

The SST net asset value is the value of an entity's assets minus the value of its liabilities. All traded assets and liabilities are marked to market, based on quoted prices in active markets or observable inputs. Non-traded assets and liabilities are valued on a market-consistent basis. Insurance liabilities are valued on a market-consistent basis by replicating future best-estimate expected cash flows with liquid financial market instruments. As the majority of the insurance liabilities do not contain embedded financial market risks other than interest-rate risk, the market-consistent value of liabilities is determined by discounting estimated future cash flows using prevailing risk-free interest rates. If insurance liabilities include embedded options or guarantees (eg variable annuities or interest sensitive life business), they are valued on a market-consistent basis using stochastic models and other appropriate valuation techniques. Own debt not qualified as SST supplementary capital is valued using risk-free discounting, whereas debt qualified as supplementary capital is fair valued.

Other assets are valued based on market-consistent valuations or using US GAAP valuations where appropriate. Other liabilities mainly consists of securities sold under agreement to repurchase, securities sold short, payables for securities in transit and other creditors. Since other liabilities are not in the focus of re/insurance activities, as a simplification their valuation is aligned with US GAAP. Hence, securities sold short are valued based on market-consistent valuations, other creditors are valued based on the nominal, and lastly securities sold under agreement to repurchase and payables for securities in transit are valued based on amortised cost. Deferred tax assets and liabilities are not valued under SST. The value of a participation is based on its SST net asset value including the market value margin.

The deductions from SST net asset value consist of dividends for the upcoming one-year period and deferred tax on real estate. No deductions are made for own shares and intangible assets, as these items are not valued in Swiss Re's SST balance sheet.

The supplementary capital consists of additional risk-absorbing capital instruments, such as hybrid debt. The eligibility of debt instruments as supplementary capital is defined in the ISO and subject to FINMA's approval.

SST target capital

The SST target capital represents the capital required to cover the risks assumed by the company. It is based on the company's total risk. In order to derive SST target capital, the total risk is adjusted for various items summarised under other impacts.

- An entity's total risk is measured in terms of 99% shortfall, ie the average unexpected loss at entity level that occurs with a frequency of less than once in 100 years over a one-year time horizon. All losses are a combination of insurance, financial market and credit losses, and accumulation as well as diversification between individual risks is taken into account.
- Other impacts include the minimum cost of holding capital after the one-year SST period until the end of a potential run-off period (market value margin) as requested by the Swiss Solvency Test, the impact from business development over the forecasting period, as well as requirements from FINMA that are not included in total risk as they are not consistent with Swiss Re's own risk view.

Market value margin

The SST target capital includes the minimum cost of holding capital after the one- year SST period until the end of a potential run-off period. Known as the MVM at the end of the risk assessment period, this represents the amount required to compensate a third party for the capital costs associated with running-off the insurance and reinsurance portfolio following a shortfall event. For a solo legal entity, only business assumed on the own book (including intra-group transactions) is considered; however, the consolidated view of Swiss Re Group also takes into account the business assumed through all its subsidiaries.

The MVM is calculated using the 99% shortfall on projected insurance and reinsurance exposure from the end of the solvency assessment period onwards, discounted back to the beginning of the period with US dollar rates, as most of the long-tail business is written in that currency. The sum of the calculated present values is then multiplied by the 6% capital cost rate specified by FINMA.

SST balance sheet

This Report includes a comparison of the SST balance sheet with audited financial statements. The consolidated financial statements of the Group are prepared in accordance with US GAAP. The statutory financial statements of Swiss Reinsurance Company Ltd, Swiss Re Corporate Solutions Ltd, Swiss Re Life Capital Reinsurance Ltd and Swiss Re International SE, Luxembourg, Zurich branch are based on Swiss law.

