FINANCIAL STATEMENTS

INCOME STATEMENT

For the years ended 31 December

USD millions	Note	2012	2013
Revenues			
Premiums earned	8	24 661	**28 276**
Fee income from policyholders	8	785	**542**
Net investment income – non-participating	2	4 473	**3 947**
Net realised investment gains/losses – non-participating business (total impairments for the years ended 31 December were 215 in 2012 and 41 in 2013, of which 162 and 41, respectively, were recognised in earnings)	2	947	**766**
Net investment result – unit-linked and with-profit	2	2 570	**3 347**
Other revenues		188	**24**
Total revenues		33 624	**36 902**
Expenses			
Claims and claim adjustment expenses	8	–7 763	**–9 655**
Life and health benefits	8	–8 878	**–9 581**
Return credited to policyholders		–2 959	**–3 678**
Acquisition costs	8	–4 548	**–4 895**
Other expenses		–3 217	**–3 508**
Interest expenses		–736	**–760**
Total expenses		–28 101	**–32 077**
Income before income tax expense		5 523	**4 825**
Income tax expense	11	–1 125	**–312**
Net income before attribution of non-controlling interests		4 398	**4 513**
Income attributable to non-controlling interests		–141	**–2**
Net income after attribution of non-controlling interests		4 257	**4 511**
Interest on contingent capital instruments		–56	**–67**
Net income attributable to common shareholders		4 201	**4 444**
Earnings per share in USD			
Basic	10	11.85	**12.97**
Diluted	10	11.06	**11.89**
Earnings per share in CHF[1]			
Basic	10	11.13	**12.04**
Diluted	10	10.39	**11.04**

[1] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

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

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

USD millions	2012	2013
Net income before attribution of non-controlling interests	4398	**4513**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses (tax: 59 in 2012 and 1 106 in 2013)	184	**–2785**
Change in other-than-temporary impairment (tax: –47 in 2012 and –12 in 2013)	90	**22**
Change in foreign currency translation (tax: 28 in 2012 and 39 in 2013)	332	**–288**
Change in adjustment for pension benefits (tax: 59 in 2012 and –119 in 2013)	–178	**419**
Total comprehensive income before attribution of non-controlling interests	4826	**1881**
Interest on contingent capital instruments	–56	**–67**
Attribution of value to option on redeemable non-controlling interest[1]	–132	
Comprehensive income attributable to non-controlling interests	–141	**–2**
Total comprehensive income attributable to common shareholders	4497	**1812**

[1] In 2000, Swiss Re and the shareholders of New California Holdings, Inc. entered into a put/call agreement for the acquisition of New California Holdings, Inc. by Swiss Re. The put/call agreement was considered a redeemable non-controlling interest, however, a value was not assigned to this instrument as the exercise was contingent on several items occurring to complete the transaction. During the second quarter of 2012, the majority of the contingencies had been resolved and the exercise of the put/call option at the predetermined price became probable. In accordance with US GAAP requirements, the difference between the carrying value of the minority interest and the redemption price, USD 132 million, was recorded against shareholders' equity and as a reduction in the net income attributable to common shareholders for the purposes of calculating earnings per share.

Reclassification out of accumulated other comprehensive income

For the year ended 31 December

2013 USD millions	Unrealised gains/ losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	4407	–28	–3609	–953	**–183**
Change during the period	–3057	34	–327	479	**–2871**
Amounts reclassified out of accumulated other comprehensive income	–834			59	**–775**
Tax	1106	–12	39	–119	**1014**
Balance as of period end	**1622**	**–6**	**–3897**	**–534**	**–2815**

[1] Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line. This line also includes a shadow adjustment, please refer to Note 5 "Deferred acquisition costs and acquired present value of future profits".
[2] Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.
[3] Reclassification adjustment included in net income is presented in the "Other expenses" line.

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

BALANCE SHEET

As of 31 December

Assets

USD millions	Note	2012	2013
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 9 529 in 2012 and 11 720 in 2013 subject to securities lending and repurchase agreements) (amortised cost: 2012: 80 594; 2013: 76 349)		86 974	**77 761**
Trading (including 196 in 2012 and 1 in 2013 subject to securities lending and repurchase agreements)		1 874	**1 535**
Equity securities:			
Available-for-sale, at fair value (including 0 in 2012 and 65 in 2013 subject to securities lending and repurchase agreements) (cost: 2012: 2 789; 2013: 6 110)		3 102	**7 076**
Trading		672	**615**
Policy loans, mortgages and other loans		2 299	**2 895**
Investment real estate		777	**825**
Short-term investments, at amortised cost which approximates fair value (including 3 464 in 2012 and 4 425 in 2013 subject to securities lending and repurchase agreements)		18 645	**20 989**
Other invested assets		12 968	**11 164**
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 630 in 2012 and 4 585 in 2013, equity securities trading: 18 617 in 2012 and 21 180 in 2013)		25 501	**27 215**
Total investments		152 812	**150 075**
Cash and cash equivalents (including 75 in 2012 and 4 in 2013 subject to securities lending)		10 837	**8 072**
Accrued investment income		1 050	**1 018**
Premiums and other receivables		11 529	**12 276**
Reinsurance recoverable on unpaid claims and policy benefits		10 109	**8 327**
Funds held by ceding companies		13 245	**12 400**
Deferred acquisition costs	5	4 039	**4 756**
Acquired present value of future profits	5	3 023	**3 537**
Goodwill		4 092	**4 109**
Income taxes recoverable		467	**490**
Deferred tax assets		5 718	**5 763**
Other assets		4 582	**2 697**
Total assets		221 503	**213 520**

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

Liabilities and equity

USD millions	Note	2012	2013
Liabilities			
Unpaid claims and claim adjustment expenses		63 670	**61 484**
Liabilities for life and health policy benefits	3	36 117	**36 033**
Policyholder account balances		29 349	**31 177**
Unearned premiums		9 384	**10 334**
Funds held under reinsurance treaties		3 642	**3 551**
Reinsurance balances payable		3 754	**2 370**
Income taxes payable		604	**660**
Deferred and other non-current tax liabilities[1]		9 442	**8 242**
Short-term debt	6	3 612	**3 818**
Accrued expenses and other liabilities		11 617	**8 152**
Long-term debt	6	16 286	**14 722**
Total liabilities		187 477	**180 543**
Equity			
Contingent capital instruments	6	1 102	**1 102**
Common stock, CHF 0.10 par value			
2012: 370 706 931; 2013: 370 706 931 shares authorised and issued[2]		35	**35**
Additional paid-in capital		7 721	**4 963**
Treasury shares, net of tax		–995	**–1 099**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		4 407	**1 622**
Other-than-temporary impairment, net of tax		–28	**–6**
Cumulative translation adjustments, net of tax		–3 609	**–3 897**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–953	**–534**
Total accumulated other comprehensive income		–183	**–2 815**
Retained earnings		26 322	**30 766**
Shareholders' equity		34 002	**32 952**
Non-controlling interests		24	**25**
Total equity		34 026	**32 977**
Total liabilities and equity		221 503	**213 520**

[1] The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

[2] Please refer to Note 1 "Organisation and summary of significant accounting policies" and Note 10 "Earnings per share" for details on the number of shares authorised and issued.

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

STATEMENT OF SHAREHOLDERS' EQUITY

For the years ended 31 December

USD millions	2012	2013
Contingent capital instruments		
Balance as of 1 January	0	**1 102**
Issued	1 102	
Balance as of period end	1 102	**1 102**
Common shares		
Balance as of 1 January	35	**35**
Issue of common shares		
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	8 985	**7 721**
Contingent capital instruments' issuance costs	–18	
Share-based compensation	–29	**14**
Realised gains/losses on treasury shares	–83	**–12**
Dividends on common shares[1]	–1 134	**–2 760**
Balance as of period end	7 721	**4 963**
Treasury shares, net of tax		
Balance as of 1 January	–1 096	**–995**
Purchase of treasury shares	–147	**–290**
Issuance of treasury shares, including share-based compensation to employees	248	**186**
Balance as of period end	–995	**–1 099**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	4 223	**4 407**
Other changes during the period	184	**–2 785**
Balance as of period end	4 407	**1 622**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–118	**–28**
Other changes during the period	90	**22**
Balance as of period end	–28	**–6**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 941	**–3 609**
Other changes during the period	332	**–288**
Balance as of period end	–3 609	**–3 897**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–775	**–953**
Change during the period	–178	**419**
Balance as of period end	–953	**–534**
Retained earnings		
Balance as of 1 January	22 277	**26 322**
Net income after attribution of non-controlling interests	4 257	**4 511**
Interest on contingent capital instruments, net of tax	–56	**–67**
Cumulative effect of adoption of ASU 2010-26[2], net of tax	–24	
Attribution of value to option on redeemable non-controlling interest[3]	–132	
Balance as of period end	26 322	**30 766**
Shareholders' equity	34 002	**32 952**
Non-controlling interests		
Balance as of 1 January	1 697	**24**
Change during the period[4]	–1 946	**–1**
Income attributable to non-controlling interests	141	**2**
Attribution of value to option on redeemable non-controlling interest[3]	132	
Balance as of period end	24	**25**
Total equity	34 026	**32 977**

[1] Dividends to shareholders were paid in the form of a withholding tax-exempt repayment out of legal reserves from capital contributions.
[2] The Group adopted a new accounting guidance, ASU 2010-26 "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" as of 1 January 2012, which required the release of USD 24 million of deferred acquisition costs against retained earnings.
[3] In 2000, Swiss Re and the shareholders of New California Holdings, Inc. entered into a put/call agreement for the acquisition of New California Holdings, Inc. by Swiss Re. The put/call agreement was considered a redeemable non-controlling interest; however, a value was not assigned to this instrument as the exercise was contingent on several items occurring to complete the transaction. During the second quarter of 2012, the majority of the contingencies had been resolved and the exercise of the put/call option at the predetermined price became probable. In accordance with US GAAP requirements, the difference between the carrying value of the minority interest and the redemption price, USD 132 million, was recorded against shareholders' equity and as a reduction in the net income attributable to common shareholders for the purposes of calculating earnings per share. In August 2012, the put/call option was exercised and New California Holdings Inc. was acquired.
[4] The sale of Swiss Re Private Equity Partners AG, the management company of Swiss Re's private equity fund-of-fund business, to BlackRock, Inc. was closed on 4 September 2012. The sale resulted in the deconsolidation of a number of private equity funds, which led to a reduction in non-controlling interests of USD 1 400 million. In addition, New California Holdings, Inc. was acquired for USD 548 million in cash on 29 August 2012. As of acquisition date, Swiss Re also fully owned Aurora National Life Assurance Company and consequently no longer reports any non-controlling interest related to this subsidiary.

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

STATEMENT OF CASH FLOW

For the years ended 31 December

USD millions	2012	2013
Cash flows from operating activities		
Net income attributable to common shareholders	4 201	**4 444**
Add net income attributable to non-controlling interests	141	**2**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	3 888	**4 013**
Net realised investment gains/losses	–2 688	**–3 324**
Change in:		
Technical provisions, net	–3 397	**–4 062**
Funds held by ceding companies and other reinsurance balances	46	**–1 103**
Reinsurance recoverable on unpaid claims and policy benefits	17	**1 179**
Other assets and liabilities, net	235	**1 739**
Income taxes payable/recoverable	1 138	**–162**
Income from equity-accounted investees, net of dividends received	–380	**–152**
Trading positions, net	–543	**–263**
Securities purchased/sold under agreement to resell/repurchase, net	1 845	**–28**
Net cash provided/used by operating activities	4 503	**2 283**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	108 231	**84 173**
Purchases	–106 064	**–79 382**
Net purchase/sale/maturities of short-term investments	–5 073	**–2 017**
Equity securities:		
Sales	1 501	**2 603**
Purchases	–2 242	**–5 625**
Cash paid/received for acquisitions/disposal and reinsurance transactions, net[1]	106	
Net purchases/sales/maturities of other investments	10	**–96**
Net cash provided/used by investing activities	–3 531	**–344**
Cash flows from financing activities		
Issuance/repayment of long-term debt	740	**40**
Issuance/repayment of short-term debt	–2 200	**–1 593**
Proceeds from the issuance of contingent capital instruments, net of issuance cost	1 084	
Purchase/sale of treasury shares	–133	**–227**
Dividends paid to shareholders	–1 134	**–2 760**
Net cash provided/used by financing activities	–1 643	**–4 540**
Total net cash provided/used	–671	**–2 601**
Effect of foreign currency translation	101	**–164**
Change in cash and cash equivalents	–570	**–2 765**
Cash and cash equivalents as of 1 January	11 407	**10 837**
Cash and cash equivalents as of 31 December	10 837	**8 072**

[1] Swiss Re closed the sale of the Admin Re® US business to Jackson National Life Insurance Co in the third quarter 2012. The purchase price included a cash payment of USD 589 million. In addition, New California Holdings, Inc. was acquired for USD 548 million in cash. Also in 2012, Swiss Re Private Equity Partners AG, Swiss Re's private equity fund-of-fund business, was sold to BlackRock, Inc. for USD 65 million in cash. Swiss Re continues to be invested as a limited partner in the funds.

Interest paid was USD 887 million and USD 929 million for the years ended 31 December 2012 and 2013, respectively.

Tax paid was USD 123 million and USD 447 million for the years ended 31 December 2012 and 2013, respectively.

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

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NOTES TO THE GROUP FINANCIAL STATEMENTS

1 Organisation and summary of significant accounting policies

Nature of operations
The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Ltd (the parent company) and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Swiss Re Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of more than 60 offices around the globe, the Group serves a client base made up of insurance companies, mid- to large-sized corporations and public sector clients.

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

Principles of consolidation
The Group's financial statements include the consolidated financial statements of Swiss Re Ltd and its subsidiaries. Voting entities which Swiss Re Ltd directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Variable interest entities (VIEs) are consolidated when the Swiss Re Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE's economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Swiss Re Group's share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group's accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

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

Foreign currency remeasurements and translation
Transactions denominated in foreign currencies are remeasured to the respective subsidiary's functional currency at average quarterly exchange rates. Monetary assets and liabilities are remeasured to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are remeasured to the functional currency at historical rates. Remeasurement gains and losses on monetary assets and liabilities and trading securities are reported in earnings. Remeasurement gains and losses on available-for-sale securities, investments in consolidated subsidiaries and investments accounted for using the equity method are reported in shareholders' equity.

For consolidation purposes, assets and liabilities of subsidiaries with functional currencies other than US dollars are translated from the functional currency to US dollars at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported in shareholders' equity.

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2013, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income and equity securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between original cost and fair value being recognised in shareholders' equity. Trading fixed income and equity securities are carried at fair value with unrealised gains and losses being recognised in earnings.

The cost of equity securities AFS is reduced to fair value, with a corresponding charge to realised investment losses if the decline in value, expressed in functional currency terms, is other-than-temporary. Subsequent recoveries of previously recognised impairments are not recognised in earnings.

For debt securities AFS which are other-than-temporary impaired and there is not an intention to sell, the impairment is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. The estimated credit loss amount is recognised in earnings, with the remainder of the loss amount recognised in other comprehensive income. In cases where there is an intention or requirement to sell, the accounting of the other-than-temporary impairment is the same as for equity securities AFS described above.

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recorded on the basis of the ex-dividend date. Realised gains and losses on sales are included in earnings and are calculated using the specific identification method.

Policy loans, mortgages and other loans are carried at amortised cost. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. Impairment in value is recognised if the sum of the estimated future undiscounted cash flows from the use of the real estate is lower than its carrying value. Impairment in value, depreciation and other related charges or credits are included in net investment income. Investment in real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in realised investment losses.

Short-term investments are carried at amortised cost, which approximates fair value. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

Other invested assets include affiliated companies, equity accounted companies, derivative financial instruments, collateral receivables, securities purchased under agreement to resell, and investments without readily determinable fair value (including limited partnership investments). Investments in limited partnerships where the Group's interest equals or exceeds 3% are accounted for using the equity method. Investments in limited partnerships where the Group's interest is below 3% and equity investments in corporate entities which are not publicly traded are accounted for at estimated fair value with changes in fair value recognised as unrealised gains/losses in shareholders' equity.

The Group enters into security lending arrangements under which it loans certain securities in exchange for collateral and receives securities lending fees. The Group's policy is to require collateral, consisting of cash or securities, equal to at least 102% of the carrying value of the securities loaned. In certain arrangements, the Group may accept collateral of less than 102% if the structure of the overall transaction offers an equivalent level of security. Cash received as collateral is recognised along with an obligation to return the cash. Securities received as collateral that can be sold or repledged are also recognised along with an obligation to return those securities. Security lending fees are recognised over the term of the related loans.

Derivative financial instruments and hedge accounting
The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings.

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

The Group recognises separately derivatives that are embedded within other host instruments if the economic characteristics and risks are not clearly and closely related to the economic characteristics and risks of the host contract and if it meets the definition of a derivative if it were stand-alone.

Derivative financial instrument assets are generally included in other invested assets and derivative financial instrument liabilities are generally included in accrued expenses and other liabilities.

The Group also designates non-derivative monetary financial instruments as a hedge of the foreign currency exposure of its net investment in certain foreign operations. From the inception of the hedging relationship, remeasurement gains and losses on the designated non-derivative monetary financial instruments and translation gains and losses on the hedged net investment are reported as translation gains and losses in shareholders' equity.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, short-term deposits, certain short-term investments in money market funds, and highly liquid debt instruments with a remaining maturity at the date of acquisition of three months or less.

Deferred acquisition costs
Acquisition costs, which vary with, and are primarily related to, the production of new insurance and reinsurance business, are deferred to the extent they are deemed recoverable from future gross profits. Deferred acquisition costs consist principally of commissions. Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts. Deferred acquisition costs for long-duration contracts are amortised over the life of underlying contracts. Deferred acquisition costs for universal-life and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

Modifications of insurance and reinsurance contracts
The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. The associated deferred acquisition costs and present value of future profits (PVFP) will continue to be amortised. For modifications of insurance and reinsurance contracts that result in a substantially changed contract, the Group accounts for as an extinguishment of the replaced contract. The associated deferred acquisition costs or PVFP are written off immediately through income and any new deferrable costs associated with the replacement contract are deferred.

Business combinations
The Group applies the purchase method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition.

Admin Re® blocks of business can be acquired in different legal forms, either through an acquisition of an entity's share capital or through a reinsurance transaction. The Group's policy is to treat these transactions consistently regardless of the form of acquisition. Accordingly, the Group records the acquired assets and liabilities directly to the balance sheet. Premiums, life and health benefits and other income statement items are not recorded in the income statement on the date of the acquisition.

The underlying liabilities and assets acquired are subsequently accounted for according to the relevant GAAP guidance, including specific guidance applicable to subsequent accounting for assets and liabilities recognised as part of the purchase method of accounting, including present value of future profit, goodwill and other intangible assets.

