Swiss Re

First Quarter 2011 Report

Key information

Financial highlights (unaudited)

For the three months ended 31 March

USD millions, unless otherwise stated	2010	2011	Change in %
Group			
Net income/loss attributable to common shareholders	158	**–665**	–
Premiums earned	4968	**4882**	–2
Earnings per share in CHF	0.49	**–1.84**	–
Shareholders' equity (31.12.2010/31.03.2011)	25342	**24438**	–4
Return on equity[1] in % (annualised)	2.7	**–10.7**	
Number of employees[2] (31.12.2010/31.03.2011)	10362	**10417**	1
Property & Casualty			
Operating income/loss	259	**–1233**	–
Premiums earned	2851	**2630**	–8
Combined ratio, traditional business in %	109.4	**163.7**	
Life & Health			
Operating income	245	**144**	–41
Premiums earned and fee income	2337	**2452**	5
Benefit ratio in %	89.1	**89.4**	
Asset Management			
Operating income	937	**1226**	31
Return on investments in % (annualised)	2.8	**4.0**	

[1] Return on equity is calculated by dividing annualised net income attributable to common shareholders by average common shareholders' equity.
[2] Regular staff

Financial strength ratings

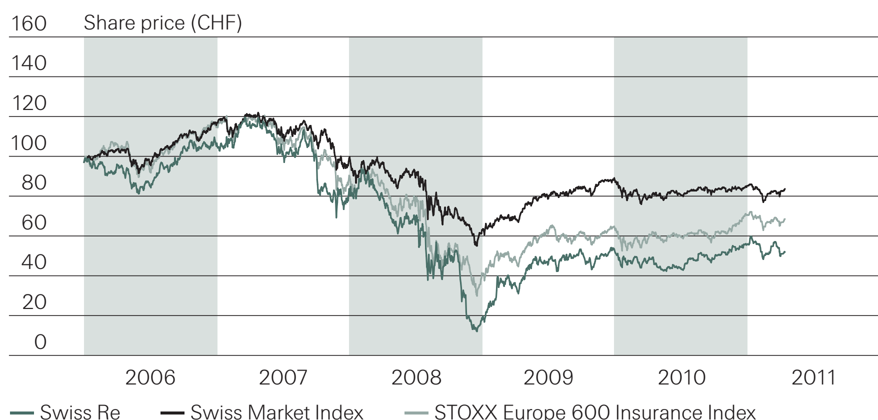
as of 29 April 2011	S&P	Moody's	A.M. Best
Rating	A+	A1	A
Outlook	positive	stable	positive

Share information

as of 29 April 2011	
Share price in CHF	51.55
Market capitalisation in CHF millions	19110

Share performance

in %	1 January 2006 – 29 April 2011 (p.a.)	Year to 29 April 2011
Swiss Re	–11.1	**2.5**
Swiss Market Index	–2.7	**1.7**
STOXX Europe 600 Insurance Index	–6.3	**11.8**



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Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

The first quarter of 2011 represented a test of strength for the insurance and reinsurance industry. Swiss Re has weathered this test well.

Dear shareholders

We were all deeply affected by the devastation caused by the earthquake and ensuing tsunami that hit Japan on 11 March 2011. With a magnitude of nine, it is the fifth largest earthquake to occur in the last hundred years. Despite its massive human and financial impact, from an insurance perspective, the Japan earthquake lies within the range of forecasted events.

Strong capital position despite large claims from natural catastrophes
Swiss Re reported a loss of USD 665 million for the first quarter of 2011, with the result for Property & Casualty heavily impacted by the natural catastrophe events in Australia, New Zealand and Japan. Earnings per share were CHF –1.84 (USD –1.94). Shareholders' equity was USD 24.4 billion. Annualised return on equity was –10.7% for the first quarter of 2011.

Property & Casualty operating income was USD –1.2 billion in the first quarter of 2011. The decrease in operating income was largely driven by the natural catastrophe events in Australia, New Zealand and Japan, impacting the result by USD 2.3 billion, pre-tax. Consequently, the combined ratio increased to 163.7% in the first quarter of 2011. The net impact from natural catastrophes on the combined ratio in the first quarter of 2011 was 89.4 percentage points, which is 79.8 percentage points above the expected level.

Life & Health reported operating income of USD 144 million in the first quarter of 2011. The change in operating performance was driven by less favourable mortality and variable annuity results, only partially offset by favourable morbidity experience. The benefit ratio increased to 89.4% in the first quarter of 2011.

Asset Management delivered a strong operating income of USD 1.2 billion for the first quarter of 2011. The annualised return on investments was 4.0% in the first quarter of 2011. The annualised total return on investments of 1.5% was impacted by mark-to-market losses of USD 0.7 billion, mainly as a result of higher interest rates.

The natural catastrophes in the first quarter of 2011 reflect the nature of our business model: years of low losses and few natural disasters contrast with years in which losses are high and events more frequent. The key to our success is diversification over types of risk and locations, as well as our very strong capital position.

Successful 2011 April renewals, P&C outlook improved
After very successful 2011 January renewals, Swiss Re renewed approximately 10% of its Property & Casualty treaty book in April (approximately 64% is renewed in January and 26% in the remainder of the year). April is the main renewal period in Japan, Korea and India, and represents a smaller share of renewals in Europe, the Americas and elsewhere in Asia.