Valuation and scope differences with audited financial statements

	SST	US GAAP	Statutory
Actuarial assumptions	Best estimate	Non-life business: reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims. Unearned premium reserves are calculated based on a "pro-rata" share of the estimated premium written, taking into account seasonality of risk when necessary Life and health business: assumptions are generally set when the contract is issued or purchased, making allowance for possible adverse deviation (PAD)	Non-life business: reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims; Unearned premium reserves are calculated based on a "pro-rata" share of the estimated premium written, taking into account seasonality of risk when necessary; allowance for equalisation reserves Life and health business: best estimate with additional provisions for possible adverse deviations (PAD)
Liability cash-flows	Discounted using risk-free rates; market-consistent valuation of options and guarantees	Non-life business: generally no discounting Life and health business: generally discounted based on book yields, with a PAD applied; generally no market-consistent valuation of embedded options and guarantees; for some derivative instruments (eg, variable annuities) a full stochastic valuation is carried out	Non-life business: generally no discounting Life and health business: generally discounted at historical yields of assets backing liabilities, with a PAD applied; generally no market-consistent valuation of embedded options and guarantees; for some derivative instruments (eg, variable annuities) a full stochastic valuation is carried out
Capital generation from new business	Recognised upfront for all	Deferred over time (unearned premium reserve)	Deferred over time for positive expectation (unearned premium reserve), immediately for negative expectation
Explicit margin for risk	MVM is part of SST target capital. Valuation of subsidiaries on the balance sheet include MVM	No	No
Investment assets	Market values	Mostly market values, with some exceptions such as real estate and real estate for own use which are held at depreciated cost	Fixed-income securities and short-term investment at amortised value, shares in investment funds at cost or lower market value, loans at nominal value
Goodwill and intangibles	Not recognised	Recognised, goodwill subject to impairment test, intangibles subject to amortisation	Normally no goodwill recognition; intangibles and potential goodwill amortised/depreciated on a straight line basis
Senior debt, subordinated debt and convertible instruments	Valuation at fair value excluding own credit risk, except for supplementary capital instruments which are valued at fair value with no adjustment[1]	Generally valued at amortised cost; for convertible instruments classification depends on the instrument's characteristics. It is either classified as debt at amortised cost or as equity	Generally valued at redemption value; all debt positions recognised as liabilities
Deferred taxes	No	Yes	No
Contract boundaries	Contracts incepted until 31 December 2019 as well as business shifts as of 1 January 2020	Contracts incepted until 31 December 2019	Contracts incepted until 31 December 2019
Minority interest	SST recognises minority interests in the proportional consolidation of assets and liabilities	Minority interest are recognised as part of the statement of shareholders' equity	No minority interests on standalone financial statement
Sub-consolidation principles for solo view	Some entities are sub-consolidated for SST reporting	Not applicable	No sub-consolidation applied for statutory reporting

[1] For the purpose of the balance sheet comparison, SST may recognise subordinated debt and convertibles as supplementary capital for solvency assessment upon FINMA approval.

Comparison with audited financial statements

The balance sheet comparison included in this Report is provided on an aggregated basis, which is explained in the following table (empty cells denote items that are not reflected in the respective view):