Acquired present value of future profits
The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and/or health business. The initial value is determined actuarially by discounting estimated future gross profits as a measure of the value of business acquired. The resulting asset is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. The earned rate encompasses both, the current earned rate or the original earned rate depending on the business written. The rate is consistently applied for the entire life of the applicable business. For universal-life and similar products, PVFP is amortised in line with estimated gross profits, and estimated gross profits are updated quarterly. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings during the period in which the determination of impairment is made or to other comprehensive income for shadow loss recognition.

Goodwill
The excess of the purchase price of acquired businesses over the estimated fair value of net assets acquired is recorded as goodwill, which is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Other assets
Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, receivables related to investing activities, real estate for own use, property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

The excess of estimated liabilities for claims and claim adjustment expenses payable over consideration received in respect of retroactive property and casualty reinsurance contracts is recorded as a deferred expense. The deferred expense on retroactive reinsurance contracts is amortised through earnings over the expected claims-paying period.

Real estate for own use, property, plant and equipment are carried at depreciated cost.

Capitalised software costs
External direct costs of materials and services incurred to develop or obtain software for internal use, payroll and payroll-related costs for employees directly associated with software development and interest cost incurred while developing software for internal use are capitalised and amortised on a straight-line basis through earnings over the estimated useful life.

Deferred income taxes
Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax asset may not be realised.

Unpaid claims and claim adjustment expenses
Liabilities for unpaid claims and claim adjustment expenses for property and casualty and life and health insurance and reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. A provision is also included for claims incurred but not reported, which is developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgments made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the purchase method of accounting. The Group does not discount life and health claim reserves except for disability income claims in payment which are recognised at the estimated present value of the remaining ultimate net costs of the incurred claims.

Experience features which are directly linked to a reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Liabilities for life and health policy benefits
Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest assumptions for life and health (re)insurance benefits liabilities range from 0.2% to 12.6%. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

Liabilities for life and health policy benefits are increased with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held as AFS these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

Policyholder account balances
Policyholder account balances relate to universal life-type contracts and investment contracts. Interest crediting rates for policyholder account balances range from 1.3% to 8.9%.

Universal life-type contracts are long-duration insurance contracts, providing either death or annuity benefits, with terms that are not fixed and guaranteed.

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, ie there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses except for unit-linked and with-profit business which is presented in a separate line item on the face of the income statement.

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 2.

Funds held assets and liabilities
On the asset side, funds held by ceding companies' consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. In addition, amounts arising from the application of the deposit method of accounting to ceded retrocession or reinsurance contracts are included.

On the liability side, funds held under reinsurance treaties' consist mainly of amounts arising from the application of the deposit method of accounting to inward insurance and reinsurance contracts. In addition, amounts retained from ceded business written on a funds withheld basis are included.

Funds withheld assets are assets that would normally be paid to the Group but are withheld by the cedent to reduce a potential credit risk or to retain control over investments. In case of funds withheld liabilities, it is the Group that withholds assets related to ceded business in order to reduce its credit risk or retain control over the investments.

The deposit method of accounting is applied to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Funds withheld balances are presented together with assets and liabilities arising from the application of the deposit method because of their common deposit type character.

Shadow adjustments
Shadow adjustments are recognized in other comprehensive income reflecting the offset of adjustments to deferred acquisition costs and PVFP, typically related to universal life-type contracts, and policyholder liabilities. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholders' equity will ultimately accrue to policyholders and not shareholders.

Shadow loss recognition testing becomes relevant in low interest rate environments. The test considers whether the hypothetical sale of AFS securities and the reinvestment of proceeds at lower yields would lead to negative operational earnings in future periods and thereby causing a loss recognition event. For shadow loss recognition testing, the Group uses current market yields to determine best estimate GAAP reserves rather than using locked in or current book yields. If the unlocked best estimate GAAP reserves based on current market rates are in excess of reserves based on locked in or current book yields, then a shadow loss recognition reserve is recognized. Shadow loss recognition is recognized in other comprehensive income and does not impact net income. In addition, shadow losses recognized can reverse up to the amount of losses recognized due to a loss recognition event.

Premiums
Property and casualty reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided. Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts.

Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

Reinstatement premiums are due where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The recognition of reinstatement premiums as written depends on individual contract features. Reinstatement premiums are either recognised as written at the time a loss event occurs or in line with the recognition pattern of premiums written of the underlying contract. The accrual of reinstatement premiums is based on actuarial estimates of ultimate losses. Reinstatement premiums are generally earned in proportion to the amount of reinsurance provided.

Reinsurance ceded
The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency. Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for ceded short- and long-duration contracts, including universal life-type and investment contracts, are reported as assets in the accompanying consolidated balance sheet.

The Group provides reserves for uncollectible amounts on reinsurance balances ceded, based on management's assessment of the collectability of the outstanding balances.

Receivables
Premium and claims receivables which have been invoiced are accounted for at face value. Together with assets arising from the application of the deposit method of accounting that meet the definition of financing receivables they are regularly assessed for impairment. Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and financial difficulties of the debtor, and can be as high as the outstanding net balance.

Pensions and other post-retirement benefits
The Group accounts for its pension and other post-retirement benefit costs using the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Share-based payment transactions
The Group has a long-term incentive plan, a leadership performance plan, a fixed option plan, a restricted share plan, an employee participation plan and a global share participation plan. These plans are described in more detail in Note 13. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

For share-based compensation plans which are settled in cash, compensation costs are recognised as liabilities, whereas for equity-settled plans, compensation costs are recognised as an accrual to additional paid-in capital within shareholders' equity.

Treasury shares
Treasury shares are reported at cost in shareholders' equity. Treasury shares also include stand-alone derivative instruments indexed to the Group's shares that meet the requirements for classification in shareholders' equity.

Earnings per common share
Basic earnings per common share are determined by dividing net income available to shareholders by the weighted average number of common shares entitled to dividends during the year. Diluted earnings per common share reflect the effect on earnings and average common shares outstanding associated with dilutive securities.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 17 March 2014. This is the date on which the financial statements are available to be issued.

Recent accounting guidance
In December 2011, the FASB issued "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11), an update to Topic 210 – Balance Sheet. In January 2013, a scope clarification of ASU 2011-11 was issued, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" (ASU 2013-01). ASU 2011-11 requires additional disclosures on derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are netted in accordance with current US GAAP guidance. The Group adopted this guidance as of 1 January 2013. The additional disclosure requirements are reflected in Note 2.

In July 2012, the FASB issued "Testing Indefinite-Lived Intangible Assets for Impairment" (ASU 2012-02), an update to Topic 350 – Intangibles - Goodwill and Other. The update allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. The Group adopted this guidance as of 1 January 2013. The adoption did not have an impact on the Group's financial statements.

In October 2012, the FASB issued "Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution" (ASU 2012-06), an update to Topic 805 – Business Combinations. This ASU gives guidance on the subsequent accounting of an indemnification asset in a government-assisted acquisition. The Group adopted this guidance as of 1 January 2013. The adoption did not have an impact on the Group's financial statements.

In February 2013, the FASB issued "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02), an update to Topic 220 – Comprehensive Income. This update supersedes and replaces the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05 and ASU 2011-12. The new guidance requires an entity to provide additional information about reclassifications out of accumulated other comprehensive income. The Group adopted this guidance as of 1 January 2013. The additional disclosures are presented below the statement of comprehensive income.

On 17 July 2013, the FASB issued "Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes" (ASU 2013-10), an update to Topic 815 – Derivatives and Hedging. This ASU allows explicitly the use of the Fed Funds effective swap rate as a benchmark interest rate for hedge accounting purposes. The Group adopted this guidance as of 17 July 2013. The adoption did not have an impact on the Group's financial statements.

2 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) was as follows:

USD millions	2012	2013
Fixed income securities	3 063	2 626
Equity securities	91	143
Policy loans, mortgages and other loans	313	119
Investment real estate	134	139
Short-term investments	102	109
Other current investments	78	93
Share in earnings of equity-accounted investees	508	350
Cash and cash equivalents	79	48
Net result from deposit-accounted contracts	166	154
Deposits with ceding companies	430	595
Gross investment income	4 964	**4 376**
Investment expenses	–464	–406
Interest charged for funds held	–27	–23
Net investment income – non-participating	4 473	**3 947**

Dividends received from investments accounted for using the equity method were USD 128 million and USD 198 million for 2012 and 2013, respectively.

Realised gains and losses

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

USD millions	2012	2013
Fixed income securities available-for-sale:		
Gross realised gains	2 336	1 215
Gross realised losses	–383	–689
Equity securities available-for-sale:		
Gross realised gains	181	349
Gross realised losses	–77	–46
Other-than-temporary impairments	–162	–41
Net realised investment gains/losses on trading securities	58	–4
Change in net unrealised investment gains/losses on trading securities	67	–38
Other investments:		
Net realised/unrealised gains/losses	–230	301
Net realised/unrealised gains/losses on insurance-related derivatives	–189	–306
Gain/loss related to sale of Admin Re® US operations	–399	
Foreign exchange gains/losses	–255	25
Net realised investment gains/losses – non-participating	947	**766**

Proceeds from sales of fixed income securities available-for-sale amounted to USD 101 046 million and USD 79 815 million for 2012 and 2013, respectively. Sales of equity securities available-for-sale were USD 1 494 million and USD 2 604 million for 2012 and 2013, respectively.

Investment result – unit-linked and with-profit business

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders was as follows:

		2012		**2013**
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	128	97	117	97
Investment income – equity securities	531	32	511	26
Investment income – other	18	24	25	13
Total investment income – unit-linked and with-profit business	677	153	**653**	**136**
Realised gains/losses – fixed income securities	65	88	–133	–105
Realised gains/losses – equity securities	1 679	89	2 711	136
Realised gains/losses – other	–149	–32	1	–52
Total realised gains/losses – unit-linked and with-profit business	1 595	145	**2 579**	**–21**
Total net investment result – unit-linked and with-profit business	2 272	298	**3 232**	**115**

Impairment on fixed income securities related to credit losses

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

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

A reconciliation of other-than-temporary impairment related to credit losses recognised in earnings was as follows:

USD millions	2012	**2013**
Balance as of 1 January[1]	515	310
Credit losses for which an other-than-temporary impairment was not previously recognised	14	1
Reductions for securities sold during the period	–237	–57
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	54	11
Impact of increase in cash flows expected to be collected	–61	–37
Impact of foreign exchange movements	6	
Balance as of 31 December	291	**228**

[1] During 2013 the Group revised the other-than-temporary impairment on fixed income securities related to credit losses. The revision had no impact on net income and shareholders' equity of the Group.

Investments available-for-sale

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

2012 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	13 375	746	–26		14 095
US Agency securitised products	4 063	114	–7		4 170
States of the United States and political subdivisions of the states	85	19			104
United Kingdom	14 820	1 268	–48		16 040
Canada	3 556	760	–2		4 314
Germany	5 963	273	–7		6 229
France	3 201	255	–6		3 450
Other	7 627	514	–37		8 104
Total	52 690	3 949	–133		56 506
Corporate debt securities	21 347	2 369	–46	–18	23 652
Residential mortgage-backed securities	911	46	–23	–14	920
Commercial mortgage-backed securities	2 894	245	–33	–2	3 104
Other asset-backed securities	2 752	56	–9	–7	2 792
Fixed income securities available-for-sale	80 594	6 665	–244	–41	86 974
Equity securities available-for-sale	2 789	373	–60		3 102

2013 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	6 027	143	–113		6 057
US Agency securitised products	3 970	36	–75		3 931
States of the United States and political subdivisions of the states	953	10	–48		915
United Kingdom	11 255	344	–351		11 248
Canada	3 063	315	–67		3 311
Germany	4 386	96	–37		4 445
France	2 727	113	–12		2 828
Other	7 185	181	–274		7 092
Total	39 566	1 238	–977		39 827
Corporate debt securities	30 464	1 477	–528	–4	31 409
Residential mortgage-backed securities	796	54	–12	–3	835
Commercial mortgage-backed securities	2 712	182	–40		2 854
Other asset-backed securities	2 811	48	–22	–1	2 836
Fixed income securities available-for-sale	**76 349**	**2 999**	**–1 579**	**–8**	**77 761**
Equity securities available-for-sale	**6 110**	**1 047**	**–81**		**7 076**

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

Investments trading

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

USD millions	2012	2013
Debt securities issued by governments and government agencies	1 506	1 202
Corporate debt securities	182	145
Mortgage- and asset-backed securities	186	188
Fixed income securities trading – non-participating	1 874	**1 535**
Equity securities trading – non-participating	672	**615**

Investments held for unit-linked and with-profit business

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

		2012		2013
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 559	2 071	2 541	2 044
Equity securities trading	17 686	931	20 252	928
Investment real estate	636	489	517	386
Short-term investments	1 129		547	
Total investments for unit-linked and with-profit business	**22 010**	**3 491**	**23 857**	**3 358**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2012 and 2013, USD 9 958 million and USD 11 476 million, respectively, of fixed income securities available-for-sale were callable.

		2012		2013
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	2 746	2 768	3 308	3 305
Due after one year through five years	20 799	21 452	19 308	19 697
Due after five years through ten years	14 928	16 183	14 243	14 522
Due after ten years	35 855	40 048	33 370	33 911
Mortgage- and asset-backed securities with no fixed maturity	6 266	6 523	6 120	6 326
Total fixed income securities available-for-sale	80 594	86 974	**76 349**	**77 761**

Assets pledged

As of 31 December 2013, investments with a carrying value of USD 8 445 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 11 849 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2012 and 2013, securities of USD 12 994 million and USD 16 215 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 2 612 million and USD 1 991 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying value of USD 261 million serves as collateral for short-term senior operational debt of USD 731 million.

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

As of 31 December 2012 and 2013, the fair value of the government and corporate bond securities received as collateral was USD 4 329 million and USD 4 367 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2012 and 2013 was USD 1 195 million and USD 1 472 million, respectively. The sources of the collateral are reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December was as follows:

2012 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	7 929	–5 645	2 284	–411	1 873
Reverse repurchase agreements	5 900	–3 437	2 463	–2 462	1
Securities borrowing			0		0
Total	13 829	–9 082	4 747	–2 873	1 874

2012 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–8 713	4 990	–3 723	93	–3 630
Repurchase agreements	–3 899	3 437	–462	462	0
Securities lending	–2 135		–2 135	2 062	–73
Total	–14 747	8 427	–6 320	2 617	–3 703

2013 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4 099	–2 877	1 222	–380	**842**
Reverse repurchase agreements	4 064	–1 811	2 253	–2 253	**0**
Securities borrowing			0		**0**
Total	**8 163**	**–4 688**	**3 475**	**–2 633**	**842**

2013 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–4 104	2 656	–1 448	157	**–1 291**
Repurchase agreements	–2 009	1 811	–198	198	**0**
Securities lending	–1 792		–1 792	1 655	**–137**
Total	**–7 905**	**4 467**	**–3 438**	**2 010**	**–1 428**

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable setoff in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default the non-defaulting party may set off the obligation against collateral received regardless if offset on balance sheet prior to the defaulting event. The net amounts of the financial assets and liabilities presented on the balance sheet were recognised in "Other Invested Assets", and "Accrued Expenses and Other Liabilities", respectively.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2012 and 2013. As of 31 December 2012 and 2013, USD 32 million and USD 77 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 28 million and USD 4 million, respectively, to declines in value for more than 12 months.

2012 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 766	26			2 766	26
US Agency securitised products	734	7			734	7
States of the United States and political subdivisions of the states	4				4	0
United Kingdom	3 316	48			3 316	48
Canada	291	2	2		293	2
Germany	524	6	32	1	556	7
France	147	6	5		152	6
Other	1 846	33	37	4	1 883	37
Total	9 628	128	76	5	9 704	133
Corporate debt securities	1 845	32	318	32	2 163	64
Residential mortgage-backed securities	56	2	424	35	480	37
Commercial mortgage-backed securities	190	14	347	21	537	35
Other asset-backed securities	547	9	98	7	645	16
Total	12 266	185	1 263	100	13 529	285

2013 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 874	113			2 874	113
US Agency securitised products	2 248	71	41	4	2 289	75
States of the United States and political subdivisions of the states	703	48			703	48
United Kingdom	6 973	351			6 973	351
Canada	938	65	11	2	949	67
Germany	1 697	33	199	4	1 896	37
France	506	10	47	2	553	12
Other	3 392	198	646	76	4 038	274
Total	19 331	889	944	88	20 275	977
Corporate debt securities	12 189	494	319	38	12 508	532
Residential mortgage-backed securities	50	1	252	14	302	15
Commercial mortgage-backed securities	601	31	174	9	775	40
Other asset-backed securities	1 183	15	139	8	1 322	23
Total	**33 354**	**1 430**	**1 828**	**157**	**35 182**	**1 587**

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

USD millions	2012	**2013**
Policy loans	284	270
Mortgage loans	1 362	1 801
Other loans	653	824
Investment real estate	777	825

The fair value of the real estate as of 31 December 2012 and 2013 was USD 2 536 million and USD 2 551 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2012 and 2013, investments in real estate included USD 5 million and USD 5 million, respectively, of real estate held for sale.

Depreciation expense related to income-producing properties was USD 24 million and USD 25 million for 2012 and 2013, respectively. Accumulated depreciation on investment real estate totalled USD 549 million and USD 577 million as of 31 December 2012 and 2013, respectively.