Swiss Re continued its focused and disciplined underwriting approach. The following price changes were observed:
- Strong price increases in Japan (typically in the 20-50% range for earthquake-exposed non-proportional catastrophe cover);
- A flattening of price moves elsewhere, including small increases in the Americas and decreases in Europe, reversing the broad trend of falling price adequacy that was seen in January.

Swiss Re's Property & Casualty treaty business premiums written grew 5% in the April renewals. Including both the January and April renewals, Property & Casualty treaty 2011 premiums written are estimated to have increased 13%, compared to 2010.

Historically, large catastrophe events have been followed by market hardening, such as following storms Lothar and Martin in 1999, the attack on the World Trade Centre in 2001, and hurricanes Katrina, Rita and Wilma in 2005. Swiss Re believes the combination of the recent natural catastrophe events, very low interest rates, and years of price cutting are likely to bring forward the turn in the cycle.

Well on track towards the creation of a new holding company
Swiss Re is well on track with the transition to the new holding company, Swiss Re Ltd. You, our shareholders, have been invited to exchange your shares in Swiss Re for new shares in the holding company, on a one-for-one basis and subject to applicable securities laws. The initial offer period started on 15 April 2011 and will end on 17 May 2011. If, by 18 May 2011, the exchange offer is declared unconditional by the Board of Directors, Swiss Re Ltd shares will be traded for the first time on 23 May 2011.

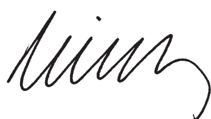
New member of and re-elections to the Board of Directors
We are pleased that you, our shareholders, approved the appointment of Renato Fassbind as a new member of the Board of Directors at the recent 147th Annual General Meeting. Having served as Chief Financial Officer for major international companies such as Credit Suisse Group and ABB Ltd, Renato Fassbind will reinforce and broaden the Board's accounting and finance expertise. At the same time, you re-elected Raymund Breu, Mathis Cabiallavetta, Raymond K. F. Ch'ien, Rajna Gibson Brandon and Hans Ulrich Maerki to the Board.

Swiss Re is well positioned to take advantage of market opportunities
The first quarter of 2011 represented a test of strength for the insurance and reinsurance industry. The accumulation of natural catastrophe events – floods in Australia and earthquakes in New Zealand and Japan – is expected to turn 2011 into a year with one of the highest historical natural catastrophe claims burdens. Swiss Re has weathered this test well thanks to:

- Our exceptional capital strength: Swiss Re is in a strong position to underwrite large and complex risks;
- Our global diversification over types of risk and regions: a key factor in our resilience; and
- Our outstanding re/insurance expertise and innovation power: core to our ability to help clients and societies deal with such challenges.

We remain committed to our five-year targets and are confident that we can deliver. The impact of natural catastrophe losses in the first quarter creates an additional challenge but it will also accelerate the market turn we had previously expected in 2012/2013.

Zurich, 5 May 2011



Walter B. Kielholz
Chairman of the
Board of Directors

Stefan Lippe
Chief Executive Officer

Key events

17 February 2011

Swiss Re announces full-year net income of USD 863 million

Strong net income of USD 863 million for 2010 and return on equity of 3.6%. Swiss Re plans to establish a new corporate structure under a newly-formed holding company, increasing its client focus, improving the transparency and accountability of its businesses, and creating greater flexibility.

2 March 2011

Provisional estimate of Swiss Re's claims cost from earthquake in New Zealand

Swiss Re announced that it provisionally estimates its claims cost from the earthquake in Christchurch, New Zealand on 22 February 2011 to be approximately USD 800 million, net of retrocession and before tax. Total insured claims for the insurance sector are estimated to be between USD 6 billion and USD 12 billion.

21 March 2011

Swiss Re provides estimate of its claims costs from Japan earthquake and tsunami

Estimated claims costs of USD 1.2 billion, net of retrocession and before tax, are subject to a high degree of uncertainty, making loss assessment particularly challenging.

24 March 2011

Proposals for shareholder approval for Annual General Meeting announced; 2010 EVM profit of USD 1.3 billion

Approval sought at AGM for dividend of CHF 2.75 per share and election of Renato Fassbind to the Board of Directors. EVM profit in 2010 was USD 1.3 billion, reflecting strong underwriting performance in Property & Casualty and positive contributions from Life & Health and Asset Management.

7 April 2011

Swiss Re and the IFC complete capitalisation of UBF Seguros

In the first quarter of 2011, Swiss Re completed the acquisition of UBF Seguros, S.A. (UBF Seguros), a Brazilian commercial insurer. On 7 April 2011, Swiss Re announced completion of its capitalisation of UBF Seguros. In this capitalisation transaction, the International Finance Corporation (IFC), a member of the World Bank Group, acquired a minority stake in UBF Seguros.

15 April 2011

Shareholders approve all proposed resolutions put forward by the Board of Directors at the 147th Annual General Meeting

Shareholders approved all proposed resolutions put forward by the Board with a strong majority.

Group

Swiss Re reported a loss of USD 665 million for the first quarter of 2011. The result for Property & Casualty was largely impacted by the natural catastrophe events in Australia, New Zealand and Japan. The Life & Health result was USD 144 million. Asset Management delivered a strong performance with a return on investments of 4.0%. Shareholders' equity, excluding non-controlling interests, was USD 24.4 billion.