Account for comparison	SST accounts (as published)	US GAAP accounts (as published)	Statutory accounts (as published)
Assets:			
Real estate	▪ Real estate	▪ Investment real estate	
Investments in subsidiaries and affiliated companies	▪ Investments in subsidiaries and affiliated companies		▪ Investments in subsidiaries and affiliated companies
Fixed-income securities	▪ Fixed-income securities	▪ Available-for-sale, at fair value ▪ Trading	▪ Fixed-income securities
Loans	▪ Loans	▪ Policy loans, mortgages and other loans[2]	▪ Loans
Mortgages	▪ Mortgages	▪ Policy loans, mortgages and other loans[2]	▪ Mortgages
Equity securities	▪ Equity securities	▪ At fair value through earnings	▪ Equity securities
Other investments	▪ Shares in investment funds ▪ Alternative investments ▪ Other investments	▪ Short-term investments, at fair value ▪ Other invested assets	▪ Shares in investment funds ▪ Short-term investments ▪ Alternative investments
Investments for unit-linked and with-profit business	▪ Investments for unit-linked and with-profit business	▪ Investments for unit-linked and with-profit business	
Cash and cash equivalents	▪ Cash and cash equivalents	▪ Cash and cash equivalents	▪ Cash and cash equivalents
Funds held by ceding companies and other receivables from reinsurance	▪ Funds held by ceding companies and other receivables from reinsurance	▪ Premiums and other receivables ▪ Funds held by ceding companies	▪ Funds held by ceding companies ▪ Premiums and other receivables from reinsurance
Reinsurance recoverable from retrocessions	▪ Reinsurers' share of best estimate of provisions for insurance liabilities	▪ Reinsurance recoverable on unpaid claims and policy benefits	▪ Reinsurance recoverable from unpaid claims ▪ Reinsurance recoverable from liabilities life and health ▪ Reinsurance recoverable from unearned premiums ▪ Reinsurance recoverable from provision for profit commissions
Other assets	▪ Derivative financial instruments assets ▪ Fixed assets ▪ Other receivables ▪ Other assets ▪ Accrued assets	▪ Accrued investment income ▪ Deferred acquisition costs ▪ Acquired present value of future profits ▪ Goodwill ▪ Income taxes recoverable ▪ Deferred tax assets ▪ Other assets	▪ Assets in derivative financial instruments ▪ Tangible assets ▪ Deferred acquisition costs ▪ Intangible assets ▪ Other receivables ▪ Other assets ▪ Accrued income

Account for comparison	SST accounts (as published)	US GAAP accounts (as published)	Statutory accounts (as published)
Liabilities:			
Reinsurance liabilities before retrocessions	■ Best estimate value of insurance liabilities before retrocessions[3]	■ Unpaid claims and claim adjustment expenses ■ Liabilities for life and health policy benefits ■ Unearned premiums	■ Unpaid claims ■ Liabilities for life and health policy benefits ■ Unearned premiums ■ Provisions for profit commissions ■ Equalisation provision
Unit-linked and with profit liabilities	■ Best estimate of provisions for unit-linked life insurance liabilities[4]	■ Policyholder account balances[5]	
Debt	■ Interest-bearing liabilities ■ Subordinated debts	■ Short-term debt ■ Long-term debt	■ Debt ■ Subordinated liabilities
Funds held under reinsurance treaties	■ Deposite retained on ceded reinsurance	■ Funds held under reinsurance treaties	■ Funds held under reinsurance treaties
Other liabilities	■ Non-technical provisions ■ Liabilities from derivative financial instruments ■ Reinsurance balances payable ■ Other liabilities ■ Accrued liablities	■ Reinsurance balances payable ■ Income taxes payable ■ Deferred and other non-current tax liabilities ■ Accrued expenses and other liabilities	■ Tax provisions ■ Provision for currency fluctuation ■ Other provisions ■ Liabilities from derivative financial instruments ■ Reinsurance balances payable ■ Other liabilities ■ Accrued expenses

2 This information is not disclosed separately under US GAAP. However, for the comparison, loan and mortgage figures are separated in order to align with the granularity of the SST accounts.
3 Excluding unit-linked life insurance.
4 Before and after retrocession for direct insurance and active reinsurance.
5 Policyholder account balances also includes some non-linked, non-participating universal life type contracts.

Drivers of change in SST net asset value

The change in SST net asset value presented in this report is attributed to the following drivers:

- Underwriting contribution: consists of new business impacts based on best estimate cash flow projections and risk-free discounting, and impacts on in-force business from experience variances, assumption changes and reserve releases.
- Investment contribution: is derived from mark-to-market return on investments less the minimum risk benchmark return. The latter is the return on the theoretical investment portfolio that would minimise the financial market risk exposure of the entity.
- Market value margin of subsidiaries.
- Other contributions: consists particularly of other assets and liabilities and current taxes.
- Capital movements: consists of dividends paid and capital repatriation.
- Other, such as impact of foreign exchange movements.