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

3 Fair value disclosures

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

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

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

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

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the year ended 31 December 2013, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governance around level 3 fair valuation

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

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

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

Assets and liabilities measured at fair value on a recurring basis

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

2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	13 474	74 676	698		88 848
Debt securities issued by US government and government agencies	13 474	752			14 226
US Agency securitised products		4 178			4 178
Debt securities issued by non-US governments and government agencies		39 608			39 608
Corporate debt securities		23 149	685		23 834
Residential mortgage-backed securities		990			990
Commercial mortgage-backed securities		3 199	13		3 212
Other asset-backed securities		2 800			2 800
Fixed income securities backing unit-linked and with-profit life and health policies		4 630			4 630
Equity securities	21 781	536	74		22 391
Equity securities backing unit-linked and with-profit life and health policies	18 607	10			18 617
Equity securities held for proprietary investment purposes	3 174	526	74		3 774
Derivative financial instruments	262	6 657	1 010	–5 645	2 284
Interest rate contracts	194	5 235			5 429
Foreign exchange contracts	26	415			441
Derivative equity contracts	34	508	636		1 178
Credit contracts		392	223		615
Other contracts	8	107	151		266
Other invested assets	747	1 372	2 098		4 217
Total assets at fair value	36 264	87 871	3 880	–5 645	122 370
Liabilities					
Derivative financial instruments	–274	–5 574	–2 865	4 990	–3 723
Interest rate contracts	–205	–3 972			–4 177
Foreign exchange contracts	–12	–792			–804
Derivative equity contracts	–43	–380	–232		–655
Credit contracts		–412	–271		–683
Other contracts	–14	–18	–2 362		–2 394
Liabilities for life and health policy benefits			–272		–272
Accrued expenses and other liabilities	–885	–2 556			–3 441
Total liabilities at fair value	–1 159	–8 130	–3 137	4 990	–7 436

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

2013 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	5 454	73 180	662		79 296
Debt securities issued by US government and government agencies	5 454	1 537			6 991
US Agency securitised products		3 946			3 946
Debt securities issued by non-US governments and government agencies		30 092			30 092
Corporate debt securities		30 904	650		31 554
Residential mortgage-backed securities		915			915
Commercial mortgage-backed securities		2 935	12		2 947
Other asset-backed securities		2 851			2 851
Fixed income securities backing unit-linked and with-profit life and health policies		4 585			4 585
Equity securities	28 257	565	49		28 871
Equity securities backing unit-linked and with-profit life and health policies	21 169	11			21 180
Equity securities held for proprietary investment purposes	7 088	554	49		7 691
Derivative financial instruments	31	3 563	505	–2 877	1 222
Interest rate contracts	8	2 372			2 380
Foreign exchange contracts		267			267
Derivative equity contracts	23	842	401		1 266
Credit contracts		18	28		46
Other contracts		64	76		140
Other invested assets	1 476	210	2 256		3 942
Total assets at fair value	**35 218**	**82 103**	**3 472**	**–2 877**	**117 916**
Liabilities					
Derivative financial instruments	–14	–3 097	–993	2 656	–1 448
Interest rate contracts		–2 123			–2 123
Foreign exchange contracts		–428			–428
Derivative equity contracts	–14	–527	–190		–731
Credit contracts		–11	–38		–49
Other contracts		–8	–765		–773
Liabilities for life and health policy benefits			–145		–145
Accrued expenses and other liabilities	–1 634	–1 271			–2 905
Total liabilities at fair value	**–1 648**	**–4 368**	**–1 138**	**2 656**	**–4 498**

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

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

2012 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Other asset-backed securities
Assets				
Balance as of 1 January 2012	1 111	4	8	16
Realised/unrealised gains/losses:				
Included in net income	49		–1	
Included in other comprehensive income	–18		2	
Purchases	51		6	32
Issuances				
Sales	–448		–40	–32
Settlements	–58			–9
Transfers into level 3[1]	24		41	
Transfers out of level 3[1]	–26	–4	–3	–7
Impact of foreign exchange movements				
Closing balance as of 31 December 2012	685	0	13	0

Liabilities	
Balance as of 1 January 2012	
Realised/unrealised gains/losses:	
Included in net income	
Included in other comprehensive income	
Purchases	
Issuances	
Sales	
Settlements	
Transfers into level 3[1]	
Transfers out of level 3[1]	
Impact of foreign exchange movements	
Closing balance as of 31 December 2012	

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer. With the introduction of ASU No. 2011-4 the Group has reassessed the observability of fair value inputs as of 1 January 2012. Yield curves for instruments with maturities above 20 years were deemed observable and related positions were therefore reclassified to level 2. The inputs of one level 2 position were assessed to be unobservable, the respective assets and liabilities were therefore shifted to level 3.

Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other invested assets	Total
69	1 471	112	41	986	36	2 041	5 895
20	7		–192	–430	44	–15	–518
3						121	108
					43	192	324
							0
–18				–33		–216	–787
	–7			–81	–12	–2	–169
	3		828	38	40	41	1 015
	–1 474	–112	–41	–257		–74	–1 998
						10	10
74	0	0	636	223	151	2 098	3 880

Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Liabilities for life and health policy benefits	Total
–1 075	–66	–170	–1 075	–3 489	–341	–6 216
		59	582	1 043	68	1 752
						0
						0
–2		–19		–50		–71
2		96				98
		54	7	–26		35
		–368	–126	–29		–523
1 075	66	116	341	189		1 787
					1	1
0	0	–232	–271	–2 362	–272	–3 137

2013 USD millions	Corporate debt securities	Commercial mortgage-backed securities	Other asset-backed securities	Equity securities held for proprietary investment purposes
Assets				
Balance as of 1 January 2013	685	13	0	74
Realised/unrealised gains/losses:				
Included in net income	–4			4
Included in other comprehensive income				1
Purchases	37		16	
Issuances				
Sales	–23		–16	–30
Settlements	–45	–1		
Transfers into level 3				
Transfers out of level 3				
Impact of foreign exchange movements				
Closing balance as of 31 December 2013	**650**	**12**	**0**	**49**
Liabilities				
Balance as of 1 January 2013				
Realised/unrealised gains/losses:				
Included in net income				
Included in other comprehensive income				
Purchases				
Issuances				
Sales				
Settlements				
Transfers into level 3				
Transfers out of level 3				
Impact of foreign exchange movements				
Closing balance as of 31 December 2013				

	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other invested assets	Total
	636	223	151	2 098	3 880
	–235	44	–139	108	–222
				12	13
		13	12	346	424
			100		100
		–182	–51	–462	–764
		–70	3		–113
				419	419
				–292	–292
				27	27
	401	**28**	**76**	**2 256**	**3 472**

	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Liabilities for life and health policy benefits	Total
	–232	–271	–2 362	–272	–3 137
	53	–14	1 685	131	1 855
					0
					0
			–62		–62
		160	50		210
	–11	87	–76		0
					0
					0
				–4	–4
	–190	**–38**	**–765**	**–145**	**–1 138**

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

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the years ended 31 December were as follows:

USD millions	2012	**2013**
Gains/losses included in net income for the period	1 234	1633
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	1 005	1 484

Assets and liabilities measured at fair value on a non-recurring basis

The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and/or health business. The initial value is determined actuarially by discounting estimated future gross profits as a measure of the value of business acquired. The resulting asset is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings during the period in which the determination of impairment is made.

Transfers between level 1 and level 2

Transfers between level 1 and level 2 for the year ended 31 December 2012 were as follows:

2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)
Assets		
Transfer into[1]	191	2 358
Transfer out of[1]	–78	–1 388
Liabilities		
Transfer into[1]		–1 930
Transfer out of[1]		589

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer. With the introduction of ASU No. 2011-4, the Group has reassessed the observability of fair value inputs as of 1 January 2012. Yield curves for instruments with maturities above 20 years were deemed observable and related positions were therefore reclassified from level 3 to level 2. The inputs of one level 2 position were assessed to be unobservable, the respective assets and liabilities were therefore shifted to level 3.

There were no material transfers between level 1 and level 2 for the year ended 31 December 2013.

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Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December were as follows:

USD millions
Assets
Corporate debt securities
Surplus notes with a mortality underlying
Private placement corporate debt
Private placement credit tenant leases
Derivative equity contracts
OTC equity option referencing correlated equity indices
Derivative credit contracts
Credit default swaps referencing various asset-backed securities (ABS)
Credit correlation tranche transactions
Liabilities
Derivative equity contracts
OTC equity option referencing correlated equity indices
Option contract referencing a private equity underlying
Derivative credit contracts
Credit default swaps referencing various asset-backed securities (ABS)
Credit correlation tranche transactions
Other derivative contracts and liabilities for life and health policy benefits
Variable annuity and fair valued GMDB contracts
Embedded derivatives in Mod-Co and Coinsurance with Funds Withheld treaties

[1] Represents average input value for the reporting period.

2012 Fair value	**2013** Fair value	Valuation technique	Unobservable input	Range (weighted average)
685	**650**			
168	195	Discounted cash flow model	Illiquidity premium	75 bps (n.a.)
437	383	Corporate spread matrix	Illiquidity premium	0 bps–250 bps (79 bps)
72	68	Discounted cash flow model	Illiquidity premium	75 bps–200 bps (129 bps)
636	**401**			
636	401	Proprietary option model	Correlation	–10%–100% (45%)[1]
223	**28**			
109	22	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	5%–94% (81%)
112	6	Base correlation model	Correlation	40%–88% (64%)[1]
–232	**–190**			
–81	–49	Proprietary option model	Correlation	–10%–100% (45%)[1]
–144	–137	Option model	Volatility	100%
			Growth rate	6% (n.a.)
–271	**–38**			
–86	–7	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	1%–91% (65%)
–171	–30	Base correlation model	Correlation	40%–88% (64%)[1]
–2 634	**–910**			
–2 287	–677	Discounted cash flow model	Risk margin	4% (n.a.)
			Volatility	4%–42%
			Lapse	0.5%–24%
			Mortality adjustment	–10%–0%
			Withdrawal rate	0%–90%
–170	–125	Discounted cash flow model	Lapse	3%–10%
			Mortality adjustment	80% (n.a.)

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

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

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

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

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

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

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

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December, respectively, were as follows:

USD millions	2012 Fair value	**2013** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	701	735	301	non-redeemable	n.a.
Hedge funds	1 140	749		redeemable[1]	90–180 days[2]
Private equity direct	96	138		non-redeemable	n.a.
Real estate funds	223	231	97	non-redeemable	n.a.
Total	2 160	**1 853**	**398**		

[1] The redemption frequency varies from monthly to up to three years.
[2] Cash distribution can be delayed for up to three years depending on the sale of the underlyings.

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

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

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

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

Fair value option

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

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

Equity securities trading

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

Other invested assets

The Group elected the fair value option for certain investments classified as equity method investees within other invested assets in the balance sheet. The Group applied the fair value option, as the investments are managed on a fair value basis. The changes in fair value of these elected investments are recorded in earnings.

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December were as follows:

USD millions	2012	2013
Assets		
Equity securities held for proprietary investment purposes	672	615
of which at fair value pursuant to the fair value option	509	544
Other invested assets		11 164
of which at fair value pursuant to the fair value option		403
Liabilities		
Liabilities for life and health policy benefits	–36 117	–36 033
of which at fair value pursuant to the fair value option	–272	–145

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

Gains/losses included in earnings for the years ended 31 December for items measured at fair value pursuant to election of the fair value option including foreign exchange were as follows:

USD millions	2012	2013
Equity securities held for proprietary investment purposes	54	35
Other invested assets		72
Liabilities for life and health policy benefits	71	125
Total	125	**232**

Fair value changes from equity securities trading are reported in "Net realised investment gains/losses – non-participating business". Fair value changes from other invested assets are reported in "Net investment income – non-participating". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

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

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December, were as follows:

2012 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		284	284
Mortgage loans		1 362	1 362
Other loans		653	653
Investment real estate		2 536	2 536
Total assets		4 835	4 835
Liabilities			
Debt	–9 970	–10 136	–20 106
Total liabilities	–9 970	–10 136	–20 106

2013 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		270	270
Mortgage loans		1 801	1 801
Other loans		824	824
Investment real estate		2 551	2 551
Total assets		**5 446**	**5 446**
Liabilities			
Debt	–10 998	–7 528	–18 526
Total liabilities	**–10 998**	**–7 528**	**–18 526**

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

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

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

4 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

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

2012 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	125 577	4 609	–4 177	432
Foreign exchange contracts	25 739	441	–785	–344
Equity contracts	17 917	1 178	–655	523
Credit contracts	33 137	615	–683	–68
Other contracts	22 965	266	–2 394	–2 128
Total	225 335	7 109	–8 694	–1 585
Derivatives designated as hedging instruments				
Interest rate contracts	2 828	820		820
Foreign exchange contracts	1 609		–19	–19
Total	4 437	820	–19	801
Total derivative financial instruments	229 772	7 929	–8 713	–784
Amount offset				
Where a right of setoff exists		–4 466	4 466	
Due to cash collateral		–1 179	524	
Total net amount of derivative financial instruments		2 284	–3 723	–1 439

2013 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	81 197	2 380	–2 123	257
Foreign exchange contracts	15 580	252	–417	–165
Equity contracts	20 111	1 266	–731	535
Credit contracts	2 676	46	–49	–3
Other contracts	23 055	140	–773	–633
Total	**142 619**	**4 084**	**–4 093**	**–9**
Derivatives designated as hedging instruments				
Interest rate contracts				0
Foreign exchange contracts	1 472	15	–11	4
Total	**1 472**	**15**	**–11**	**4**
Total derivative financial instruments	**144 091**	**4 099**	**–4 104**	**–5**
Amount offset				
Where a right of setoff exists		–2 353	2 353	
Due to cash collateral		–524	303	
Total net amount of derivative financial instruments		**1 222**	**–1 448**	**–226**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2012 and 2013.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2012	**2013**
Derivatives not designated as hedging instruments		
Interest rate contracts	–141	–241
Foreign exchange contracts	–547	–584
Equity contracts	–774	–962
Credit contracts	–82	–71
Other contracts	1 030	1 728
Total gain/loss recognised in income	–514	**–130**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2012 and 2013, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into interest rate and foreign exchange swaps to reduce the exposure to interest rate and foreign exchange volatility for certain of its issued debt positions. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses" in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

		2012		**2013**
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	–26	33	–240	255
Foreign exchange contracts	–24	11	2	–1
Total gain/loss recognised in income	–50	44	**–238**	**254**

Hedges of the net investment in foreign operations

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

For the years ended 31 December 2012 and 2013, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 220 million and a gain of USD 29 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss
In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2012 and 2013 was approximately USD 3 463 million and USD 1 746 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 1 446 million and USD 855 million as of 31 December 2012 and 2013, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 524 million and USD 303 million as of 31 December 2012 and 2013, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 552 million additional collateral would have had to be posted as of 31 December 2013. The total equals the amount needed to settle the instruments immediately as of 31 December 2012 and 2013, respectively.

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

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2012 and 2013, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

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

The Group has purchased protection to manage the performance/payment risks related to credit derivatives. As of 31 December 2012 and 2013, the total purchased credit protection based on notional values was USD 16 689 million and USD 2 061 million, respectively, of which USD 8 220 million and USD 514 million, respectively, were related to identical underlyings for which the Group sold credit protection. For tranched indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

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

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

2012 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0–250	9	1 174			1 174
251–500	–1	38			38
501–1 000	–11	96		34	130
Greater than 1 000	–92	146		133	279
Total	–95	1 454	0	167	1 621
Credit Index Products					
Credit spread in basis points					
0–250	–63	14 400			14 400
251–500	30	427			427
Total	–33	14 827	0	0	14 827
Total Return Swaps					
Credit spread in basis points					
No credit spread available	72	773			773
Total	72	773	0	0	773
Total credit derivatives written/sold	–56	17 054	0	167	17 221

2013 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0–250	–15	59		60	119
251–500					0
501–1 000					0
Greater than 1 000					0
Total	**–15**	**59**	**0**	**60**	**119**
Credit Index Products					
Credit spread in basis points					
0–250	15	96	400		496
251–500					0
Total	**15**	**96**	**400**	**0**	**496**
Total Return Swaps					
Credit spread in basis points					
No credit spread available	1	25			25
Total	**1**	**25**	**0**	**0**	**25**
Total credit derivatives written/sold	**1**	**180**	**400**	**60**	**640**

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

As of 31 December, the DAC were as follows:

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2012	1 247	2 663	–25	34	4	3 923
Cumulative effect of adoption of ASU No. 2010-26		–35				–35
Deferred	2 119	399	542			3 060
Effect of acquisitions/disposals and retrocessions						0
Amortisation	–2 266	–367	–300	–1	–3	–2 937
Effect of foreign currency translation	3	53	2		1	59
Write-off of DAC				–31		–31
Closing balance as of 31 December 2012	1 103	2 713	219	2	2	4 039

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2013	1 103	2 713	219	2	2	4 039
Cumulative effect of adoption of ASU No. 2010-26						0
Deferred	3 217	491	504			4 212
Effect of acquisitions/disposals and retrocessions		57				57
Amortisation	–2 710	–397	–406			–3 513
Effect of foreign currency translation	–19	–19	2	–1	–2	–39
Write-off of DAC						0
Closing balance as of 31 December 2013	**1 591**	**2 845**	**319**	**1**	**0**	**4 756**

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

As of 31 December, the PVFP was as follows:

USD millions	Life & Health Reinsurance	Admin Re®	2012 Total	Life & Health Reinsurance	Admin Re®	**2013** Total
Opening balance as of 1 January	1 674	2 552	4 226	1 358	1 665	3 023
Effect of acquisitions/disposals and retrocessions	–206	126	–80	206	–30	176
Amortisation	–201	–244	–445	–151	–184	–335
Interest accrued on unamortised PVFP	51	140	191	35	186	221
Effect of foreign currency translation	40	56	96	3	44	47
Effect of change in unrealised gains/losses		–316	–316		405	405
Write-off of PVFP		–649	–649			0
Closing balance as of 31 December	1 358	1 665	3 023	**1 451**	**2 086**	**3 537**

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

In 2013, based on the results of shadow loss recognition testing the shadow loss reserve was reduced by USD 308 million, net of tax, impacting PVFP and other comprehensive income. The adjustment relates to Admin Re® business and is reflected in the "effect of change in unrealised gains/losses" in the table above. Shadow loss recognition testing considers the adequacy of contractual liabilities, net of DAC and PVFP, using current best estimates of all future cash flows discounted at current market yields. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholders' equity will ultimately accrue to policyholders and not shareholders. Shadow losses recognised can reverse up to the amount of losses recognised due to a loss recognition event.

The percentage of PVFP which is expected to be amortised in each of the next five years is 7%, 6%, 6%, 6% and 6%.

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6 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. Interest expense is classified accordingly.

The Group's debt as of 31 December was as follows:

USD millions	2012	2013
Senior financial debt	793	901
Senior operational debt	2 819	2 917
Short-term debt – financial and operational debt	3 612	**3 818**
Senior financial debt	4 952	3 233
Senior operational debt	1 704	708
Subordinated financial debt	4 302	5 367
Subordinated operational debt	5 328	5 414
Long-term debt – financial and operational debt	16 286	**14 722**
Total carrying value	19 898	**18 540**
Total fair value	20 106	**18 526**

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2012 and 2013, debt related to operational leverage and financial intermediation amounted to USD 9.9 billion (thereof USD 6.1 billion limited recourse) and USD 9.0 billion (thereof USD 6.1 billion limited recourse), respectively.

Maturity of long-term debt
As of 31 December, long-term debt as reported above had the following maturities:

USD millions	2012	2013
Due in 2014	1 763	0[1]
Due in 2015	708	730
Due in 2016	2 136	2 151
Due in 2017	1 428	1 341
Due in 2018	0	0
Due after 2018	10 251	10 500
Total carrying value	16 286	**14 722**

[1] Balance was reclassified to short-term debt.

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2015	EMTN	2001	CHF	150	4.00%	169
2015	EMTN	2010	CHF	500	2.00%	561
2017	EMTN	2011	CHF	600	2.13%	671
2019	Senior notes[1]	1999	USD	234	6.45%	282
2022	Senior notes	2012	USD	250	2.88%	248
2026	Senior notes[1]	1996	USD	397	7.00%	530
2030	Senior notes[1]	2000	USD	193	7.75%	285
2042	Senior notes	2012	USD	500	4.25%	488
Various	Payment undertaking agreements	various	USD	559	various	707
Total senior debt as of 31 December 2013						**3 941**
Total senior debt as of 31 December 2012						6 656

[1] Assumed in the acquisition of GE Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	first call in	Book value in USD millions
2024	Subordinated contingent write-off loan notes	2013	USD	750	6.38%	2019	831
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	679
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	234
2047	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 355	4.90%		2 223
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 929	4.77%		3 191
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 376
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	752
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	826
	2 subordinated perpetual loan notes	2007	AUD	750	various	2017	669
Total subordinated debt as of 31 December 2013							**10 781**
Total subordinated debt as of 31 December 2012							9 630

Interest expense on long-term debt and contingent capital instruments
Interest expense on long-term debt for the years ended 31 December was as follows:

USD millions	2012	2013
Senior financial debt	161	148
Senior operational debt	109	48
Subordinated financial debt	238	286
Subordinated operational debt	251	246
Total	759	**728**

Interest expense on contingent capital instruments was USD 56 million and USD 67 million for the years ended 31 December 2012 and 2013, respectively.