Group results

Swiss Re reported a net loss attributable to common shareholders of USD 665 million in the first quarter of 2011, compared to net income of USD 158 million in the first quarter of 2010. Earnings per share were CHF –1.84 (USD –1.94), compared to CHF 0.49 (USD 0.46) in the same period of the previous year.

During the quarter, the US dollar appreciated 2% against the British pound and depreciated 2% against the euro, compared to average rates in the first quarter of 2010.

Premiums earned decreased 8% to USD 2.6 billion for Property & Casualty, compared to the prior-year period. The reduction mainly reflects lower premium earnings from prior underwriting years, driven by the Group's active cycle management and selective underwriting, partly offset by the successful January 2011 renewals. Life & Health premiums and fees increased 5%, largely due to growth in the Asian health business.

The Group's investment income and net realised gains include the investment result from assets backing unit-linked and unitised with-profit policies. These returns are credited to policyholders' accounts and are therefore excluded from the following comments on the investment performance of the Group.

Proprietary net investment income was USD 1.2 billion, a 10% decrease compared to the prior-year period, primarily driven by the effects of de-risking the securitised portfolio in 2010. The fixed income running yield was 4.0%.

The Group reported proprietary net realised investment gains of USD 0.2 billion in the first quarter of 2011, compared to a small gain of USD 22 million in the same period of the prior year, mainly due to sales of securitised bonds.

Other revenues were USD 11 million in the first quarter of 2011, compared to USD 18 million in the first quarter of 2010.

Property & Casualty claims and claim adjustment expenses increased 50% to USD 3.5 billion, reflecting the natural catastrophe events in Australia, New Zealand and Japan. As a result, the combined ratio increased to 163.7% in the first quarter of 2011 from 109.4% in the comparative period of the previous year.

Life & Health benefits remained stable at USD 2.0 billion compared to the prior-year quarter. At constant foreign exchange rates, Life & Health benefits increased 2%, reflecting less favourable mortality experience in the first quarter of 2011. The Admin Re® benefit expense declined, reflecting the impact of financial markets on with-profits products. The benefit ratio increased to 89.4% in the first quarter of 2011, compared to 89.1% in the same period of 2010.

Return credited to policyholders reflects the investment performance on the underlying assets, mainly backing unit-linked and unitised with-profit policies, which is passed through to policyholders. In the first quarter of 2011, an investment gain of USD 0.4 billion was passed through to policyholders compared to a gain of USD 1.6 billion in the prior-year period.

Acquisition costs decreased 1% to USD 0.9 billion, driven by Property & Casualty.

Administrative expenses increased 3% to USD 521 million, reflecting higher social security expenses and various growth initiatives. Other expenses decreased 13% to USD 54 million.

Interest expenses decreased 21% to USD 219 million. The decrease was mainly due to the decrease in the Group's overall debt positions and the positive impact of interest rate hedges.

As a result of the pre-tax loss reported in the first quarter of 2011, the Group shows a tax benefit of USD 274 million, compared to a tax charge of USD 67 million in the same period of the previous year. The tax benefit on the first quarter loss is mainly the result of the composition of income and losses in the various jurisdictions compared to the same period in the prior year.

Total equity, including non-controlling interests, decreased USD 0.8 billion to USD 26.1 billion at the end of March 2011, compared to the end of the prior quarter. As of 31 March 2011, non-controlling interests totalled USD 1.7 billion compared to USD 1.6 billion as of 31 December 2010.

Shareholders' equity, which excludes non-controlling interests, decreased USD 0.9 billion to USD 24.4 billion, compared to the end of the prior quarter, mostly driven by the net loss of the period and mark-to-market losses on the credit and rates portfolio due to higher market interest rates. These resulted in net unrealised investment losses of USD 0.5 billion. The appreciation of the euro and the British pound against the US dollar compared to year-end 2010 resulted in favourable foreign exchange movements of USD 0.2 billion.

Book value per share was CHF 65.19 or USD 71.26 at the end of March 2011, compared to CHF 68.99 or USD 74.02 at the end of December 2010. Book value per share is based on shareholders' equity and excludes non-controlling interests and, for 2010, the impact of the convertible

Income statement

USD millions, for the three months ended 31 March	2010	2011	Change in %
Revenues			
Premiums earned	4968	**4882**	–2
Fee income from policyholders	221	**221**	0
Proprietary net investment income	1295	**1167**	–10
Net investment income from unit-linked and with-profit business	184	**195**	6
Proprietary net realised investment gains/losses	22	**170**	673
Net realised investment gains/losses from unit-linked and with-profit business	1358	**27**	–98
Other revenues	18	**11**	–39
Total revenues	8066	**6673**	–17
Expenses			
Claims and claim adjustment expenses	–2352	**–3520**	50
Life and health benefits	–2025	**–2028**	0
Return credited to policyholders	–1610	**–363**	–77
Acquisition costs	–891	**–886**	–1
Administrative expenses	–508	**–521**	3
Other expenses	–62	**–54**	–13
Interest expenses	–278	**–219**	–21
Total expenses	–7726	**–7591**	–2
Income/loss before income tax expense	340	**–918**	–
Income tax expense/benefit	–67	**274**	–
Net income/loss before attribution of non-controlling interests	273	**–644**	–
Income attributable to non-controlling interests	–47	**–21**	–55
Net income/loss after attribution of non-controlling interests	226	**–665**	–
Convertible perpetual capital instrument	–68	**0**	–
Net income/loss attributable to common shareholders	158	**–665**	–

perpetual capital instrument issued to Berkshire Hathaway. The convertible perpetual capital instrument was terminated in the fourth quarter of 2010 and the final cash settlement was made in January 2011.