The drivers of change in SST net asset value are prepared on a best-effort basis to support the analysis of the SST net asset value. The calculation of the SST net asset value is based on the EVM balance sheet and not the drivers identified above.

Cautionary note on forward-looking statements

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

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase", "may fluctuate" and similar expressions, or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclicality of the insurance and reinsurance sector;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
- increased volatility of, and/or disruption in, global capital and credit markets;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the Group's inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- the Group's inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;
- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re Group companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on the Group's business model;
- changes in accounting standards, practices or policies;;

- strengthening or weakening of foreign currencies;
- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Group's hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs, lower-than-expected benefits, or other issues experienced in connection with any such transactions;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of the Group's subsidiaries to pay dividends or make other distributions; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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

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

Note on risk factors

General impact of adverse market conditions

The operations of Swiss Re Ltd ("Swiss Re") and its subsidiaries (collectively, the "Group") as well as its investment returns are subject to market volatility and macroeconomic factors, which are outside of the Group's control.

Financial, credit and foreign exchange markets are experiencing continued periods of volatility reflecting a range of political, economic and other uncertainties, some of the more significant of which are inter-related. These include the withdrawal of the United Kingdom from the European Union and significant uncertainty regarding the future relationship between the United Kingdom and the European Union; the possible emergence of trade barriers and other protection policies across a range of economies, including a sustained trade war between the United States and China; geopolitical tensions more broadly; a prolonged slowdown in one or more of the principal global economies, particularly in China, and possible recession; continued challenges faced by the Eurozone; the tightening of monetary policy; sustained challenges to multilateral institutions and frameworks; the domestic political situation in the United States, various member states of the European Union and potentially other countries; and heightened scrutiny of technology companies.

Further adverse developments or the continuation of adverse trends that, in turn, have a negative impact on financial markets and economic conditions could limit the Group's ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to the Group and could adversely affect the confidence of the ultimate buyers of insurance and reinsurance.

Any of the foregoing factors, developments and trends could have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's portfolio, make it more difficult to acquire suitable investments to meet its risk and return criteria and otherwise have a material adverse effect on its business and operations.

Coronavirus

The rapid spread of the coronavirus and the evolving actions being taken to contain it on a growing scale have led to significant volatility in the financial markets, have had an adverse impact on global economic activity and have led to heightened concerns of potentially significant adverse effects on the global economy, and possibly recession. Even countries that experience less severe direct effects of the coronavirus could be adversely affected by disruptions in the global supply chain and significantly curtailed international travel. Swiss Re is closely monitoring the spread of the coronavirus and the actions being taken to contain it, and continues to evaluate the potential impact on the Group. Contingency covers could be affected depending on the scope and severity of the spread of the virus as well as of the actions taken to contain it, and coronavirus-related financial market volatility could adversely affect the Group's investment result or access to the capital markets. The Group's operations and control processes could also be adversely affected by widening containment efforts (undertaken on a voluntary or mandatory basis). The coronavirus outbreak, the impact on business and economic activity of containment efforts and the related equity market volatility, together with the recent interest rate cuts, are likely to have an adverse effect on our SST ratio, as long as these factors remain operative. We are not providing an SST ratio that is more current than 1 January 2020 due to the elevated levels of uncertainty, but refer to sensitivity analyses in this report as a guide to the potential impact of stress scenarios on our economic capital and SST ratio.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve.

While some regulation is national in scope, the global nature of the Group's business means that its operations are subject in effect to a patchwork of global, national and regional standards. Swiss Re and its subsidiaries are subject to group supervision and Swiss Re's subsidiaries are also subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. The Group is subject to the Swiss Solvency Test and, through its legal entities organised in the EEA, Solvency II.