Long-term debt issued in 2013
In March 2013, Swiss Reinsurance Company Ltd issued subordinated contingent write-off loan notes with a scheduled maturity in 2024. The instrument has a face value of USD 750 million, with a fixed coupon of 6.375% per annum until the optional redemption date (1 September 2019). The full principal amount of the instrument is mandatorily written off if Swiss Reinsurance Company Ltd reports a Swiss Solvency Test (SST) ratio of less than 125% to the Swiss Financial Market Supervisory Authority (FINMA).

In October 2013, Swiss Reinsurance Company Ltd issued 32-year subordinated contingent write-off securities with a scheduled maturity in 2045. The instrument has a face value of CHF 175 million, with a fixed coupon of 7.5% per annum until the first optional redemption date (1 September 2020). The full principal amount of the instrument will be written off upon the earlier to occur of: 1) Swiss Reinsurance Company Ltd reporting a Swiss Solvency Test (SST) ratio of less than 135% to the Swiss Financial Market Supervisory Authority (FINMA), or 2) the occurrence of an Atlantic hurricane which causes insured industry losses defined in an USD billion amount exceeding those of a 1-in-200 year event, subject to an annual reset assessment to adjust for changes in insured values, while neutralising any impact due to model changes.

Contingent capital instruments issued in 2012
In February 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated instrument with stock settlement. The instrument has a face value of CHF 320 million, with a fixed coupon of 7.25% per annum until the first optional redemption date (1 September 2017).

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

Both instruments may be converted, at the option of the issuer, into Swiss Re Ltd shares at any time through at market conversion using the retrospective five-day volume weighted average share price with a 3% discount or within six months following a solvency event at a pre-set floor price (CHF 26 for the instrument with face value of CHF 320 million and USD 32 for the instrument with face value of USD 750 million, respectively). These instruments are referred to in these financial statements as “contingent capital instruments”.

7 Unpaid claims and claim adjustment expenses

The liability for unpaid claims and claim adjustment expenses as of 31 December is analysed as follows:

USD millions	2012	**2013**
Non-Life	53 010	50 392
Life & Health	10 660	11 092
Total	63 670	**61 484**

A reconciliation of the opening and closing reserve balances for non-life unpaid claims and claim adjustment expenses for the period is presented as follows:

USD millions	2012	**2013**
Balance as of 1 January	53 827	53 010
Reinsurance recoverable	–6 610	–7 101
Deferred expense on retroactive reinsurance	–320	–229
Net balance as of 1 January	46 897	**45 680**
Incurred related to:		
Current year	9 050	10 765
Prior year	–1 477	–1 371
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	64	151
Total incurred	7 637	9 545
Paid related to:		
Current year	–1 525	–2 103
Prior year	–7 962	–9 265
Total paid	–9 487	–11 368
Foreign exchange	334	211
Effect of acquisitions, disposals, new retroactive reinsurance and other items	299	239
Net balance as of 31 December	45 680	**44 307**
Reinsurance recoverable	7 101	6 029
Deferred expense on retroactive reinsurance	229	56
Balance as of 31 December	53 010	**50 392**

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the purchase method of accounting.

Prior-year development

Net claims development on prior years was favourable overall during 2013, driven by reserve releases from property, liability, accident and health and several of the special lines, especially engineering. In most cases, the releases were the result of better-than-expected claims experience helped, particularly in the case of accident and health, by commutations. These releases come about despite further strengthening for US and UK asbestos and environmental claims, strengthening on motor business in several European countries and adverse development of claims arising from the New Zealand earthquakes, partly offset by favourable development on claims from Hurricane Sandy in the US.

A summary of prior year claims development by lines of business is shown below:

USD millions	2012	**2013**
Line of business:		
Property	–242	–441
Casualty	–699	–455
Specialty	–536	–475
Total	–1 477	**–1 371**

US asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986, in particular in the area of US asbestos and environmental liability.

At the end of 2013, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 1 950 million. During 2013, the Group incurred net losses of USD 352 million and paid net against these liabilities USD 393 million.

Estimating ultimate asbestos and environmental liabilities is particularly complex for a number of reasons relating in part to the long period between exposure and manifestation of claims, and in part to other factors, which include risks and lack of predictability inherent in complex litigation, changes in projected costs to resolve, and in the projected number of, asbestos and environmental claims, the effect of bankruptcy protection, insolvencies, and changes in the legal, legislative and regulatory environment. As a result, the Group believes that projection of exposures for asbestos and environmental claims is subject to far less predictability relative to non-environmental and non-asbestos exposures. Management believes that its reserves for asbestos and environmental claims are appropriately established based upon known facts and the current state of the law. However, reserves are subject to revision as new information becomes available and as claims develop. Additional liabilities may arise for amounts in excess of reserves, and the Group's estimate of claims and claim adjustment expenses may change. Any such additional liabilities or increases in estimates cannot be reasonably estimated in advance but could result in charges that could be material to operating results.

The Group maintains an active commutation strategy to reduce exposure. When commutation payments are made, the traditional "survival ratio" is artificially reduced by premature payments which should not imply a reduction in reserve adequacy.

8 Insurance information

For the year ended 31 December

Premiums earned and fees assessed against policyholders

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		179	2 196	1 204		3 579
Reinsurance	16 097	10 506	385	196	6	27 190
Intra-group transactions (assumed and ceded)	–278	250	278	–250		0
Premiums earned before retrocession to external parties	15 819	10 935	2 859	1 150	6	30 769
Reinsurance ceded to external parties	–3 490	–1 885	–575	–158		–6 108
Net premiums earned	12 329	9 050	2 284	992	6	24 661
Fee income from policyholders, thereof:						
Direct				587		587
Reinsurance		64		134		198
Intra-group transactions (assumed and ceded)		8		–8		0
Gross fee income before retrocession to external parties		72		713		785
Fee income ceded to external parties						0
Net fee income	0	72	0	713	0	785

For the year ended 31 December

Premiums earned and fees assessed against policyholders

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		624	2 564	946		4 134
Reinsurance	16 594	10 481	473	191	1	27 740
Intra-group transactions (assumed and ceded)	–228	254	228	–254		0
Premiums earned before retrocession to external parties	16 366	11 359	3 265	883	1	31 874
Reinsurance ceded to external parties	–1 824	–1 392	–343	–39		–3 598
Net premiums earned	**14 542**	**9 967**	**2 922**	**844**	**1**	**28 276**
Fee income from policyholders, thereof:						
Direct				401		401
Reinsurance		56		85		141
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		56		486		542
Fee income ceded to external parties						0
Net fee income	**0**	**56**	**0**	**486**	**0**	**542**

For the year ended 31 December

Claims and claim adjustment expenses

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–9 553	–8 341	–1 915	–2 868	–18	–22 695
Intra-group transactions (assumed and ceded)	–818	–130	818	130		0
Claims before receivables from retrocession to external parties	–10 371	–8 471	–1 097	–2 738	–18	–22 695
Receivables from retrocession to external parties	1 620	2 209	379	293		4 501
Net claims paid	–8 751	–6 262	–718	–2 445	–18	–18 194
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	910	–42	400	297	4	1 569
Intra-group transactions (assumed and ceded)	1 219	–85	–1 225	91		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	2 129	–127	–825	388	4	1 569
Reinsurance ceded to external parties	316	–398	95	–29		–16
Net unpaid claims and claim adjustment expenses; life and health benefits	2 445	–525	–730	359	4	1 553
Claims and claim adjustment expenses; life and health benefits	–6 306	–6 787	–1 448	–2 086	–14	–16 641

Acquisition costs

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	–3 522	–2 057	–362	–177	–3	–6 121
Intra-group transactions (assumed and ceded)	55	–14	–55	14		0
Acquisition costs before impact of retrocession to external parties	–3 467	–2 071	–417	–163	–3	–6 121
Retrocession to external parties	1 151	284	117	21		1 573
Net acquisition costs	–2 316	–1 787	–300	–142	–3	–4 548

For the year ended 31 December

Claims and claim adjustment expenses

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–10 421	–8 564	–3 086	–2 269	–2	–24 342
Intra-group transactions (assumed and ceded)	–1 417	–334	1 422	331	–2	0
Claims before receivables from retrocession to external parties	–11 838	–8 898	–1 664	–1 938	–4	–24 342
Receivables from retrocession to external parties	1 713	1 230	425	65		3 433
Net claims paid	**–10 125**	**–7 668**	**–1 239**	**–1 873**	**–4**	**–20 909**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1 581	–482	1 189	511	6	2 805
Intra-group transactions (assumed and ceded)	1 695	121	–1 698	–118		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	3 276	–361	–509	393	6	2 805
Reinsurance ceded to external parties	–1 035	–46	–25	–26		–1 132
Net unpaid claims and claim adjustment expenses; life and health benefits	**2 241**	**–407**	**–534**	**367**	**6**	**1 673**
Claims and claim adjustment expenses; life and health benefits	**–7 884**	**–8 075**	**–1 773**	**–1 506**	**2**	**–19 236**

Acquisition costs

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	–3 429	–2 005	–432	–34		–5 900
Intra-group transactions (assumed and ceded)	49	–2	–49	2		0
Acquisition costs before impact of retrocession to external parties	–3 380	–2 007	–481	–32		–5 900
Retrocession to external parties	619	309	75	2		1 005
Net acquisition costs	**–2 761**	**–1 698**	**–406**	**–30**	**0**	**–4 895**

Reinsurance recoverable on unpaid claims and policy benefits
For the year ended 2013 the Group recorded a reinsurance recoverable of USD 8.3 billion. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounts for 62% of the Group's reinsurance recoverable.

Reinsurance receivables
Reinsurance receivables as of 31 December were as follows:

USD millions	2012	**2013**
Premium receivables invoiced	1 254	1 482
Receivables invoiced from ceded re/insurance business	447	446
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	1 322	1 273
Recognised allowance	–109	–101

Policyholder dividends
Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2012 and 2013 was 8% and 7%, respectively. The amount of policyholder dividend expense in 2012 and 2013 was USD 124 million and USD 139 million, respectively.

9 Premiums written

For the years ended 31 December

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		388	2 637	1 207			4 232
Reinsurance	16 387	10 464	444	196			27 491
Intra-group transactions (assumed)	239	249	648			–1 136	0
Gross premiums written	16 626	11 101	3 729	1 403		–1 136	31 723
Intra-group transactions (ceded)	–648		–239	–249		1 136	0
Gross premiums written before retrocession to external parties	15 978	11 101	3 490	1 154			31 723
Reinsurance ceded to external parties	–3 571	–1 870	–780	–158			–6 379
Net premiums written	12 407	9 231	2 710	996	0	0	25 344

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		643	2 870	973			4 486
Reinsurance	17 243	10 458	557	190			28 448
Intra-group transactions (assumed)	328	254	549			–1 131	0
Gross premiums written	17 571	11 355	3 976	1 163		–1 131	32 934
Intra-group transactions (ceded)	–549		–328	–254		1 131	0
Gross premiums written before retrocession to external parties	17 022	11 355	3 648	909			32 934
Reinsurance ceded to external parties	–865	–1 383	–169	–39			–2 456
Net premiums written	**16 157**	**9 972**	**3 479**	**870**	**0**	**0**	**30 478**

10 Earnings per share

All of the Group's companies prepare statutory financial statements based on local laws and regulations. Most jurisdictions require reinsurers to maintain a minimum amount of capital in excess of statutory definition of net assets or maintain certain minimum capital and surplus levels. In addition, some jurisdictions place certain restrictions on amounts that may be loaned or transferred to the parent company. The Group's ability to pay dividends may be restricted by these requirements.

Dividends are declared in Swiss francs. During the years ended 31 December 2012 and 2013, the Group's regular dividends declared per share were CHF 3.00 and CHF 3.50 respectively, as well as an additional special dividend of CHF 4.00 for the 2012 financial year paid in 2013. All dividends were paid in the form of withholding tax exempt repayment of legal reserves from capital contributions.

Earnings per share for the years ended 31 December were as follows:

USD millions (except share data)	2012	**2013**
Basic earnings per share		
Net income	4 398	**4 513**
Non-controlling interests	–141	**–2**
Interest on contingent capital instruments[1]	–56	**–67**
Net income attributable to common shareholders	4 201	**4 444**
Attribution of value to option on redeemable non-controlling interest	–132	
Net income attributable to common shareholders after adjustment to non-controlling interest	4 069	**4 444**
Weighted average common shares outstanding	343 380 921	**342 764 609**
Net income per share in USD	11.85	**12.97**
Net income per share in CHF[2]	11.13	**12.04**
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments[1]	54	**69**
Change in average number of shares due to contingent capital instruments	28 617 588	**35 745 192**
Change in average number of shares due to employee options	720 579	**1 094 715**
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	4 123	**4 513**
Weighted average common shares outstanding	372 719 088	**379 604 516**
Net income per share in USD	11.06	**11.89**
Net income per share in CHF[2]	10.39	**11.04**

[1] Please refer to Note 6 "Debt and contingent capital instruments".
[2] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

11 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which the Group operates. The components of the income tax charge were:

USD millions	2012	**2013**
Current taxes	472	641
Deferred taxes	653	–329
Income tax expense	1 125	**312**

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2012	**2013**
Income tax at the Swiss statutory tax rate of 21.0%	1 160	1 013
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	150	61
Impact of foreign exchange movements	–2	–8
Tax exempt income/dividends received deduction	–61	–164
Change in valuation allowance	–274	–257
Tax effects of losses not recognised	73	
Basis differences in subsidiaries	–74	–152
Change in statutory tax rates	–44	2
Change in liability for unrecognised tax benefits including interest and penalties	146	–144
Other, net	51	–39
Total	1 125	**312**

For 2013, the Group reported a tax expense of USD 312 million. This represents an effective tax rate of 6.5%, compared to an effective tax rate of 20.4% in the prior year. The lower tax rate in the current year is primarily due to lower taxes on the geographical mix of earnings, non-taxable income in Switzerland and the release of uncertain tax liabilities upon effective settlements with local tax authorities.

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2012	2013
Deferred tax assets		
Income accrued/deferred	480	503
Technical provisions	541	762
Pension provisions	355	206
Benefit on loss carryforwards	3 748	3 648
Currency translation adjustments	514	540
Other	1 239	1 039
Gross deferred tax asset	6 877	6 698
Valuation allowance	–1 159	–935
Total deferred tax assets	5 718	**5 763**
Deferred tax liabilities		
Present value of future profits	–752	–727
Income accrued/deferred	–598	–642
Bond amortisation	–188	–206
Deferred acquisition costs	–680	–721
Technical provisions	–2 559	–2 845
Unrealised gains on investments	–1 487	–589
Untaxed realised gains	–557	–524
Foreign exchange provisions	–301	–132
Other	–826	–705
Total deferred tax liabilities	–7 948	**–7 091**
Liability for unrecognised tax benefits including interest and penalties	–1 494	**–1 151**
Total deferred and other non-current tax liabilities	–9 442	**–8 242**
Net deferred and other non-current taxes	–3 724	**–2 479**

As of 31 December 2013, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 3.9 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2013, the Group had USD 11 172 million net operating tax loss carryforwards, expiring as follows: USD 70 million in 2017, USD 152 million in 2018, USD 6 380 million in 2019 and beyond and USD 4 570 million never expire.

The Group also had capital loss carryforwards of USD 677 million, expiring as follows: USD 1 million in 2016 and USD 676 million never expire.

Net operating tax losses of USD 2 076 million and net capital tax losses of USD 24 million were utilised during the period ended 31 December 2013.

Income taxes paid in 2012 and 2013 were USD 123 million and USD 447 million, respectively.

Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2012	**2013**
Balance as of 1 January	1 047	1 228
Additions based on tax positions related to current year	246	88
Additions based on tax positions related to prior years	91	158
Reductions for tax positions of prior years	–163	–392
Settlements	–8	–90
Other (including foreign currency translation)	15	21
Balance as of 31 December	1 228	**1 013**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 871 million and USD 778 million at 31 December 2012 and 31 December 2013, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense for the period ending 31 December 2013 was USD 128 million (USD 56 million for the period ending 31 December 2012). As of 31 December 2012 and 31 December 2013, USD 266 million and USD 138 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2013 is included within the deferred and other non-current taxes section reflected above and in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2013 presented in the table above is less than the liability for unrecognised tax benefits reflected in the deferred and other non-current taxes section due to the exclusion of interest expense (USD 138 million).

During the year, certain tax positions and audits in Switzerland and Germany were effectively settled.

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes. However, quantification of an estimated range cannot be made at this time.

The following table summarises jurisdictions and tax years that remain subject to examination:

Australia	2009–2013
Belgium	2010–2013
Brazil	2008–2013
Canada	2008–2013
China	2003–2013
Denmark	2009–2013
France	2008–2013
Germany	2007–2013
Hong Kong	2007–2013
India	2005–2013
Ireland	2010–2013
Israel	2008–2013
Italy	2009–2013
Japan	2009–2013
Korea	2009–2013
Luxembourg	2008–2013
Malaysia	1996–2013
Mexico	2008–2013
Netherlands	2010–2013
New Zealand	2008–2013
Singapore	2008–2013
Slovakia	2009–2013
South Africa	2004, 2009–2013
Spain	2009–2013
Switzerland	2009–2013
United Kingdom	2008, 2011–2013
United States	2009–2013

12 Benefit plans

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

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

The measurement date of these plans is 31 December for each year presented.