For the first quarter of 2011, annualised return on equity was –10.7%, compared to 3.6% for the full year of 2010 and 2.7% (annualised) for the first quarter of 2010.

Income reconciliation

The income reconciliation table below reconciles the income from the business segments and the operations of the Corporate Centre with the Group's consolidated net income/loss before tax. Net realised gains or losses on certain financial instruments, certain foreign exchange gains and losses, and other income and expenses – such as indirect taxes, capital taxes and interest charges – have been excluded from the assessment of each segment's performance.

Income reconciliation

USD millions, for the three months ended 31 March	2010	2011	Change in %
Operating income			
Property & Casualty	259	**–1 233**	–
Life & Health	245	**144**	–41
Asset Management	937	**1 226**	31
Allocation	–881	**–756**	–14
Total operating income/loss	560	**–619**	–
Corporate Centre expenses	–52	**–38**	–27
Items excluded from the segments:			
Net investment income[1]	114	**64**	–44
Net realised investment gains/losses[1]	169	**–167**	–
Foreign exchange gains/losses	–125	**106**	–
Financing costs	–278	**–219**	–21
Other income/expenses[1]	–48	**–45**	–6
Income/loss before tax	340	**–918**	–

[1] From 1 January 2011, non-core activities which are largely in run-off (formerly presented in the business segment Legacy) are being reported within Group items. 2010 comparatives are presented accordingly.

Property & Casualty

Property & Casualty operating income decreased USD 1.5 billion to a loss of USD 1.2 billion in the first quarter of 2011, compared to a gain of USD 0.3 billion in the first quarter of 2010.

The decrease in operating income was largely driven by the natural catastrophe events that occurred during the first quarter of 2011, impacting the result by USD 2.3 billion, pre-tax. The impact included USD 100 million from cyclone Yasi and USD 225 million from floods in Australia, USD 800 million from the earthquake in Christchurch, New Zealand, and USD 1.2 billion from the earthquake and tsunami in Japan. This was partially offset by favourable developments in the technical result in prior accident years of approximately USD 160 million.

Compared to the prior-year period, investment income declined USD 112 million in the first quarter of 2011, due to the low interest rate environment and a reduction in the level of reserves.

Net premiums earned decreased 7.8% to USD 2.6 billion in the first quarter of 2011, compared to USD 2.9 billion in the same period of 2010. At constant foreign exchange rates, net premiums earned decreased 8.5% quarter on quarter. The growth of premiums earned from the successful January 2011 renewals was offset by lower premium earnings from prior underwriting years, mainly as a result of Swiss Re's active cycle management and disciplined underwriting.

The combined ratio increased to 163.7% in the first quarter of 2011 from 109.4% in the same period in 2010. Excluding the unwind of discount, the combined ratio was 162.2% in the first quarter of 2011. The increase in the combined ratio was mainly due to the higher natural catastrophe experience in the reporting period, partly compensated by favourable net claims experience from prior accident years.

The net impact from natural catastrophes on the combined ratio in the first quarter of 2011 was 89.4 percentage points, which is 79.8 percentage points above the expected level.

The property combined ratio deteriorated 136.9 percentage points to 259.3% in the first quarter of 2011, reflecting the higher natural catastrophe experience in the first quarter of 2011.

Favourable net claims experience in prior accident years improved the casualty combined ratio to 91.5% in the first quarter of 2011, compared to 113.3% in the first quarter of 2010.

The specialty combined ratio increased to 97.4% in the first quarter of 2011, compared to 88.5% in the same period of 2010, mainly due to the higher impact from natural catastrophes.

The credit combined ratio was 30.6% in the first quarter of 2011, compared to 74.4% in the first quarter of 2010. This improvement was largely driven by better than expected claims experience, as well as by improved technical margins following the restructuring of the portfolio during 2010.

The expense ratio increased to 10.8% in the first quarter of 2011, compared to 9.4% in the same period of 2010. The increase was mainly due to lower premiums earned year on year, as well as the investment in developing new business opportunities.

Life & Health

Life & Health reported operating income of USD 144 million in the first quarter of 2011, compared to USD 245 million in the prior-year period. The change in operating performance was driven by less favourable mortality and variable annuity results, partially offset by favourable morbidity experience.

Premiums and fee income increased to USD 2.5 billion in the first quarter of 2011 from USD 2.3 billion in the same quarter of 2010. The increase was largely due to the health business, driven by growth in Asia. At constant foreign exchange rates, premiums and fee income rose 2.8%.

The benefit ratio increased to 89.4% in the first quarter of 2011, compared to 89.1% in the same quarter of 2010. The benefit ratio now excludes variable annuities and guaranteed minimum death benefit (GMDB). Mortality, which was slightly lower than expectations in the first quarter of 2011, was much lower than the very positive experience in the same quarter of 2010.