While certain regulatory processes are designed in part to foster convergence and achieve recognition of group supervisory schemes, the Group continues to face risks of extra-territorial application of regulations, particularly as to group supervision and group solvency requirements. In addition, regulators in jurisdictions beyond those where the Group has core operations increasingly are playing a far greater oversight role, requiring more localised resources and, despite a predominantly local focus, also raise issues of a cross-border nature. Furthermore, evolving regulatory schemes and requirements may be inconsistent or may conflict with each other, thereby subjecting the Group, particularly in light of the increasing focus on legal entities in isolation, to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs. The effect of these trends could be exacerbated to the extent that the current political environment results in a return to more bilateral, and less harmonised, cross-border regulatory efforts.

While in recent years there has been an evolving focus on classifying certain insurance companies as systemically important, it is unclear whether and, if so, in what form reforms will be enacted. The Group could be designated as a global systemically important financial institution ("SIFI") under the framework for SIFIs developed by the Financial Stability Board, or as a systemically important insurer by the Financial Stability Oversight Council ("FSOC") in the United States. The International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, has published and since refined its methodology for identifying global systemically important insurers ("G-SIIs"). Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, including capital standards (the basic capital requirement for G- SIIs), which would have various implications for the Group, including additional compliance costs, reporting obligations and capital costs (in the form of capital charges or high loss absorption capacity), as well as heightened regulatory scrutiny in various jurisdictions. In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

The Group cannot predict which legislative and/or regulatory initiatives will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. The Group may be subject to changes in views of its regulators in respect of the models that the Group uses for capital and solvency purposes, and could be adversely affected if, for example, it is required to use standard models rather than internal models. Generally, legal and regulatory changes could have a material impact on the Group's business. Uncertainty regarding the future relationship between the UK and the EU could also impact the legislative and/or regulatory regimes to which the Group is subject, both in the United Kingdom and in the European Union.

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

Market risk

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

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

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

Credit risk

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

The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in which the Group participates and potential default by borrowers under those facilities.

Liquidity risks

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

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

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

Counterparty risks

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

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

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be revised downward or revoked at the sole discretion of the rating agencies.

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

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

Legal and regulatory risks

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

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

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits; risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues; macro developments giving rise to emerging risks, such as climate change and technological developments (including greater exposure to cyber risks, which could have a range of consequences from operational disruption, to loss of proprietary or customer data, to greater regulatory burdens and potential liability); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure, including its information technology networks and systems. Any of the foregoing, as well as the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate, could have a material adverse effect on the Group, and could also give rise to reputational risk.

Use of models; accounting matters

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

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

The Group uses non-GAAP financial measures in its external financial reporting, including in this report. These measures are not prepared in accordance with US GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as substitutes for measures prepared in accordance with US GAAP. Moreover, these may be different from, or otherwise inconsistent with, non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

The Group includes in its annual report a section in respect of its results, including financial statements, prepared in accordance with the Group's proprietary economic value management ("EVM") principles ("EVM report"). Financial information included in the EVM report contains non-GAAP financial measures. The EVM principles differ significantly from US GAAP and, accordingly, the Group's results prepared in accordance with US GAAP will differ from its EVM results, and those differences could be material. The Group's annual EVM results can be more volatile than the US GAAP results because, among other things, assets and liabilities are measured on a market-consistent basis, profit recognition on new contracts is recognised at inception rather than over the life time of the contract, and life and health actuarial assumptions are on a best estimate basis as opposed to generally being locked-in. The Group's EVM financial statements should not be viewed as a substitute for the Group's US GAAP financial statements.

Risks related to the Swiss Re corporate structure

Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries. The Group expects that, over time, its structure will continue to evolve. In the future it may, for example, elect again (having accepted an equity investment within its Life Capital Business Unit from a third party) to partner with minority investors in or within one or more of the Group's Business Units or sub-groups within its Business Units, which could alter historical approaches taken in respect of capital, liquidity, funding and/or dividends, as well as other governance matters, including strategy for such Business Unit or sub-group, or may elect otherwise to dispose of interests in Group businesses or portions thereof, or to grow through acquisitions. To the extent it undertakes acquisitions, it is subject to the risks inherent in acquiring and integrating new operations.

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