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 328	1 952	363	5 643
Service cost	106	6	6	118
Interest cost	78	94	13	185
Amendments		2		2
Actuarial gains/losses	231	212	24	467
Benefits paid	–158	–74	–15	–247
Employee contribution	25			25
Acquisitions/disposals/additions			–9	–9
Effect of curtailment and termination benefits	1	–56		–55
Effect of foreign currency translation	81	56	1	138
Benefit obligation as of 31 December	3 692	2 192	383	6 267
Fair value of plan assets as of 1 January	2 983	1 814		4 797
Actual return on plan assets	206	190		396
Company contribution	88	74	15	177
Benefits paid	–158	–74	–15	–247
Employee contribution	25			25
Acquisitions/disposals/additions				0
Effect of curtailment and termination benefits	1	–56		–55
Effect of foreign currency translation	69	53		122
Fair value of plan assets as of 31 December	3 214	2 001	0	5 215
Funded status	–478	–191	–383	–1 052

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 692	2 192	383	6 267
Service cost	118	7	6	131
Interest cost	72	87	11	170
Amendments				0
Actuarial gains/losses	–338	57	–47	–328
Benefits paid	–137	–73	–15	–225
Employee contribution	26			26
Acquisitions/disposals/additions				0
Effect of curtailment and termination benefits	1			1
Effect of foreign currency translation	97	35	3	135
Benefit obligation as of 31 December	**3 531**	**2 305**	**341**	**6 177**
Fair value of plan assets as of 1 January	3 214	2 001		5 215
Actual return on plan assets	221	141		362
Company contribution	227	143	15	385
Benefits paid	–137	–74	–15	–226
Employee contribution	26			26
Acquisitions/disposals/additions				0
Effect of curtailment and termination benefits	1			1
Effect of foreign currency translation	109	34		143
Fair value of plan assets as of 31 December	**3 661**	**2 245**	**0**	**5 906**
Funded status	**130**	**–60**	**–341**	**–271**

Amounts recognised in the balance sheet, as of 31 December were as follows:

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		51		51
Current liabilities		–3	–16	–19
Non-current liabilities	–478	–239	–367	–1 084
Net amount recognised	–478	–191	–383	–1 052

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets	130	49		179
Current liabilities		–2	–16	–18
Non-current liabilities		–107	–325	–432
Net amount recognised	**130**	**–60**	**–341**	**–271**

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	1 034	379	–67	1 346
Prior service cost/credit	–1	2	–100	–99
Total	1 033	381	–167	1 247

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	521	385	–109	797
Prior service cost/credit	–2	2	–88	–88
Total	**519**	**387**	**–197**	**709**

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December, were as follows:

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	106	6	6	118
Interest cost	78	94	13	185
Expected return on assets	–100	–98		–198
Amortisation of:				
Net gain/loss	42	12	–9	45
Prior service cost			–11	–11
Effect of settlement, curtailment and termination	1	10		11
Net periodic benefit cost	127	24	–1	150

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	118	7	6	131
Interest cost	72	87	11	170
Expected return on assets	–102	–99		–201
Amortisation of:				
Net gain/loss	57	18	–6	69
Prior service cost			–10	–10
Effect of settlement, curtailment and termination	1			1
Net periodic benefit cost	**146**	**13**	**1**	**160**

Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	125	120	24	269
Prior service cost/credit		2		2
Amortisation of:				
Net gain/loss	–42	–12	9	–45
Prior service cost			11	11
Effect of settlement, curtailment and termination		–10		–10
Exchange rate gain/loss recognised during the year		11		11
Total recognised in other comprehensive income, gross of tax	83	111	44	238
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	210	135	43	388

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	–457	15	–46	–488
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	–57	–18	6	–69
Prior service cost			10	10
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		10		10
Total recognised in other comprehensive income, gross of tax	**–514**	**7**	**–30**	**–537**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**–368**	**20**	**–29**	**–377**

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2014 are USD 61 million and USD 1 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2014 are USD 11 million and USD 11 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 5 767 million and USD 5 735 million as of 31 December 2012 and 2013, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2012	**2013**
Projected benefit obligation	4 652	594
Accumulated benefit obligation	4 584	593
Fair value of plan assets	3 938	490

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2012	**2013**	2012	**2013**	2012	**2013**
Assumptions used to determine obligations at the end of the year						
Discount rate	2.0%	2.3%	4.2%	4.4%	3.1%	3.5%
Rate of compensation increase	2.3%	2.3%	3.2%	3.4%	3.4%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	2.4%	2.0%	4.9%	4.2%	3.5%	3.1%
Expected long-term return on plan assets	3.3%	3.3%	5.3%	5.1%		
Rate of compensation increase	2.3%	2.3%	2.2%	3.2%	3.9%	3.4%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.2%	6.0%
Medical trend – ultimate rate					4.5%	4.5%
Year that the rate reaches the ultimate trend rate					2019	2018

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2013:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	–1
Effect on post-retirement benefit obligation	23	–21

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2012 and 2013 was as follows:

	Swiss plan allocation			Foreign plans allocation		
	2012	**2013**	**Target allocation**	2012	**2013**	**Target allocation**
Asset category						
Equity securities	27%	27%	25%	37%	36%	34%
Debt securities	45%	41%	48%	55%	59%	61%
Real estate	19%	19%	21%	1%	1%	2%
Other	9%	13%	6%	7%	4%	3%
Total	100%	**100%**	**100%**	100%	**100%**	**100%**

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re common stock of USD 5 million (0.1% of total plan assets) and USD 7 million (0.1% of total plan assets) as of 31 December 2012 and 2013, respectively.

The Group’s pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value

For a description of the different fair value levels and valuation techniques see Note 3 “Fair value disclosures”.

Certain items reported as pension plan assets at fair value in the table below are not within the scope of Note 3, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 3.

As of 31 December, the fair values of pension plan assets by level of input were as follows:

2012 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 626		2 626
Debt securities issued by the US government and government agencies		62		62
Debt securities issued by non-US governments and government agencies		1 031		1 031
Corporate debt securities		1 474		1 474
Residential mortgage-backed securities		49		49
Commercial mortgage-backed securities		5		5
Other asset-backed securities		5		5
Equity securities:				
Equity securities held for proprietary investment purposes	866	735		1 601
Derivative financial instruments	3			3
Real estate	50	20	572	642
Other assets		48	125	173
Total assets at fair value	919	3 429	697	5 045
Cash	170			170
Total plan assets	1 089	3 429	697	5 215

2013 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 838		2 838
Debt securities issued by the US government and government agencies		136		136
Debt securities issued by non-US governments and government agencies		1 028		1 028
Corporate debt securities		1 647		1 647
Residential mortgage-backed securities		21		21
Commercial mortgage-backed securities		1		1
Other asset-backed securities		5		5
Equity securities:				
Equity securities held for proprietary investment purposes	1 030	801		1 831
Derivative financial instruments	16			16
Real estate	54	17	631	702
Other assets	136	58	132	326
Total assets at fair value	**1 236**	**3 714**	**763**	**5 713**
Cash	193			193
Total plan assets	**1 429**	**3 714**	**763**	**5 906**

Assets measured at fair value using significant unobservable inputs (Level 3)
For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2012 USD millions	Real estate	Other assets	Total
Balance as of 1 January	549	119	668
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	1	–13	–12
Relating to assets sold during the period		3	3
Purchases, issuances and settlements	10	15	25
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	12	1	13
Closing balance as of 31 December	572	125	697

2013 USD millions	Real estate	Other assets	Total
Balance as of 1 January	572	125	697
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	31	1	32
Relating to assets sold during the period		4	4
Purchases, issuances and settlements	11	–1	10
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	17	3	20
Closing balance as of 31 December	**631**	**132**	**763**

Expected contributions and estimated future benefit payments
The employer contributions expected to be made in 2014 to the defined benefit pension plans are USD 195 million and to the post-retirement benefit plan are USD 16 million.

As of 31 December 2013, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2014	216	75	16	307
2015	210	79	17	306
2016	210	83	18	311
2017	208	86	19	313
2018	206	89	20	315
Years 2019–2023	982	486	107	1575

Defined contribution pension plans
The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2012 and in 2013 was USD 71 million and USD 74 million, respectively.

13 Share-based payments

As of 31 December 2012 and 2013, the Group had the share-based compensation plans as described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 69 million and USD 126 million in 2012 and 2013, respectively. The related tax benefit was USD 17 million and USD 28 million, respectively.

Stock option plans
Stock option plans include a fixed-option plan and an additional grant to certain members of executive management. No options were granted under these plans from 2007 onwards. Under the fixed-option plan, the exercise price of each option is equal to the market price of the shares on the date of the grant. Options issued vest at the end of the fourth year and have a maximum life of ten years.

A summary of the activity of the Group's stock option plans is as follows:

2013	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	72	958 902
Options sold	68	–713 772
Options forfeited or expired	76	–145 130
Outstanding as of 31 December	**89**	**100 000**
Exercisable as of 31 December	**89**	**100 000**

The weighted remaining contractual life is 2.3 years and all stock options outstanding are also exercisable. The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model. The underlying strike price for the outstanding option series has been adjusted for the special dividend payout in 2013.

Restricted shares
The Group granted 38 930 and 10 458 restricted shares to selected employees in 2012 and 2013, respectively. Moreover, as an alternative to the Group's cash bonus programme, 275 309 and 295 535 shares were delivered during 2012 and 2013, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2013 is as follows:

	Weighted average grant date fair value in CHF	Number of shares
Non-vested at 1 January	50	486 372
Granted	76	305 993
Delivery of restricted shares	46	–256 302
Forfeitures	59	–7 089
Outstanding as of 31 December	**67**	**528 974**

The weighted average fair value of restricted shares, which equals the market price of the shares on the date of the grant, was CHF 50 and CHF 67 in 2012 and 2013, respectively.

Board level Performance Share Plan
In 2010, the Group granted a share plan for the Chairman and one Vice Chairman of the Board of Directors. Since 2011 no more plan was granted. The plan has a requisite service period of three years and is settled in shares. The plan is measured based on Swiss Re's Total Shareholder Return (TSR), representing the share price performance plus paid dividend in any performance period, against a selected peer group. The final number of shares to be released upon vesting can vary between 0% and 150% of the original grant. The fair value of the 2010 plan was based on the share price as of the date of grant, which was CHF 53.60. The 2010 plan vested in 2013.

Long-term Incentive Plan
Between 2006 and 2011, the Group annually granted a Long-term Incentive plan (LTI) to selected employees with a three-year vesting period. The requisite service period as well as the maximum contractual term for each plan is three years and the final payment, if any, occurs at the end of this performance measurement period. The plans include a payout factor which was derived from Return on Equity (ROE) and Earnings per Share (EPS) targets over the vesting period. The payout ratio can vary between 0 and 2 and the final payment for each plan will depend on whether the performance targets have been achieved over the plan period. The fair values of the plans are based on stochastic models which consider the likelihood of achieving performance targets and the impact of dividends.

The 2010 LTI grant was settled in shares in March 2013. The payout factor was driven by average ROE and average EPS over the vesting period. The share price used for measurement is based on the date of grant and was CHF 48.15.

As of 31 December 2013 the 2011 LTI grant was outstanding. The plan is expected to be settled in shares in March 2014. The payout factor is driven by average ROE and average EPS over the vesting period. The unit grant date fair value was CHF 39.39.

For the year ended 31 December 2013, the outstanding units were as follows:

	LTI 2010	LTI 2011
Non-vested at 1 January	961 350	928 505
Forfeitures		–54 710
Vested[1]	–961 350	
Outstanding as of 31 December	**0**	**873 795**

[1] Refers to the number of units before the application of the payout factor

Leadership Performance Plan
During 2011 the Compensation Committee reviewed the existing long-term incentive scheme, and in March 2012, the LTI was replaced by a new plan called the Leadership Performance Plan (LPP). The LPP plans are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. At grant date the award is split equally into two underlying components - Restricted Share Units (RSU) and Performance Share Units (PSU). The RSU component is measured against a RoE performance condition and will vest within a range of 0–100%. The PSU is based on relative total shareholder return, measured against a pre-defined basket of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions included in the grant valuation are based on market estimates for dividends (and an additional special dividend of CHF 4.00 for the LPP 2013) and the risk free rate based on the average of the 5-year US government rate taken monthly over each annual period in the performance period. This resulted in risk free rates between 1.0% and 2.3% for LPP 2012 and LPP 2013.

For the LPP 2012, the grant date fair value of the RSU component is CHF 42.00 and of the PSU component CHF 35.60. For the LPP 2013, the grant date fair value of the RSU component is CHF 61.19 and of the PSU component CHF 52.59.

For the year ended 31 December 2013, the outstanding units were as follows:

	LPP 2012		LPP 2013	
	RSU	PSU	RSU	PSU
Non-vested at 1 January	482 775	569 180		
Granted			356 560	414 955
Forfeitures	–24 135	–28 460	–6 355	–7 390
Outstanding as of 31 December	**458 640**	**540 720**	**350 205**	**407 565**

Unrecognised compensation costs
As of 31 December 2013, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 56 million and the weighted average period over which that cost is expected to be recognised is 1.8 years.

The number of shares authorised for the Group's share-based payments to employees was 8 172 503 and 5 538 418 as of 31 December 2012 and 2013, respectively.

Employee Participation Plan
The Group's Employee Participation Plan consists of a savings scheme lasting two or three years. Employees combine regular savings with the purchase of either actual or tracking options. The Group contributes to the employee savings over the period of the plan.

At maturity, either the employee receives shares or cash equal to the accumulated savings balance, or the employee may elect to exercise the options.

In 2012, 1 664 419 options were issued to employees. From 2013 onwards, the Employee Participation Plan was discontinued and no more options were issued. In 2012 and 2013, the Group contributed USD 41 million and USD 34 million, respectively, to the outstanding plans.

Global Share Participation Plan
In June 2013 Swiss Re introduced the Global Share Participation Plan, which is a share purchase plan that was rolled out for the benefit of employees of companies within the Group. Swiss Re makes a financial contribution to participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re shares.

If the employee is still employed by Swiss Re at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2013, Swiss Re contributed USD 3 million to the plan and authorised 28 218 shares as of 31 December 2013.

14 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Company Law in respect of management compensation to the members of the Board of Directors and of the Executive Committee of the Group, as well as to closely related persons, are detailed on pages 246–251 of the Annual Report of Swiss Re Ltd.

15 Related Parties

The Group defines the following as related parties to the Group: subsidiaries of Swiss Re Ltd, entities in which the group has significant influence, pension plans, members of the Board of Directors (BoD) and the Group Executive Committee (EC) and their close family members, and entities which are directly and indirectly controlled by members of governing bodies of Swiss Re Ltd and their close family members.

As part of the consolidation process, transactions between Swiss Re Ltd and subsidiaries are eliminated in consolidation and are not disclosed in the notes.

As of 31 December 2012 and 2013, the Group's investment in mortgages and other loans included USD 279 million and USD 304 million, respectively, of loans due from employees, and USD 215 million and USD 233 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

Contributions made to defined benefit pension plans and post-retirement benefit plans are disclosed in Note 12 Benefit Plans. Plan assets of the defined benefit pension plans include Swiss Re common stock of USD 5 million (0.1% of total plan assets) and USD 7 million (0.1% of total plan assets) as of 31 December 2012 and 2013, respectively.

Share ownership and loans extended to members of BoD and Group EC are disclosed in Note 14 Compensation, participations and loans of members of governing bodies in the financial statements of Swiss Re Ltd. The total number of shares, options and related instruments held by members of the BoD and the Group EC and persons closely related to, amounts to less than 1% of the shares issued by Swiss Re Ltd. None of the members of BoD and the Group EC has any significant business connection with Swiss Re Ltd or any of its Group companies.

Share in earnings and dividends received from equity-accounted investees for the years ended 31 December, were as follows:

USD millions	2012	**2013**
Share in earnings of equity-accounted investees	508	350
Dividends received from equity-accounted investees	128	198

16 Commitments and contingent liabilities

Leasing commitments
As part of its normal business operations, the Group enters into a number of lease agreements. Such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

As of 31 December 2013	USD millions
2014	82
2015	77
2016	72
2017	66
2018	54
After 2018	319
Total operating lease commitments	**670**
Less minimum non-cancellable sublease rentals	–51
Total net future minimum lease commitments	**619**

The following schedule shows the composition of total rental expenses for all operating leases as of 31 December (except those with terms of a month or less that were not renewed):

USD millions	2012	**2013**
Minimum rentals	61	64
Sublease rental income	–2	–1
Total	59	**63**

Other commitments
As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to 10 years. The total commitments remaining uncalled as of 31 December 2013 were USD 3 359 million.

The Group enters into a number of contracts in the ordinary course of reinsurance and financial services business which, if the Group's credit rating and/or defined statutory measures decline to certain levels, would require the Group to post collateral or obtain guarantees. The contracts typically provide alternatives for recapture of the associated business.

Legal proceedings
In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position or results of operations.

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17 Information on business segments

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

The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Admin Re®. The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment are determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. Interest expense is incurred from the segment's capital funding position. The tax position of the operating segments is derived from legal entity tax obligations, subject to Group tax considerations.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1 to the Group's annual consolidated financial statements).

The Group operating segments are outlined below.

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

Property & Casualty includes the business lines property, casualty including motor, and specialty. Life & Health includes the life and health sub-segments.

Corporate Solutions
Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes, to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from over 40 offices worldwide.

Admin Re®
Through Admin Re®, Swiss Re acquires closed blocks of in-force life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies. The administration of the business may be managed directly or, where appropriate, in partnership with a third party. Since 1998, Swiss Re has acquired more than 50 blocks of business spanning a range of product types. It currently operates in the UK, US and the Netherlands.

Group items
Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Group holding company, the former Legacy business in run-off, Principal Investments and certain Treasury units. The holding company charges trademark licence fees to the operating segments which are reported as other revenues. Certain administrative expenses of the corporate centre functions that are not recharged to the operating segments are reported as Group items.