The management expense ratio was stable at 6.2% in the first quarter of 2011, compared to 6.4% in the prior-year period.

The traditional life business reported operating income of USD 68 million in the first quarter of 2011. Mortality results were lower than expectations, and were significantly lower than the favourable experience reported in the prior-year period. Slightly adverse variable annuity and pre-2000 GMDB results were offset by gains from the B36 embedded derivatives during the reporting period.

The health business operating income was USD 100 million in the first quarter of 2011, compared to USD 48 million in the same quarter of 2010. Morbidity results exceeded expectations, primarily in Europe, compared to unfavourable morbidity experience in the prior-year period.

Admin Re® reported an operating loss of USD 24 million in the first quarter of 2011. This was primarily driven by higher amortisation of the present value of future profits (PVFP) due to a declining interest rate environment in the US together with a decrease in equity market returns compared to the same period in 2010, which has driven higher amortisation of acquisition costs for the quarter.

Asset Management

The annualised return on investments for Asset Management was 4.0% in the first quarter of 2011, compared to 2.8% for the same period of the prior year. This improvement was driven mainly by realised gains on the sale of investments.

Operating income for the first quarter of 2011 was USD 1.2 billion, compared to USD 0.9 billion in the first quarter of 2010. The annualised total return on investments was 1.5% in the first quarter of 2011, compared to 8.1% in the same period of the prior year. Total return on investments, which includes changes in unrealised gains or losses, was impacted by mark-to-market losses of USD 0.7 billion, mainly as a result of higher interest rates.

Net investment income for Asset Management remained stable at USD 1.0 billion in the first quarter of 2011, compared to the prior-year period. An increase in investment income from government and corporate bond positions offset a decrease in securitised products as positions were de-risked during 2010.

Net realised gains on investments in Asset Management were USD 261 million in the first quarter of 2011, compared to net realised investment losses of USD 91 million in the prior-year period. Net realised investment and derivative gains in the first quarter of 2011 were comprised of net realised gains on sales and mark-to-market gains on investments and hedges of USD 315 million, partially offset by impairments of USD 54 million. Realised gains were mainly from sales of securitised bonds and equities as well as alternative investments.

The Group's investment portfolio decreased to USD 146.5 billion at the end of March 2011, excluding unit-linked and with-profit businesses, compared to USD 149.0 billion at the end of December 2010. This decrease was mainly due to a decrease in cash related to the repayment of the convertible perpetual capital instrument. Swiss Re's credit and rates investment portfolio increased to USD 88.0 billion at the end of March 2011 from USD 87.8 billion at the end of December 2010 as cash committed to new mandates offset the impact of mark-to-market losses from higher interest rates and sales of securitised products.

During the first quarter of 2011, equity securities increased USD 1.2 billion mainly due to new investments, in line with our medium-term asset allocation.

Mark-to-market losses in the credit and rates portfolio in the first quarter of 2011 decreased shareholders' equity by USD 0.8 billion, mainly as a result of higher interest rates.

Outlook

The accumulation of natural catastrophe events – floods in Australia and earthquakes in New Zealand and Japan – is expected to turn 2011 into a year with one of the highest historical natural catastrophe claims burdens. For the first quarter of 2011, Swiss Re weathered this test of strength well thanks to the following factors:

- Swiss Re's exceptional capital strength: Swiss Re is in a strong position to underwrite large and complex risks;
- Swiss Re's global diversification over types of risk and regions: a key factor in the company's resilience; and
- Swiss Re's outstanding re/insurance expertise and innovation power: core to the company's ability to help clients and societies deal with such challenges.

We remain committed to our five-year targets and are confident that we can deliver. The impact of natural catastrophe losses in the first quarter creates an additional challenge but it will also accelerate the market turn that we had previously expected in 2012/2013.

Income statement (unaudited)

For the three months ended 31 March

USD millions	Note	2010	2011
Revenues			
Premiums earned	7, 10	4968	**4882**
Fee income from policyholders	7, 10	221	**221**
Net investment income	2, 10	1479	**1362**
Net realised investment gains/losses (total impairments were 263 in 2010 and 144 in 2011, of which 126 and 103, respectively, were recognised in earnings)	2, 10	1380	**197**
Other revenues	10	18	**11**
Total revenues		8066	**6673**
Expenses			
Claims and claim adjustment expenses	7, 10	–2352	**–3520**
Life and health benefits	7, 10	–2025	**–2028**
Return credited to policyholders	10	–1610	**–363**
Acquisition costs	7, 10	–891	**–886**
Other expenses	10	–570	**–575**
Interest expenses	10	–278	**–219**
Total expenses		–7726	**–7591**
Income/loss before income tax expense		340	**–918**
Income tax expense/benefit		–67	**274**
Net income/loss before attribution of non-controlling interests		273	**–644**
Income attributable to non-controlling interests		–47	**–21**
Net income/loss after attribution of non-controlling interests		226	**–665**
Convertible perpetual capital instrument		–68	**0**
Net income/loss attributable to common shareholders		158	**–665**
Earnings per share in USD			
Basic	8	0.46	**–1.94**
Diluted	8	0.45	**–1.94**
Earnings per share in CHF[1]			
Basic	8	0.49	**–1.84**
Diluted	8	0.48	**–1.84**

[1] The translation from USD to CHF is shown for informational purposes only and has been calculated at the Group's average exchange rates for the three months ended 31 March 2010 and 2011, respectively.

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

Balance sheet (unaudited)

Assets

USD millions	Note	31.12.2010	31.03.2011
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 5 157 in 2010 and 4 709 in 2011 subject to securities lending and repurchase agreements) (amortised cost: 2010: 79 443; 2011: 79 741)		80 950	**80 475**
Trading (including 2 187 in 2010 and 3 436 in 2011 subject to securities lending and repurchase agreements)		11 252	**11 982**
Equity securities:			
Available-for-sale, at fair value (cost: 2010: 1 241; 2011: 2 321)		1 474	**2 620**
Trading		19 513	**19 619**
Policy loans, mortgages and other loans		5 630	**5 693**
Investment real estate		2 040	**2 065**
Short-term investments, at amortised cost which approximates fair value (including 1 319 in 2010 and 596 in 2011 subject to securities lending and repurchase agreements)		21 446	**16 734**
Other invested assets		14 642	**14 965**
Total investments		156 947	**154 153**
Cash and cash equivalents (including 4 139 in 2010 and 1 806 in 2011 subject to securities lending)		16 928	**17 796**
Accrued investment income		1 085	**1 191**
Premiums and other receivables		11 095	**13 651**
Reinsurance recoverable on unpaid claims and policy benefits	7	12 637	**13 541**
Funds held by ceding companies		9 346	**10 104**
Deferred acquisition costs	5, 7	3 571	**3 882**
Acquired present value of future profits	5	4 565	**4 521**
Goodwill		4 083	**4 153**
Income taxes recoverable		426	**467**
Other assets		7 720	**8 331**
Total assets		228 403	**231 790**

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

Liabilities and equity

USD millions	Note	31.12.2010	31.03.2011
Liabilities			
Unpaid claims and claim adjustment expenses	7	64 690	**68 285**
Liabilities for life and health policy benefits	3, 7	39 551	**40 174**
Policyholder account balances	7	36 478	**36 780**
Unearned premiums		6 305	**9 582**
Funds held under reinsurance treaties		4 399	**4 886**
Reinsurance balances payable		4 376	**4 626**
Income taxes payable		708	**685**
Deferred and other non-current taxes		1 716	**1 055**
Short-term debt	6	10 798	**5 992**
Accrued expenses and other liabilities		14 049	**15 589**
Long-term debt	6	18 427	**18 046**
Total liabilities		201 497	**205 700**
Equity			
Common stock, CHF 0.10 par value			
2010: 370 704 153; 2011: 370 704 633 shares authorised and issued		35	**35**
Additional paid-in capital		10 530	**10 435**
Treasury shares, net of tax		–1 483	**–1 414**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		1 042	**597**
Other-than-temporary impairment, net of tax		–169	**–174**
Cumulative translation adjustments, net of tax		–3 742	**–3 511**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–522	**–516**
Total accumulated other comprehensive income		–3 391	**–3 604**
Retained earnings		19 651	**18 986**
Shareholders' equity		25 342	**24 438**
Non-controlling interests		1 564	**1 652**
Total equity		26 906	**26 090**
Total liabilities and equity		228 403	**231 790**

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

Statement of equity (unaudited)

For the twelve months ended 31 December 2010 and the three months ended 31 March 2011

USD millions	2010	2011
Convertible perpetual capital instrument		
Balance as of 1 January	2 670	**0**
Reclassification of convertible perpetual capital instrument[1]	–2 670	
Balance as of period end	0	**0**
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	10 472	**10 530**
Share-based compensation	48	**–90**
Realised gains/losses on treasury shares	10	**–5**
Balance as of period end	10 530	**10 435**
Treasury shares, net of tax		
Balance as of 1 January	–1 477	**–1 483**
Purchase of treasury shares	–49	**–10**
Issuance of treasury shares, including share-based compensation to employees	43	**79**
Balance as of period end	–1 483	**–1 414**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	–993	**1 042**
Other changes during the period	2 070	**–445**
Cumulative effect of adoption of ASU No. 2009-17[2]	–35	
Balance as of period end	1 042	**597**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–397	**–169**
Other changes during the period	228	**–5**
Balance as of period end	–169	**–174**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 560	**–3 742**
Other changes during the period	–182	**231**
Balance as of period end	–3 742	**–3 511**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–453	**–522**
Change during the period	–69	**6**
Balance as of period end	–522	**–516**
Retained earnings		
Balance as of 1 January	19 047	**19 651**
Net income/loss after non-controlling interests	1 980	**–665**
Convertible perpetual capital instrument (net income)[1]	–1 117	
Dividends on common shares	–319	
Cumulative effect of adoption of ASU No. 2009-17[2]	60	
Balance as of period end	19 651	**18 986**
Shareholders' equity	25 342	**24 438**
Non-controlling interests		
Balance as of 1 January	0	**1 564**
Change during the period	1 410	**67**
Income attributable to non-controlling interests	154	**21**
Balance as of period end	1 564	**1 652**
Total equity	26 906	**26 090**

[1] The CPCI was reclassified from equity to short-term debt upon termination on 4 November 2010. The final cash settlement was made in January 2011.
[2] The Group adopted a new accounting pronouncement, ASU No. 2009-17 (FAS167), an update to Topic 810 – Consolidation, as of 1 January 2010, which resulted in the full consolidation of certain VIEs. This resulted in a transition impact to retained earnings of USD 60 million and to net unrealised gains/losses of USD –35 million.