Consolidation
Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. This includes significant intra-group reinsurance arrangements, recharge of trademark licence fees, and intersegmental funding.

a) Business segments – income statement
For the year ended 31 December

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	12 329	9 050	2 284	992	6		24 661
Fee income from policyholders		72		713			785
Net investment income – non-participating	1 451	1 365	109	1 548	18	–18	4 473
Net realised investment gains/losses – non-participating	259	562	142	–89	73		947
Net investment result – unit-linked and with-profit		222		2 348			2 570
Other revenues	95	1	1	3	385	–297	188
Total revenues	14 134	11 272	2 536	5 515	482	–315	33 624
Expenses							
Claims and claim adjustment expenses	–6 306		–1 448		–14	5	–7 763
Life and health benefits		–6 787		–2 086		–5	–8 878
Return credited to policyholders		–271		–2 688			–2 959
Acquisition costs	–2 316	–1 787	–300	–142	–3		–4 548
Other expenses	–1 325	–833	–449	–457	–403	250	–3 217
Interest expenses	–111	–586		–53	–51	65	–736
Total expenses	–10 058	–10 264	–2 197	–5 426	–471	315	–28 101
Income before income tax expense	4 076	1 008	339	89	11	0	5 523
Income tax expense/benefit	–934	–231	–143	101	82		–1 125
Net income before attribution of non-controlling interests	3 142	777	196	190	93	0	4 398
Income attributable to non-controlling interests	–134			–7			–141
Net income after attribution of non-controlling interests	3 008	777	196	183	93	0	4 257
Interest on contingent capital instruments	–18	–38					–56
Net income attributable to common shareholders	2 990	739	196	183	93	0	4 201
Claims ratio in %	51.2		63.4				53.1
Expense ratio in %	29.5		32.8				30.0
Combined ratio in %	80.7		96.2				83.1
Management expense ratio in %		7.9					
Operating margin in %		8.6					

Business segments – income statement
For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	14 542	9 967	2 922	844	1		28 276
Fee income from policyholders		56		486			542
Net investment income – non-participating	1 098	1 442	98	1 180	150	–21	3 947
Net realised investment gains/losses – non-participating	184	269	150	201	–38		766
Net investment result – unit-linked and with-profit		249		3 098			3 347
Other revenues	61		2	1	307	–347	24
Total revenues	**15 885**	**11 983**	**3 172**	**5 810**	**420**	**–368**	**36 902**
Expenses							
Claims and claim adjustment expenses	–7 884		–1 773		2		–9 655
Life and health benefits		–8 075		–1 506			–9 581
Return credited to policyholders		–286		–3 392			–3 678
Acquisition costs	–2 761	–1 698	–406	–30			–4 895
Other expenses	–1 472	–946	–601	–441	–356	308	–3 508
Interest expenses	–207	–544	–1	–46	–22	60	–760
Total expenses	**–12 324**	**–11 549**	**–2 781**	**–5 415**	**–376**	**368**	**–32 077**
Income/loss before income tax expense	**3 561**	**434**	**391**	**395**	**44**	**0**	**4 825**
Income tax expense/benefit	–249	–30	–111	28	50		–312
Net income/loss before attribution of non-controlling interests	**3 312**	**404**	**280**	**423**	**94**	**0**	**4 513**
Income attributable to non-controlling interests	–1		–1				–2
Net income/loss after attribution of non-controlling interests	**3 311**	**404**	**279**	**423**	**94**	**0**	**4 511**
Interest on contingent capital instruments	–19	–48					–67
Net income/loss attributable to common shareholders	**3 292**	**356**	**279**	**423**	**94**	**0**	**4 444**
Claims ratio in %	54.2		60.6				55.3
Expense ratio in %	29.1		34.5				30.0
Combined ratio in %	83.3		95.1				85.3
Management expense ratio in %		8.3					
Operating margin in %		5.2					

Business segments – balance sheet
As of 31 December 2012

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	31 115	31 366	4 616	21 608	143		88 848
Equity securities	2 360	303	578	3	530		3 774
Other investments	11 893	3 178	107	1 774	6 180	–7 088	16 044
Short-term investments	10 005	5 053	1 549	1 557	481		18 645
Investments for unit-linked and with-profit business		842		24 659			25 501
Cash and cash equivalents	6 904	1 412	978	1 472	71		10 837
Deferred acquisition costs	1 103	2 713	219	2	2		4 039
Acquired present value of future profits		1 358		1 665			3 023
Reinsurance recoverable	5 583	2 447	9 440	469		–7 830	10 109
Other reinsurance assets	12 419	8 631	2 901	3 459	3	–2 639	24 774
Goodwill	2 018	2 057	17				4 092
Other[1]	10 059	4 554	927	1 165	132	–5 020	11 817
Total assets	93 459	63 914	21 332	57 833	7 542	–22 577	221 503
Liabilities							
Unpaid claims and claim adjustment expenses	48 465	9 505	12 258	1 247	21	–7 826	63 670
Liabilities for life and health policy benefits		17 439	216	18 469		–7	36 117
Policyholder account balances		1 466		27 883			29 349
Other reinsurance liabilities	12 543	1 709	4 913	713	8	–3 106	16 780
Short-term debt	3 799	1 529		634	1 245	–3 595	3 612
Long-term debt	3 779	12 461			46		16 286
Other[1]	12 503	11 466	903	2 225	2 562	–7 996	21 663
Total liabilities	81 089	55 575	18 290	51 171	3 882	–22 530	187 477
Shareholders' equity	12 356	8 339	3 032	6 662	3 660	–47	34 002
Non-controlling interests	14		10				24
Total equity	12 370	8 339	3 042	6 662	3 660	–47	34 026
Total liabilities and equity	93 459	63 914	21 332	57 833	7 542	–22 577	221 503

[1] The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

Business segments – balance sheet
As of 31 December 2013

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	24 986	29 588	4 644	20 014	64		79 296
Equity securities	4 017	1 333	981		1 360		7 691
Other investments	10 080	3 179	169	1 800	5 561	–5 905	14 884
Short-term investments	13 297	4 113	1 595	1 474	510		20 989
Investments for unit-linked and with-profit business		988		26 227			27 215
Cash and cash equivalents	5 288	166	562	1 748	308		8 072
Deferred acquisition costs	1 591	2 845	319	1			4 756
Acquired present value of future profits		1 451		2 086			3 537
Reinsurance recoverable	4 752	1 756	8 228	323		–6 732	8 327
Other reinsurance assets	11 457	9 286	2 422	3 475	3	–1 967	24 676
Goodwill	2 057	2 035	17				4 109
Other	8 938	3 759	988	919	207	–4 843	9 968
Total assets	**86 463**	**60 499**	**19 925**	**58 067**	**8 013**	**–19 447**	**213 520**
Liabilities							
Unpaid claims and claim adjustment expenses	45 578	9 869	11 549	1 205	15	–6 732	61 484
Liabilities for life and health policy benefits		17 392	232	18 415		–6	36 033
Policyholder account balances		1 595		29 582			31 177
Other reinsurance liabilities	11 591	2 116	4 355	620	6	–2 433	16 255
Short-term debt	798	3 730		646	1 285	–2 641	3 818
Long-term debt	4 700	10 627				–605	14 722
Other	10 523	8 940	1 010	1 795	1 775	–6 989	17 054
Total liabilities	**73 190**	**54 269**	**17 146**	**52 263**	**3 081**	**–19 406**	**180 543**
Shareholders' equity	**13 256**	**6 230**	**2 771**	**5 804**	**4 932**	**–41**	**32 952**
Non-controlling interests	17		8				25
Total equity	**13 273**	**6 230**	**2 779**	**5 804**	**4 932**	**–41**	**32 977**
Total liabilities and equity	**86 463**	**60 499**	**19 925**	**58 067**	**8 013**	**–19 447**	**213 520**

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

For the year ended 31 December

2012 USD millions	Property	Casualty	Specialty	Total
Premiums earned	5 795	4 630	1 904	12 329
Expenses				
Claims and claim adjustment expenses	–2 832	–2 818	–656	–6 306
Acquisition costs	–781	–1 128	–407	–2 316
Other expenses	–687	–406	–232	–1 325
Total expenses before interest expenses	–4 300	–4 352	–1 295	–9 947
Underwriting result	1 495	278	609	2 382
Net investment income				1 451
Net realised investment gains/losses				259
Other revenues				95
Interest expenses				–111
Income before income tax expenses				4 076
Claims ratio in %	48.9	60.9	34.4	51.2
Expense ratio in %	25.3	33.1	33.6	29.5
Combined ratio in %	74.2	94.0	68.0	80.7

Property & Casualty Reinsurance business segment – by line of business
For the year ended 31 December

2013 USD millions	Property	Casualty	Specialty	Total
Premiums earned	**6 945**	**5 366**	**2 231**	**14 542**
Expenses				
Claims and claim adjustment expenses	–3 342	–3 563	–979	–7 884
Acquisition costs	–883	–1 408	–470	–2 761
Other expenses	–764	–495	–213	–1 472
Total expenses before interest expenses	**–4 989**	**–5 466**	**–1 662**	**–12 117**
Underwriting result	**1 956**	**–100**	**569**	**2 425**
Net investment income				1 098
Net realised investment gains/losses				184
Other revenues				61
Interest expenses				–207
Income before income tax expenses				**3 561**
Claims ratio in %	48.1	66.4	43.9	54.2
Expense ratio in %	23.7	35.5	30.6	29.1
Combined ratio in %	71.8	101.9	74.5	83.3

c) Life & Health Reinsurance business segment – by line of business
For the year ended 31 December

2012 USD millions	Life	Health	Total
Revenues			
Premiums earned	6 176	2 874	9 050
Fee income from policyholders	72		72
Net investment income – non-participating	899	466	1 365
Net investment income – unit-linked and with-profit	32		32
Net realised investment gains/losses – unit-linked and with-profit	190		190
Net realised investment gains/losses – insurance-related derivatives	–147		–147
Other revenues	1		1
Total revenues before non-participating realised gains/losses	7 223	3 340	10 563
Expenses			
Life and health benefits	–4 625	–2 162	–6 787
Return credited to policyholders	–271		–271
Acquisition costs	–1 299	–488	–1 787
Other expenses	–613	–220	–833
Total expenses before interest expenses	–6 808	–2 870	–9 678
Operating income	415	470	885
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			709
Interest expenses			–586
Income before income tax expenses			1 008
Management expense ratio in %	8.6	6.6	7.9
Operating margin[1] in %	5.9	14.1	8.6

[1] Operating margin is calculated as operating income divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

Life & Health Reinsurance business segment – by line of business
For the year ended 31 December

2013 USD millions	Life	Health	Total
Revenues			
Premiums earned	6 678	3 289	9 967
Fee income from policyholders	56		56
Net investment income – non-participating	915	527	1 442
Net investment income – unit-linked and with-profit	39		39
Net realised investment gains/losses – unit-linked and with-profit	210		210
Net realised investment gains/losses – insurance-related derivatives	–123	6	–117
Other revenues			0
Total revenues before non-participating realised gains/losses	**7 775**	**3 822**	**11 597**
Expenses			
Life and health benefits	–5 216	–2 859	–8 075
Return credited to policyholders	–286		–286
Acquisition costs	–1 207	–491	–1 698
Other expenses	–685	–261	–946
Total expenses before interest expenses	**–7 394**	**–3 611**	**–11 005**
Operating income	**381**	**211**	**592**
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			386
Interest expenses			–544
Income before income tax expenses			**434**
Management expense ratio in %	9.0	6.8	8.3
Operating margin[1] in %	5.1	5.5	5.2

[1] Operating margin is calculated as operating income divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

d) Net premiums earned and fee income from policyholders by geography

Net premiums earned and fee income from policyholders by regions for the years ended 31 December

USD millions	2012	2013
Americas	9579	11468
Europe (including Middle East and Africa)	10686	11347
Asia-Pacific	5181	6003
Total	25446	**28818**

Net premiums earned and fee income from policyholders by country for the years ended 31 December

USD millions	2012	2013
United States	7493	9084
United Kingdom	3316	3466
Australia	1705	2056
China	1880	2045
France	2110	1624
Canada	1196	1379
Germany	1063	1296
Ireland	591	832
Japan	714	764
Italy	439	547
Netherlands	448	457
Other	4491	5268
Total	25446	**28818**

Net premiums earned and fee income from policyholders are allocated by country based on the underlying contract.

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18 Significant subsidiaries and equity investees

Significant subsidiaries and equity investees	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2013	Method of consolidation
Europe				
Belgium				
Swiss Re Treasury (Belgium) N.V., Brussels	0	0	100	f
Denmark				
Swiss Re Denmark Services A/S, Copenhagen	0	0	100	f
Germany				
Swiss Re Germany AG, Unterföhring bei München	62	55	100	f
Ireland				
Swiss Re International Treasury (Ireland) Ltd., Dublin	0	0	100	f
Liechtenstein				
Elips Life AG, Vaduz	14	12	100	f
Elips Versicherungen AG, Vaduz	6	5	100	f
Luxembourg				
Swiss Re Europe Holdings S.A., Luxembourg	145	129	100	f
Swiss Re Europe S.A., Luxembourg	482	429	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	0	0	100	f
Swiss Re Funds (Lux) I, Senningerberg[1]	8 547	7 600	100	f
Swiss Re International SE, Luxembourg	251	223	100	f
Malta				
Bodensee Limited, Sliema	1 136	1 010	49	fv
Netherlands				
Algemene Levensherverzekering Maatschappij N.V., Amsterdam	1	1	100	f
Switzerland				
European Reinsurance Company of Zurich Ltd, Zurich	291	258	100	f
Swiss Re Asset Management Geneva SA, Geneva	0	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	119	106	100	f
Swiss Re Direct Investments Company Ltd, Zurich	0	0	100	f
Swiss Re Investments Holding Company Ltd, Zurich	0	0	100	f
Swiss Re Investments Company Ltd, Zurich	1	1	100	f
Swiss Re Life Capital Ltd, Zurich	0	0	100	f
Swiss Re Principal Investments Company Ltd, Zurich	0	0	100	f
Swiss Reinsurance Company Ltd, Zurich	32	29	100	f

Method of consolidation

f full
e equity
fv fair value
[1] Net asset value instead of share capital

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2013	Method of consolidation
United Kingdom				
Admin Re UK Limited, Shropshire	121	108	100	f
Reassure Limited, Shropshire	435	387	100	f
Swiss Re Capital Markets Limited, London	60	53	100	f
Swiss Re GB Limited, London	0	0	100	f
Swiss Re Investment Management Limited, London	0	0	100	f
Swiss Re Services Limited, London	4	3	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	2	1	100	f
Swiss Re Specialty Insurance (UK) Limited, London	30	27	100	f
The Palatine Insurance Company Limited, London	12	11	100	f
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	5	4	100	f
European International Reinsurance Company Ltd., Bridgetown	1	1	100	f
Gasper Funding Corporation, Bridgetown	17	15	100	f
Milvus I Reassurance Limited, Bridgetown	0	0	100	f
Swiss Re (Barbados) Finance Limited, Bridgetown	994	884	100	f
Bermuda				
CORE Reinsurance Company Limited, Hamilton	0	0	100	f
Group Ark Insurance Holdings Limited, Hamilton	235	209	14	fv
Swiss Re Global Markets Limited, Hamilton	0	0	100	f
Swiss Re Capital Management (Bermuda) Ltd., Hamilton	0	0	100	f
Swiss Re Investments (Bermuda) Ltd., Hamilton	0	0	100	f
Brazil				
Swiss Re Brasil Resseguros S.A., Sao Paulo	51	45	100	f
Swiss Re Corporate Solutions Brasil Seguros S.A., Sao Paulo	38	34	84	f
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	584	519	100	f
Swiss Re Strategic Investments UK Limited, George Town	0	0	100	f

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2013	Method of consolidation
United States				
Aurora National Life Assurance Company, Wethersfield	0	0	100	f
Facility Insurance Corporation, Austin	0	0	100	f
Facility Insurance Holding Corporation, Dallas	0	0	100	f
First Specialty Insurance Corporation, Jefferson City	5	4	100	f
North American Capacity Insurance Company, Manchester	4	4	100	f
North American Elite Insurance Company, Manchester	4	3	100	f
North American Specialty Insurance Company, Manchester	5	4	100	f
Rialto Re I Inc., Burlington	0	0	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	0	0	100	f
Sterling Re Inc., Burlington	0	0	100	f
Swiss Re America Holding Corporation, Wilmington	0	0	100	f
Swiss Re Atrium Corporation, Wilmington	1	0	100	f
Swiss Re Capital Markets Corporation, New York	0	0	100	f
Swiss Re Financial Products Corporation, Wilmington	2 116	1 882	100	f
Swiss Re Financial Services Corporation, Wilmington	0	0	100	f
Swiss Re Life & Health America Holding Company, Wilmington	0	0	100	f
Swiss Re Life & Health America Inc., Hartford	4	4	100	f
Swiss Re Partnership Holding, LLC, Dover	368	327	100	f
Swiss Re Risk Solutions Corporation, Wilmington	0	0	100	f
Swiss Re Solutions Holding Corporation, Wilmington	9	8	100	f
Swiss Re Treasury (US) Corporation, Wilmington	0	0	100	f
Swiss Reinsurance America Corporation, Armonk	6	5	100	f
Washington International Insurance Company, Manchester	4	4	100	f
Westport Insurance Corporation, Jefferson City	6	6	100	f
Africa				
South Africa				
Swiss Re Life and Health Africa Limited, Cape Town	0	0	100	f
Asia-Pacific				
Australia				
Swiss Re Australia Ltd, Sydney	667	593	100	f
Swiss Re Life & Health Australia Limited, Sydney	787	700	100	f
China				
Alltrust Insurance Company of China Limited, Shanghai	126	112	5	fv
India				
Swiss Re Shared Services (India) Private Ltd., Bangalore	2	2	100	f
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	32	28	25	e

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19 Variable interest entities

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

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

The party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:
- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

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

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

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

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

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

As of 31 December 2013, the total assets of the insurance-linked and credit-linked securitisation vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 470 million.

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

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

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

As of 31 December 2013, the total assets of the debt financing vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 081 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 6 708 million.

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

As of 31 December 2013, the total assets of investment vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 499 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 8 million.

Other

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

As of 31 December 2013, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 1 739 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 82 million.

The Group did not provide financial or other support to any VIEs during 2013 that it was not previously contractually required to provide.

Consolidated VIEs

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

		2012		**2013**
USD millions	Carrying value	Whereof restricted:	Carrying value	Whereof restricted:
Fixed income securities available-for-sale	6 896	6 896	6 490	6 490
Short-term investments	610	610	61	61
Other invested assets	258	258	8	
Cash and cash equivalents	177	177	162	162
Accrued investment income	44	44	60	60
Other assets	19	1	17	
Total assets	8 004	7 986	**6 798**	**6 773**
	Carrying value	Whereof limited recourse:	Carrying value	Whereof limited recourse:
Short-term debt	504	504	62	62
Accrued expenses and other liabilities	76	76	20	20
Long-term debt	5 328	5 328	5 414	5 414
Total liabilities	5 908	5 908	**5 496**	**5 496**

Non-consolidated VIEs

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

USD millions	2012	2013
Fixed income securities:		
Available-for-sale	72	71
Trading	12	15
Other invested assets	1 724	1 568
Total assets	1 808	**1 654**
Short-term debt	399	417
Accrued expenses and other liabilities	385	422
Total liabilities	784	**839**

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

				2012				**2013**
USD millions	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities
Insurance-linked/credit-linked securitisations	212		842	842	72		90	90
Swaps in trusts	149	240	–[1]	–	96	284	–[1]	–
Debt financing	395		29	29	407		30	30
Investment vehicles	829		829	829	853		853	853
Other	223	544	1 814	1 270	226	555	1 897	1 342
Total	1 808	784	–[1]	–	**1 654**	**839**	**–[1]**	**–**

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

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities are recognised for certain debt financing VIEs when losses occur. To date, the respective debt financing VIEs have not incurred any losses. Liabilities of USD 555 million recognised for the "Other" category relate mainly to collateral received.

20 Restructuring provision

In 2013, the Group set up total provisions of USD 46 million, and released USD 2 million.

The increase of the provision in the Property & Casualty Reinsurance business segment of USD 46 million is mostly related to leaving benefits.

Changes in restructuring provisions are disclosed in the "Other expenses" line in the Group's income statement.

For the years ended 31 December, restructuring provision developed as follows:

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Balance as of 1 January	43	2		9		54
Increase in provision	7			2		9
Release of provision	–4					–4
Costs incurred	–14	–1				–15
Balance as of 31 December	32	1	0	11	0	44

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Balance as of 1 January	32	1		11		44
Increase in provision	46					46
Release of provision	–2					–2
Costs incurred	–12	–1		–1		–14
Balance as of 31 December	**64**	**0**	**0**	**10**	**0**	**74**

21 Risk assessment

The Board of Directors is ultimately responsible for the Group's governance principles and policies; these include the Group Risk Policy, which establishes both the guiding principles of risk management as well as the overall risk tolerance of the Group.

The Board of Directors generally deals with risk management through two committees:
- The Finance and Risk Committee is responsible for reviewing the Group Risk Policy and capacity limits, as well as for monitoring risk tolerance and reviewing top risk issues and exposures.
- The Audit Committee is responsible for overseeing internal controls and compliance procedures.

The Group Executive Committee (Group EC) implements the risk management framework through four sub-committees:
- The Group Risk and Capital Committee has responsibility for establishing the Group's Risk Governance Framework, including setting and monitoring risk capacity limits and determining changes to the internal risk and capital measurement methodology. It also oversees Swiss Re's economic value measurement framework, including the principles for the allocation of capital and funding resources.
- The Group Asset-Liability Committee oversees the management of Swiss Re's balance sheet, in particular its liquidity, capital, and funding positions and related policies.
- The Group Products and Limits Committee determines Swiss Re's product policy and underwriting standards, sets transaction limits, and decides on large or non-standard transactions.
- The Group Regulatory Committee is the central information and coordination platform for regulatory matters and compliance. It ensures a consistent approach to external communication on regulatory issues.

The Group Chief Risk Officer (CRO), who is a member of the Group EC, reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. The Group CRO is a member of the four Group EC committees, serving as the chairman of both the Group Risk and Capital Committee and the Group Regulatory Committee. In addition, the Group CRO leads the Group's Risk Management function, which is responsible for risk oversight and control across the Group.

The Group Risk Management function is comprised of central departments providing shared services (such as Risk Reporting), along with dedicated departments for the Reinsurance, Corporate Solutions, and Admin Re® Business Units.

Each of these Business Unit departments has a dedicated Chief Risk Officer who reports directly to the Group CRO, with a secondary reporting line to the respective Business Unit CEO. The Business Unit CROs are responsible for risk oversight in their respective Business Units, establishing the proper risk governance to ensure efficient risk identification, assessment, and control. There are also Regional CROs (Americas, Asia, and EMEA) with reporting duties to the Reinsurance regional management teams. They also provide functional support to the Regional Presidents.

For Swiss Re's major legal entities, the Business Unit CROs are supported by designated legal entity CROs who are responsible for overseeing specific risk management issues that arise at the legal entity level.

The central departments support both the Group CRO and the Business Unit CROs in discharging their oversight responsibilities. They do so by providing specialised risk category expertise and accumulation control, risk modelling and reporting services, regulatory relations management, and central risk governance framework development. The central departments also oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re.

While in Reinsurance the setting of the reserves is performed by valuation actuaries working with the Business Management Unit, in Corporate Solutions and Admin Re® actuarial management is an integral part of Risk Management. The monitoring of reserves for the three Business Units is provided by a dedicated Actuarial Control Unit within Risk Management.

Senior managers of Business and corporate Units are responsible for managing operational risks in their areas of activity, based on a centrally coordinated methodology. Their self-assessments are reviewed and challenged by dedicated operational risk managers. Risk management experts also review Swiss Re's underwriting decision processes.

Risk management activities are also supported by Group Internal Audit and Compliance. The Group Internal Audit department carries out independent, objective assessments of the adequacy and effectiveness of internal control systems. It evaluates the execution of processes within Swiss Re, including those within Risk Management.

The Compliance function is principally responsible for overseeing Swiss Re's compliance with applicable laws, regulations, rules, and the Code of Conduct, as well as managing compliance risk. It assists the Board of Directors, the Group EC and management in discharging their respective duties to identify, mitigate, and manage compliance risks.

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REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements
As statutory auditor, we have audited the consolidated financial statements of Swiss Re Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity, comprehensive income and notes (pages 130 to 230), for the year ended 31 December 2013.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zürich, 17 March 2014

GROUP FINANCIAL YEARS 2004–2013

USD millions	2004[1,3]	2005[3]	2006[2,3]
Income statement			
Revenues			
Premiums earned	23 607	21 622	23 526
Fee income		708	701
Net investment income	3 895	4 934	6 370
Net realised investment gains/losses	895	2 793	1 679
Trading revenues	351	278	
Other revenues	195	228	223
Total revenues	28 943	30 563	32 499
Expenses			
Claims and claim adjustment expenses	–11 109	–11 866	–9 405
Life and health benefits	–7 482	–6 970	–7 647
Return credited to policyholders		–2 427	–2 253
Acquisition costs	–5 072	–4 766	–4 845
Amortisation of goodwill	–222		
Other operating costs and expenses	–2 358	–2 477	–3 679
Total expenses	–26 243	–28 506	–27 829
Income/loss before income tax expense	2 700	2 057	4 670
Income tax expense	–715	–205	–1 033
Net income/loss before attribution of non-controlling interests	1 985	1 852	3 637
Income/loss attributable to non-controlling interests			
Net income after attribution of non-controlling interests	1 985	1 852	3 637
Interest on contingent capital instruments			
Net income/loss attributable to common shareholders	1 985	1 852	3 637
Balance sheet			
Assets			
Investments	94 998	99 094	167 303
Other assets	67 203	68 817	71 317
Total assets	162 201	167 911	238 620
Liabilities			
Unpaid claims and claim adjustment expenses	54 189	54 447	77 829
Liabilities for life and health policy benefits	38 025	23 583	36 779
Unearned premiums	5 055	4 980	6 574
Other liabilities	43 409	61 953	80 802
Long-term debt	4 657	4 440	11 337
Total liabilities	145 335	149 403	213 321
Shareholders' equity	16 866	18 508	25 299
Non-controlling interests			
Total equity	16 866	18 508	25 299
Earnings/losses per share in USD	6.42	5.98	10.75
Earnings/losses per share in CHF	8.00	7.44	13.49

[1] Numbers are based on the Group's previous accounting standards.
[2] Trading revenues are included in net investment income; long-term debt also includes debt positions from former Financial Markets.
[3] The Group changed its reporting currency from CHF into USD in 2010. Periods prior to 2010 have been translated to USD for informational purposes only based on the Group's average exchange rates for the income statements and year-end rates for the balance sheets.
[4] The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

2007[2,3]	2008[2,3]	2009[2,3]	2010[2]	2011[2]	2012[2,4]	**2013**
26 337	23 577	22 664	19 652	21 300	24 661	**28 276**
794	746	847	918	876	785	**542**
8 893	7 331	6 399	5 422	5 469	5 302	**4 735**
–615	–8 677	875	2 783	388	2 688	**3 325**
251	249	178	60	50	188	**24**
35 660	23 226	30 963	28 835	28 083	33 624	**36 902**
–10 035	–9 222	–8 336	–7 254	–8 810	–7 763	**–9 655**
–9 243	–8 381	–8 639	–8 236	–8 414	–8 878	**–9 581**
–1 763	2 611	–4 597	–3 371	–61	–2 959	**–3 678**
–5 406	–4 950	–4 495	–3 679	–4 021	–4 548	**–4 895**
–4 900	–4 358	–3 976	–3 620	–3 902	–3 953	**–4 268**
–31 347	–24 300	–30 043	–26 160	–25 208	–28 101	**–32 077**
4 313	–1 074	920	2 675	2 875	5 523	**4 825**
–853	411	–221	–541	–77	–1 125	**–312**
3 460	–663	699	2 134	2 798	4 398	**4 513**
			–154	–172	–141	**–2**
3 460	–663	699	1 980	2 626	4 257	**4 511**
		–203	–1 117	0	–56	**–67**
3 460	–663	496	863	2 626	4 201	**4 444**
201 221	154 053	151 341	156 947	162 224	152 812	**150 075**
70 198	71 322	81 407	71 456	63 675	68 691	**63 445**
271 419	225 375	232 748	228 403	225 899	221 503	**213 520**
78 195	70 944	68 412	64 690	64 878	63 670	**61 484**
44 187	37 497	39 944	39 551	39 044	36 117	**36 033**
6 821	7 330	6 528	6 305	8 299	9 384	**10 334**
95 172	73 366	73 336	72 524	65 850	62 020	**57 970**
18 898	17 018	19 184	18 427	16 541	16 286	**14 722**
243 273	206 155	207 404	201 497	194 612	187 477	**180 543**
28 146	19 220	25 344	25 342	29 590	34 002	**32 952**
			1 564	1 697	24	**25**
28 146	19 220	25 344	26 906	31 287	34 026	**32 977**
9.94	–2.00	1.46	2.52	7.68	11.85	**12.97**
11.95	–2.61	1.49	2.64	6.79	11.13	**12.04**

ANNUAL REPORT SWISS RE LTD

Swiss Re Ltd (the Company), domiciled in Zurich, Switzerland, is the ultimate holding company of the Swiss Re Group. Its principal activity is the holding of investments in Swiss Re Group companies.

Income statement
Net income for 2013 amounted to CHF 2 707 million (2012: CHF 2 718 million) and was mostly driven by cash dividends from subsidiaries and affiliated companies of CHF 2 641 million. In addition, Swiss Reinsurance Company Ltd transferred to the Company its investment in Swiss Re Principal Investments Company Ltd through a dividend in kind of CHF 805 million, which resulted in a valuation adjustment to the Company's investment in Swiss Reinsurance Company Ltd of the same amount.

The Company earned trademark license fees of CHF 284 million and incurred administrative expenses of CHF 174 million, of which CHF 148 million were charges for services provided by Swiss Reinsurance Company Ltd. In addition, the Company incurred other expenses of CHF 117 million, including changes in the provision for currency fluctuation and realised foreign exchange losses of CHF 112 million, and capital and indirect taxes of CHF 5 million.

Assets
Total assets increased from CHF 19 961 million as of 31 December 2012 to CHF 20 116 million as of 31 December 2013.

Investments in subsidiaries and affiliated companies increased from CHF 16 351 million as of 31 December 2012 to CHF 17 117 million as of 31 December 2013 due to capital contributions made to subsidiaries of Swiss Re Principal Investments Company Ltd and Swiss Re Investments Holding Company Ltd.

As of 31 December 2013, the Company held short-term loans of CHF 1 774 million (2012: CHF 2 710 million) granted to Swiss Reinsurance Company Ltd. The decrease was mainly related to a partial funding of dividends to shareholders and aforementioned capital contributions.

Liabilities
Total liabilities increased from CHF 7 million as of 31 December 2012 to CHF 26 million as of 31 December 2013, mainly due to higher payables to subsidiaries and affiliated companies and accrued expenses.

Shareholders' equity
Shareholders' equity increased from CHF 19 954 million as of 31 December 2012 to CHF 20 090 million as of 31 December 2013, mainly driven by the inclusion of net income for 2013 of CHF 2 707 million, mostly offset by dividends to shareholders of CHF 2 571 million.

Legal reserves from capital contributions decreased from CHF 7 994 million as of 31 December 2012 to CHF 5 423 million as of 31 December 2013, reflecting the payment of dividends to shareholders of CHF 2 571 million.

INCOME STATEMENT SWISS RE LTD

For the years ended 31 December

CHF millions	Notes	2012	2013
Revenues			
Investment income	2	9 674	**3 521**
Trademark license fees		231	**284**
Other revenues		0	**0**
Total revenues		9 905	**3 805**
Expenses			
Administrative expenses	3	–161	**–174**
Investment expenses	2	–6 961	**–806**
Other expenses		–57	**–117**
Total expenses		–7 179	**–1 097**
Income before income tax expense		2 726	**2 708**
Income tax expense		–8	**–1**
Net income		2 718	**2 707**

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

BALANCE SHEET SWISS RE LTD

As of 31 December

Assets

CHF millions	Notes	2012	2013
Current assets			
Cash and cash equivalents		163	**66**
Short-term investments	4	61	**364**
Loans to subsidiaries and affiliated companies		2 710	**1 774**
Receivables from subsidiaries and affiliated companies		40	**53**
Other receivables and accrued income		9	**1**
Total current assets		2 983	**2 258**
Non-current assets			
Investments in subsidiaries and affiliated companies	5	16 351	**17 117**
Own shares	6	627	**741**
Total non-current assets		16 978	**17 858**
Total assets		19 961	**20 116**

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Liabilities and shareholders' equity

CHF millions	Notes	2012	2013
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		–	**7**
Other liabilities and accrued expenses		0	**14**
Total short-term liabilities		0	**21**
Long-term liabilities			
Provisions		7	**5**
Total long-term liabilities		7	**5**
Total liabilities		7	**26**
Shareholders' equity	7		
Share capital	8, 9	37	**37**
Other legal reserves		8 304	**8 238**
Reserve for own shares		882	**948**
Legal reserves from capital contributions	10	7 994	**5 423**
Other reserves		–	**2 730**
Retained earnings brought forward		19	**7**
Net income for the financial year		2 718	**2 707**
Total shareholders' equity		19 954	**20 090**
Total liabilities and shareholders' equity		19 961	**20 116**

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

NOTES SWISS RE LTD

1 Significant accounting principles

Basis of presentation
On 1 January 2013, new Swiss accounting and financial reporting legislation entered into force based on partial revisions of the Swiss Code of Obligations. Based on the transitional provisions, the new provisions have to be implemented for annual accounts from the 2015 financial year onwards, at the latest. Therefore, Swiss Re Ltd's financial statements for the 2013 financial year have been prepared based on the accounting provisions of the Swiss Code of Obligations in effect until 31 December 2012.

Time period
The financial year 2013 comprises the accounting period from 1 January 2013 to 31 December 2013.

Use of estimates in the preparation of annual accounts
The preparation of the annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Actual results could differ from these estimates.

Foreign currency translation
Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses are converted into Swiss francs at average exchange rates for the reporting year.

Cash and cash equivalents
Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money-market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Short-term investments
Short-term investments contain investments with an original maturity between three months and one year. Such investments are carried at cost, less necessary and legally permissible depreciation.

Receivables from subsidiaries and affiliated companies/Other receivables
These assets are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Accrued income
Accrued income includes other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year but which are receivable in a subsequent financial year.

Investments in subsidiaries and affiliated companies
These assets are carried at cost, less necessary and legally permissible depreciation.

Own shares
Own shares are carried at cost, less necessary and legally permissible depreciation.

Loans to subsidiaries and affiliated companies
Loans to subsidiaries and affiliated companies are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Payables to subsidiaries and affiliated companies/Other liabilities
These liabilities are carried at nominal value.

Accrued expenses
Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but which are payable in a subsequent financial year.

Provisions
The provision for taxation represents an estimate of taxes payable in respect of the reporting year.

The 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. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

Foreign exchange transaction gains and losses
Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported in other expenses or other income, respectively.

Dividends from subsidiaries and affiliated companies
Dividends from subsidiaries and affiliated companies are recognised as revenue in the year in which they are declared.

Capital and indirect taxes
Capital and indirect taxes related to the financial year are included in other expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense
As a holding company incorporated in Switzerland, Swiss Re Ltd is exempt from income taxation at cantonal/communal level. On federal level, dividends from subsidiaries and affiliated companies are indirectly exempt from income taxation (participation relief). However, income tax is payable on trademark license fees charged to certain subsidiaries and affiliated companies.

2 Investment income and expenses

CHF millions	2012	2013
Cash dividends from subsidiaries and affiliated companies	3 836	**2 641**
Dividends in-kind from subsidiaries and affiliated companies	5 810	**805**
Realised gains on sale of investments	19	**61**
Income from short-term investments	0	**0**
Income from loans to subsidiaries and affiliated companies	9	**13**
Investment management income	0	**1**
Other interest revenues	0	**0**
Investment income	9 674	**3 521**

CHF millions	2012	2013
Valuation adjustments on investments in subsidiaries and affiliated companies	–6 960	**–805**
Realised losses on sale of investments	0	**0**
Investment management expenses	–1	**–1**
Other interest expenses	0	**0**
Investment expenses	–6 961	**–806**

3 Administrative expenses and personnel information

Swiss Re Ltd receives management and other services from Swiss Reinsurance Company Ltd and has no employees of its own.

4 Securities lending

As of 31 December 2013, securities of CHF 334 million were lent to Group companies under securities lending agreements, whereas in 2012 securities of CHF 9 million were lent to Group companies. As of 31 December 2013 and 2012, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

As of 31 December 2013 and 2012, Swiss Re Ltd held the following investments in subsidiaries and affiliated companies:

As of 31 December 2013	Domicile	Affiliation	Share capital
Swiss Reinsurance Company Ltd	Zurich	100%	CHF 34.4 million
Swiss Re Corporate Solutions Ltd	Zurich	100%	CHF 100.0 million
Swiss Re Life Capital Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Investments Holding Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Principal Investments Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Specialised Investments Holdings (UK) Ltd	London	100%	GBP 1.0 million

As of 31 December 2012	Domicile	Affiliation	Share capital
Swiss Reinsurance Company Ltd	Zurich	100%	CHF 34.4 million
Swiss Re Corporate Solutions Ltd	Zurich	100%	CHF 100.0 million
Swiss Re Life Capital Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Investments Holding Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Specialised Investments Holdings (UK) Ltd	London	100%	GBP 1.0 million

6 Own shares

As of 31 December 2013, Swiss Re Ltd and its subsidiaries held 28 512 910 (2012: 27 560 372) of Swiss Re Ltd's own shares, of which Swiss Re Ltd owned directly 25 685 817 (2012: 24 765 932) shares.

In the year under report, 5 998 405 (2012: 4 100 174) own shares were purchased at an average price of CHF 78.85 (2012: CHF 49.53) and 5 044 780 (2012: 3 897 216) own shares were sold at an average price of CHF 72.95 (2012: CHF 61.15).

7 Change in shareholders' equity

CHF millions	2012	**2013**
Opening balance of shareholders' equity	18 268	**19 954**
Dividend payments for the previous year	–1 032	**–2 571**[1]
Net income for the financial year	2 718	**2 707**
Shareholders' equity as of 31 December before proposed dividend payments	19 954	**20 090**
Proposed dividend payments	–2 574	**–2 738**[2]
Shareholders' equity as of 31 December after proposed dividend payments	17 380	**17 352**

[1] Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2012, the number of registered shares eligible for dividend, at the dividend payment date of 17 April 2013, decreased due to the transfer of 340 411 shares for employee participation purposes from eligible to not eligible for dividend. This resulted in a lower dividend of CHF 3 million, compared to the Board of Directors' proposal, and in higher legal reserves from capital contributions by the same amount.
[2] Details on the proposed dividend payments for the financial year 2013 are disclosed on page 253.

8 Major shareholders

As of 31 December 2013, there were three shareholders with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholder	Number of shares	% of voting rights and share capital	Creation of the obligation to notify
Franklin Resources, Inc.	18 277 452	4.93	2 August 2012
Berkshire Hathaway Inc.	11 262 000	3.10	10 June 2011
BlackRock, Inc.	11 134 246	3.09	26 September 2011

In addition, Swiss Re Ltd held, as of 31 December 2013, directly and indirectly 28 512 910 (2012: 27 560 372) own shares, representing 7.69% (2012: 7.43%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

9 Conditional capital and authorised capital

As of 31 December 2013, Swiss Re Ltd had the following conditional capital and authorised capital:

Conditional capital for Equity-Linked Financing Instruments
The share capital of the Company shall be increased by an amount not exceeding CHF 5 000 000 through the issuance of a maximum of 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, through the voluntary or mandatory exercise of conversion and/or option rights granted in connection with bonds or similar instruments including loans or other financial instruments by the Company or Group companies (hereinafter collectively the "Equity-Linked Financing Instruments"). Existing shareholders' subscription rights are excluded.