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

Statement of comprehensive income (unaudited)

For the three months ended 31 March

USD millions	2010	2011
Net income/loss before attribution of non-controlling interests	205[1]	**–644**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses	889	**–445**
Change in other-than-temporary impairment	172	**–5**
Change in foreign currency translation	–480	**231**
Change in adjustment for pension benefits	13	**6**
Total comprehensive income before attribution of non-controlling interests	799	**–857**
Comprehensive income attributable to non-controlling interests	–47	**–21**
Total comprehensive income attributable to common shareholders	752	**–878**

[1] After interest on convertible perpetual capital instrument.

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

Statement of cash flow (unaudited)

For three months ended 31 March

USD millions	2010	2011
Cash flows from operating activities		
Net income/loss attributable to common shareholders	158	**–665**
Add net income attributable to non-controlling interests	47	**21**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items[1]	671	**603**
Net realised investment gains/losses	–1 380	**–197**
Change in:		
Technical provisions, net[1]	3 855	**4 003**
Funds held by ceding companies and other reinsurance balances	–1 718	**–2 012**
Reinsurance recoverable on unpaid claims and policy benefits	–1 918	**–706**
Other assets and liabilities, net	–1 945	**706**
Income taxes payable/recoverable	–8	**–574**
Income from equity-accounted investees, net of dividends received	–97	**–59**
Trading positions, net	–31	**2 152**
Securities purchased/sold under agreement to resell/repurchase, net	–337	**–1 737**
Net cash provided/used by operating activities	–2 703	**1 535**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	39 306	**28 343**
Purchases	–28 266	**–28 132**
Net purchase/sale/maturities of short-term investments	–6 611	**5 362**
Equity securities:		
Sales	7	**237**
Purchases		**–1 271**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net		**–6[2]**
Net purchases/sales/maturities of other investments	352	**8**
Net cash provided/used by investing activities	4 788	**4 541**
Cash flows from financing activities		
Issuance/repayment of long-term debt	–10	**–353**
Issuance/repayment of short-term debt		
Issuance	743	
Repayment	–1 192	**–5 202**
Purchase/sale of treasury shares	–4	**69**
Net cash provided/used by financing activities	–463	**–5 486**
Total net cash provided/used	1 622	**590**
Effect of foreign currency translation	–423	**278**
Change in cash and cash equivalents	1 199	**868**
Cash and cash equivalents as of 1 January	27 810	**16 928**
Impact of adoption of ASU No. 2009-17[3]	793	
Cash and cash equivalents as of 31 March	29 802	**17 796**

[1] From 1 January 2011, the Group presents the amortisation of deferred acquisition cost in "Depreciation, amortisation and other non-cash items". Comparatives for 2010 are presented accordingly.
[2] Cash used for acquisition of UBF Seguros.
[3] As of 1 January 2010, the Group adopted ASU No. 2009-17 (FAS167), an update to Topic 810 – Consolidation, which resulted in the full consolidation of certain VIEs.

Interest paid was USD 123 million and USD 436 million for the three months ended 31 March 2010 and 2011, respectively.
Tax paid was USD 67 million and USD 211 million for the three months ended 31 March 2010 and 2011, respectively.

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

Notes to the Group financial statements (unaudited)

1 Organisation and summary of significant accounting policies

Nature of operations
The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company Ltd (the parent company, referred to as "Swiss Re Zurich") and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Group provides reinsurance and other related products and services to insurance companies, direct clients and others worldwide through reinsurance brokers and a network of offices in over 20 countries.

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 inter-company transactions and balances have been eliminated on consolidation. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP. Therefore these interim financial statements should be read in conjunction with the Swiss Re Group's audited financial statements for the year ended 31 December 2010.

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.

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-backed and asset-backed securities and listed equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Whilst management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 March 2011, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 4 May 2011. This is the date on which the financial statements are available to be issued.

Recent accounting guidance
In January 2010, the FASB issued "Improving Disclosures about Fair Value Measurements" (ASU No. 2010-06), an update to Topic 820 – Fair Value Measurements and Disclosures. This new standard implements additional disclosure requirements for the three fair value levels. As required by the update, the Group adopted some of the requirements as of 1 January 2010. The remaining requirements were adopted as of 1 January 2011 and can be found in Note 3.

In December 2010, the FASB issued "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" (ASU No. 2010-28), an update to Topic 350 – Intangibles – Goodwill and Other. This update provides guidance under what circumstances a company is required to perform step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The Group adopted this guidance as of 1 January 2011. The adoption did not have an impact on the Group's financial statements.

Also in December 2010, the FASB issued "Disclosure of Supplementary Pro Forma Information for Business Combinations" (ASU 2010-29), an update to Topic 805 – Business Combinations. This update specifies that an entity should disclose revenue and earnings of the combined entity as though the business combinations that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The Group adopted this update as of 1 January 2011. The adoption did not have an impact on the Group's financial statements.