Authorised capital
The Board of Directors is authorised to increase the share capital of the Company at any time up to 10 April 2015 by an amount not exceeding CHF 8 500 000 through the issuance of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non exercised subscription rights will be determined by the Board of Directors.

With respect to a maximum of CHF 5 000 000 through the issuance of up to 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital referred to above, the subscription rights of shareholders may not be excluded.

With respect to a maximum of CHF 3 500 000 through the issuance of up to 35 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital referred to above, the Board of Directors may exclude or restrict the subscription rights of the existing shareholders for the use of shares in connection with (i) mergers, acquisitions (including take-over) of companies, parts of companies or holdings, equity stakes (participations) or new investments planned by the Company and/or Group companies, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities, and/or (ii) improving the regulatory capital position of the Company or Group companies in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so (including by way of private placements).

Joint provision for conditional capital for Equity-Linked Financing Instruments and for the above-mentioned authorised capital
The total of registered shares issued from the authorised capital, where the existing shareholders' subscription rights were excluded, and from the shares issued from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments were excluded, may not exceed 74 000 000 registered shares up to 10 April 2015.

10 Legal reserves from capital contributions

CHF millions	2012	**2013**
Opening balance of legal reserves from capital contributions	8 995	**7 994**
Reclassification to other reserves for dividend payments	–1 032	**–2 571**
Additions to legal reserves from capital contributions	31	**–**
Legal reserves from capital contributions as of 31 December	7 994	**5 423**
thereof confirmed by the Swiss Federal Tax Administration[1]	*7 802*	***5 231***

[1] Under current Swiss tax legislation, the amount of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes.

11 Release of undisclosed reserves

In the year under report, undisclosed reserves on investments or on provisions were released by a net amount of CHF 16 million (2012: no net release).

12 Risk assessment

Article 663b sub-para. 12 of the Swiss Code of Obligations requires disclosure of information on the performance of a risk assessment.

The identification, assessment and control of risk exposures of Swiss Re Ltd on a stand-alone basis are integrated in and covered by Swiss Re´s Group risk management organisation and processes.

Details are disclosed on page 229 to 230.

13 Compensation, participations and loans of members of governing bodies

The section below is in line with articles 663b^{bis} and 663c para. 3 of the Swiss Code of Obligations, which require disclosure of the elements of compensation paid to Swiss Re's Board of Directors and Group Executive Committee (Group EC), as well as their shareholdings and loans.

Compensation for acting members of governing bodies
Article 663b^{bis} of the Swiss Code of Obligations requires disclosure of total compensation paid to members of the Board of Directors and the Group EC. Compensation to members of the Board of Directors and the highest paid member of the Group EC is shown by individual. For a description of the compensation elements of this, see page 105, Compensation.

Compensation of the Group EC

Aggregate compensation for members of the Group EC was:

CHF thousands[1]	16 members[9] 2012	12 members **2013**
Base salary and allowances [2,3]	12 985	12 984
Funding of pension benefits	1 656	1 914
Total fixed compensation	14 641	**14 898**
Cash Annual Performance Incentive [4,5]	12 394	10 072
Value Alignment Incentive (VAI)	8 359	8 532
Long-term incentives (LPP)[6]	12 400	11 400
Total variable compensation	33 153	**30 004**
Total fixed and variable compensation[7]	47 794	**44 902**
Compensation due to members leaving[8]	2 268	
Total compensation	50 062	**44 902**

[1] The company contributions to social security systems paid by Swiss Re in line with applicable laws amounted to CHF 4 961 777 in 2012 and CHF 3 116 428 in 2013. The table shows gross amounts.
[2] Allowances consist of housing, schooling, lump sum expenses, child and similar allowances.
[3] For 2012, notional loan interest of CHF 8 265 for one Group EC member was not included. For 2013, the notional loan interest is included.
[4] For 2012, does not include sign-on bonuses in the amount of CHF 1.4 million as payments were made prior to joining the Group EC.
[5] A post-award adjustment was made in 2013 in respect of one employee for the 2012 performance year. This incremental amount of CHF 220 000 related to duties prior to joining the Group EC which is not included in the table above.
[6] Disclosure reflects all awards within a compensation cycle eg the 2013 value reflects the fair value of LPP granted in March 2014.
[7] Includes payments reflecting the time in the role as Group EC members.
[8] Covers legally or contractually required payments for members who were in the role for only a part of the reporting period.
[9] Represents incumbents and not positions.

The table above covers payments to 12 members in 2013, of whom all were employed for the full year. The 2012 payments cover 16 members, of whom seven were employed for the full year.

The value of the Value Alignment Incentive (VAI) is based on the nominal amount of the grant. Subsequently, a disbursement factor, which can vary between 50% and 150%, is applied based on the economic results of the Group. The VAI disclosed in the table above assumes a disbursement factor of 100% at grant date. For a description of the VAI plan see page 116, Compensation.

In 2012, the previous Long Term Incentive plan (LTI) was replaced by the Leadership Performance Plan (LPP). The LPP grants made in 2012, 2013 and 2014 are generally expected to be settled in shares. For LPP 2012, 2013 and 2014 the vesting and performance measurement period is three years. For LPP 2014, an additional two year holding requirement applies for all Group EC and GMB members. At grant, the award is split equally into two underlying components: Restricted Share Units (RSU) and Performance Share Units (PSU). The RSU component is measured against a RoE performance condition and will vest within a range of 0–100%. The PSU component is based on relative total shareholder return, measured against a pre-defined basket of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models. For further information on the LPP award, see page 117, Compensation.

For US GAAP and statutory reporting purposes, VAI and long-term incentive awards are accrued over the period during which they are earned. For the purpose of the disclosure required of this note, the value of awards granted is included as compensation in the year of performance, for the years 2013 and 2012 respectively.

Each member of the Group EC (including the Group CEO) participates in a defined contribution pension scheme. The funding of pension benefits shown in the table on pages 246 and 247 reflects the actual employer contributions.

Highest paid member of the Group EC

In 2013, Michel M. Liès, CEO, was the highest paid member of the Group EC. The compensation of the Group CEOs for the respective periods was:

CHF thousands[1]	2012[2]	**2013**
Base salary and allowances	1 663	1 639
Funding of pension benefits	175	177
Total fixed compensation	1 838	**1 816**
Cash Annual Performance Incentive	1 450	1 600
Value Alignment Incentive	1 450	1 600
Long-term Incentives[3]	2 000	2 000
Total variable compensation	4 900	**5 200**
Total compensation	6 738	**7 016**

[1] The company contributions to social security systems paid by Swiss Re in line with applicable laws amounted to CHF 613 490 in 2012 and CHF 491 381 in 2013. The table shows gross amounts.
[2] For 2012, includes one month for the former Group CEO, Stefan Lippe, and 11 months for the current Group CEO, Michel M. Liès.
[3] Disclosure reflects all awards within a compensation cycle e.g. the 2013 value reflects the fair value of LPP granted in March 2014.

Compensation of the Board of Directors

Group fees for the members of the Board of Directors are delivered as 60% in cash and a mandatory 40% in Swiss Re shares with a four-year blocking period.

The share prices as of 12 April 2012 of CHF 57.15 and as of 9 April 2013 of CHF 78.10 were used for calculating the number of shares awarded to the members of the Board of Directors based on the amount of the fee for 2012 and 2013, respectively.

Individual compensation for the members of the Board of Directors was:

CHF thousands[1,2]	Total 2012	Fees and allowances in cash	Fees in blocked shares	Total 2013
Walter B. Kielholz, Chairman	5 137	2 988	1 976	4 964
Mathis Cabiallavetta, Vice Chairman[3]	2 556	1 482	988	2 470
Renato Fassbind, Vice Chairman[4]	461	302	202	504
Jakob Baer, Chairman of the Audit Committee	807	484	323	807
Raymund Breu, Member	360	201	134	335
Raymond K.F. Ch'ien, Member	360	212	141	353
John R. Coomber, Member[5]	495	248	161	409
Mary Francis, Member[6]		120	80	200
Rajna Gibson Brandon, Member	335	197	131	328
C. Robert Henrikson, Chairman of the Compensation Committee[7]	306	257	171	428
Malcolm D. Knight, Member	332	212	141	353
Hans Ulrich Maerki, Member	328	197	131	328
Carlos E. Represas, Member[8]	385	273	111	384
Jean-Pierre Roth, Member	284	166	111	277
Robert A. Scott, former Chairman of the Compensation Committee[9]	145			
Total	**12 291**	**7 339**	**4 801**	**12 140**

[1] Compensation for the members of the Board of Directors includes fixed fees and allowances both in cash and shares. No sign-on or severance payments are made.
[2] The company contributions to social security systems paid by Swiss Re in line with applicable laws amounted to CHF 1 294 292 in 2012 and CHF 1 282 026 in 2013. The table shows gross amounts.
[3] Chairman of the Finance and Risk Committe since 13 April 2012, Chairman of the Investment Committee.
[4] Elected to Vice Chairman as of 13 April 2012.
[5] Chairman of the Finance and Risk Committe until 13 April 2012.
[6] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 10 April 2013.
[7] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 13 April 2012.
[8] Includes fees for duties on the board of US Group companies.
[9] Term of office expired as of 13 April 2012 and did not stand for re-election due to retirement.

In 2009 and 2010, the Chairman and the then Vice Chairman received half of their fees in the form of a three-year performance share plan and the balance in cash. The performance share plan was measured against total relative shareholder return (TSR). The 2009 and 2010 performance shares were granted at a reference price of CHF 36.00 and CHF 53.60, respectively. The final number of shares released after three years could vary between 0% and 150% depending on the relative total shareholder return against a peer group. The Group did not grant a performance share plan from 2011 onwards. The plans were settled in 2012 and 2013 respectively.

Compensation for former members of governing bodies

In 2012, in the context of the outstanding mortgages and loans not at market rates for former members as well as of risk benefits, the equivalent of approximately CHF 60 000 was provided to three former members of the Group EC as a benefit in kind. No other compensation was paid to former members of the Group EC in 2012.

During 2013, payments in the total amount of CHF 1.1 million were made to seven former members of the Group EC. This amount includes a pro-rata base salary payment, company contributions to social security and pension systems paid by Swiss Re in line with applicable laws, benefits in the context of the outstanding mortgages and loans not at market rates, risk benefits as well as company commitments for tax related services.

Group EC and Board of Directors share ownership, options and related instruments

Share ownership

The disclosure below is in line with article 663c para. 3 of the Swiss Code of Obligations, which requires disclosure of share ownership, options and related instruments individually for each member of the Board of Directors and the Group EC.

The number of shares held as of 31 December were:

Members of the Group EC	2012	**2013**
Michel M. Liès, Group CEO[1]	129 562	171 947
Guido Fürer, Group Chief Investment Officer[2]	1 500	21 253
Agostino Galvagni, CEO Corporate Solutions	69 371	108 060
Jean-Jacques Henchoz, CEO Reinsurance EMEA	12 287	16 335
Christian Mumenthaler, CEO Reinsurance	50 000	50 984
Moses Ojeisekhoba, CEO Reinsurance Asia[3]	1 139	8 583
George Quinn, Group CFO	57 987	96 506
Matthias Weber, Group Chief Underwriting Officer[4]	24 237	38 592
Thomas Wellauer, Group Chief Operating Officer	16 714	17 708
Total	362 797	**529 968**

[1] Appointed to the Group EC as of 1 February 2012.
[2] Appointed to the Group EC as of 1 November 2012.
[3] Appointed to the Group EC as of 15 March 2012.
[4] Appointed to the Group EC as of 1 April 2012.

Members of the Board of Directors	2012	**2013**
Walter B. Kielholz, Chairman	290 230	399 490
Mathis Cabiallavetta, Vice Chairman[1]	54 546	109 177
Renato Fassbind, Vice Chairman[2]	5 073	7 655
Jakob Baer, Chairman of the Audit Committee	40 568	44 699
Raymund Breu, Member	34 310	36 024
Raymond K.F. Ch'ien, Member	13 240	15 048
John R. Coomber, Member[3]	138 134	140 200
Mary Francis, Member[4]		1 027
Rajna Gibson Brandon, Member	24 368	26 047
C. Robert Henrikson, Chairman of the Compensation Committee[5]	2 144	4 339
Malcolm D. Knight, Member	5 857	7 665
Hans Ulrich Maerki, Member	23 915	25 594
Carlos E. Represas, Member	7 479	8 900
Jean-Pierre Roth, Member	5 341	6 762
Total	645 205	**832 627**

[1] Since 13 April 2012.
[2] Elected to Vice Chairman as of 13 April 2012.
[3] Chairman of the Finance and Risk Committe until 13 April 2012.
[4] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 10 April 2013.
[5] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 13 April 2012.

Restricted shares

Swiss Re grants restricted share units on an ad hoc basis that are subject to a vesting period with a risk of forfeiture during the vesting period.

The following unvested restricted shares were held by members of the Group EC as of 31 December:

Members of the Group EC	2012	2013
Weighted average share price in CHF as of grant date	53.10	**53.10**
Moses Ojeisekhoba, CEO Reinsurance Asia[1]	13093	5693
Total	13093	**5693**

[1] Appointed to the Group EC as of 15 March 2012.

The remaining restricted share units granted to Moses Ojeisekhoba, CEO Reinsurance Asia, vest in 2014. For the years ended 31 December 2012 and 2013, the members of the Board of Directors did not hold any restricted shares.

Performance shares

In 2009 and 2010, the Chairman and the then Vice Chairman received half their fees in the form of a performance share plan with a three-year vesting period. The Group did not grant any such plans from 2011 onwards.

The number of performance units outstanding as of 31 December 2012 were 55 971 for Walter B. Kielholz, Chairman, and 27 986 for Mathis Cabiallavetta, Vice Chairman. The plan vested in 2013 and therefore no more units were outstanding as of 31 December 2013.

Vested options

The following vested options were held by members of Group governing bodies as of 31 December:

		Number of options
Members of the Group EC	2012	2013
Weighted average strike price in CHF as of grant date	82.32	**83.92**
Michel M. Liès, Group CEO[1]	66000	42000
Guido Fürer, Group Chief Investment Officer[2]	7500	7500
George Quinn, Group CFO	26000	20000
Matthias Weber, Group Chief Underwriting Officer[3]	9500	7000
Total	109000	**76500**

[1] Appointed to the Group EC as of 1 February 2012.
[2] Appointed to the Group EC as of 1 November 2012.
[3] Appointed to the Group EC as of 1 April 2012.

		Number of options
Members of the Board of Directors	2012	2013
Weighted average strike price in CHF as of grant date	86.26	**83.04**
Walter B. Kielholz, Chairman	40000	40000
John R. Coomber, Member[1]	210000	130000
Total	250000	**170000**

[1] Chairman of the Finance and Risk Committe until 13 April 2012.

The vested options held by members of Group governing bodies as of 31 December 2012 and 2013 will expire between 2013–2015 and 2014–2015, respectively. The underlying exercise price for the outstanding option series has been adjusted for the special dividend payout in 2013.

The stock options shown in the table above for the members of the Board of Directors were awarded at a period when the recipients were still members of Swiss Re's executive management.

Loans to members of governing bodies

The following tables provides an overview of loans to members of governing bodies as of 31 December:

CHF thousands	2012	2013
Total mortgages and loans to members of the Group EC[1]	3710	3956
Highest mortgages and loans to an individual member of the Group EC:		
Christian Mumenthaler, CEO Reinsurance	2143	1919
Total mortgages and loans not at market conditions to former members of the Group EC	4300	4300
Mortgages and loans to members of the Board of Directors		
Walter B. Kielholz, Chairman	2000	2000

[1] For 2012, a loan to one member of the Group EC of USD 800 000 was not included. For 2013, a remaining loan of USD 550 000 is included.

The loan shown in the table above for the member of the Board of Directors was established when the recipient was still a member of Swiss Re's executive management.

In general, credit is secured against real estate or pledged shares. The terms and conditions of loans and mortgages are typically the same as those available to all employees of the Swiss Re Group in their particular locations to the extent possible. For example, in Switzerland fixed-rate mortgages have a maturity of five years and interest rates that correspond to the five-year Swiss franc swap rate plus a margin of 10 basis points.

Swiss based variable-rate mortgages have no agreed maturity dates. The basic preferential interest rates equal the corresponding interest rates applied by the Zurich Cantonal Bank minus one percentage point. To the extent that fixed or floating interest rates are preferential, such values were factored into the compensation sums given to the governing body members.

Related parties transactions

Disclosure in this note covers members of the Group EC and the Board of Directors as indicated, and for both includes related parties to the extent applicable. Such related parties cover spouses, partners, children and other dependents or closely linked persons. In 2013, no compensation was paid to any related party.

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PROPOSAL FOR ALLOCATION OF DISPOSABLE PROFIT

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 11 April 2014 to approve the following allocations and dividend payments:

CHF millions	2012	2013
Retained earnings brought forward	19	**7**
Net income for the financial year	2 718	**2 707**
Disposable profit	2 737	**2 714**
Allocation to other reserves	–2 730	**–2 710**
Retained earnings after allocation	7	**4**

CHF millions	2012	2013
Other reserves brought forward	–	**2 730**
Allocation from retained earnings	2 730	**2 710**
Reclassification of legal reserves from capital contributions into other reserves	2 574[1]	**2 738[2]**
Regular dividend payment out of other reserves	–1 201[1]	**–1 318[2]**
Special dividend payment out of other reserves	–1 373[1]	**–1 420[2]**
Other reserves after allocations and dividend payments	2 730	**5 440**

[1] Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2012, the number of registered shares eligible for dividend, at the dividend payment date of 17 April 2013, decreased due to the transfer of 340 411 shares for employee participation purposes from eligible to not eligible for dividend. This resulted in a lower dividend of CHF 3 million, compared to the Board of Directors' proposal, and in higher legal reserves from capital contributions by the same amount.
[2] The Board of Directors' proposal to the Annual General Meeting of 11 April 2014, is subject to the actual number of shares outstanding and eligible for dividend.

Dividends
If the Board of Directors' proposal for allocations and dividend payments is accepted, a regular dividend of CHF 3.85 per share and an additional special dividend of CHF 4.15 per share will be paid on 22 April 2014 from other reserves after prior reclassification of legal reserves from capital contributions.

Share structure per 31 December 2013	Number of registered shares	Nominal capital in CHF
eligible for dividend[1]	342 195 633	**34 219 563**
not eligible for dividend	28 511 298	**2 851 130**
Total shares issued	370 706 931	**37 070 693**

[1] The Board of Directors' proposal to the Annual General Meeting of 11 April 2014, is subject to the actual number of shares outstanding and eligible for dividend.

Zurich, 17 March 2014

REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the Financial Statements
As statutory auditor, we have audited the financial statements of Swiss Re Ltd, which comprise the income statement, balance sheet and notes (pages 237 to 252), for the year ended 31 December 2013.

Board of Directors´ Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposal for allocation of disposable profit complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn   Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 17 March 2014

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