2 Investments

Investment income

Net investment income by source (including unit-linked and with-profit business) for the three months ended 31 March was as follows:

USD millions	2010	2011
Fixed income securities	1 055	979
Equity securities	130	141
Policy loans, mortgages and other loans	110	105
Investment real estate	47	49
Short-term investments	14	17
Other current investments	12	–6
Share in earnings of equity-accounted investees	163	106
Cash and cash equivalents	22	29
Deposits with ceding companies	100	104
Gross investment income	1 653	**1 524**
Investment expenses	–138	–131
Interest charged for funds held	–36	–31
Net investment income	1 479	**1 362**

Dividends received from investments accounted for using the equity method were USD 66 million and USD 47 million for the three months ended 31 March 2010 and 2011, respectively.

Net investment income for the three months ended 31 March includes income on unit-linked and with-profit business, which is credited to policyholders.

USD millions	2010	2011
Unit-linked investment income	147	152
With-profit investment income	37	43

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (including unit-linked and with-profit business) for the three months ended 31 March were as follows:

USD millions	2010	2011
Fixed income securities available-for-sale:		
Gross realised gains	455	430
Gross realised losses	–436	–209
Equity securities available-for-sale:		
Gross realised gains	1	42
Gross realised losses		–2
Other-than-temporary impairments	–126	–103
Net realised investment gains/losses on trading securities	125	–4
Change in net unrealised investment gains/losses on trading securities	1 483	–39
Other investments:		
Net realised/unrealised gains/losses	3	–24
Foreign exchange gains/losses	–125	106
Net realised investment gains/losses	1 380	**197**

Proceeds from sales of fixed income securities available-for-sale amounted to USD 37 028 million and USD 22 757 million for the three months ended 31 March 2010 and 2011, respectively. Sales of equity securities available-for-sale were USD 6 million and USD 259 million for the three months ended 31 March 2010 and 2011, respectively.

Net realised investment gains/losses for the three months ended 31 March include net realised gains/losses on unit-linked and with-profit business, which are credited to policyholders.

USD millions	2010	2011
Unit-linked realised gains/losses	1 255	35
With-profit realised gains/losses	103	–8

Impairment on fixed income securities related to credit losses

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

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

A reconciliation of the other-than-temporary impairment related to credit losses recognised in earnings for the three months ended 31 March was as follows:

USD millions	2010	2011
Balance as of 1 January	1 409	829
Credit losses for which an other-than-temporary impairment was not previously recognised	39	61
Reductions for securities sold during the period	–206	–236
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	45	18
Impact of increase in cash flows expected to be collected	–19	–25
Impact of foreign exchange movements	–40	7
Balance as of 31 March	1 228	**654**

Investments available-for-sale

Amortised cost or cost, fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December 2010 and 31 March 2011 were as follows:

As of 31 December 2010 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	18868	337	–539		18666
States of the United States and political subdivisions of the states	172	1	–7		166
United Kingdom	12221	332	–150		12403
Canada	3022	384	–18		3388
Germany	3369	33	–28		3374
France	2022	32	–21		2033
Other	5032	242	–90		5184
Total	44706	1361	–853		45214
Corporate debt securities	19234	1387	–250	–12	20359
Residential mortgage-backed securities	4178	180	–155	–183	4020
Commercial mortgage-backed securities	4364	155	–178	–37	4304
Agency securitised products	4894	123	–22		4995
Other asset-backed securities	2067	79	–66	–22	2058
Fixed income securities available-for-sale	79443	3285	–1524	–254	80950
Equity securities available-for-sale	1241	258	–25		1474

As of 31 March 2011 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	18904	154	–677		18381
States of the United States and political subdivisions of the states	172	1	–5		168
United Kingdom	12417	171	–195		12393
Canada	3075	280	–14		3341
Germany	3439	21	–90		3370
France	2061	23	–52		2032
Other	5571	202	–114		5659
Total	45639	852	–1147		45344
Corporate debt securities	20438	1280	–225	–12	21481
Residential mortgage-backed securities	3342	132	–51	–201	3222
Commercial mortgage-backed securities	4023	162	–73	–33	4079
Agency securitised products	4351	71	–25		4397
Other asset-backed securities	1948	90	–70	–16	1952
Fixed income securities available-for-sale	**79741**	**2587**	**–1591**	**–262**	**80475**
Equity securities available-for-sale	**2321**	**321**	**–22**		**2620**

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

Investments trading

Fixed income securities and equity securities classified as trading as of 31 December 2010 and 31 March 2011 were as follows:

USD millions	2010	2011
Debt securities issued by governments and government agencies	8308	8814
Corporate debt securities	2497	2795
Mortgage- and asset-backed securities	447	373
Fixed income securities trading	11252	**11982**
Equity securities trading	19513	**19619**

Fixed income securities and equity securities classified as trading as of 31 December 2010 and 31 March 2011 include securities held for unit-linked and with-profit business:

USD millions	2010	2011
Fixed income securities trading held for unit-linked business	2302	2312
Fixed income securities trading held for with-profit business	1648	1686
Fixed income securities trading	3950	**3998**
Equity securities trading held for unit-linked business	17405	17602
Equity securities trading held for with-profit business	1135	1118
Equity securities trading	18540	**18720**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and fair values of investments in fixed income securities available-for-sale by remaining maturity as of 31 December 2010 and 31 March 2011 are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2010 and 31 March 2011, USD 13 107 million and USD 11 660 million, respectively, of fixed income securities available-for-sale were callable.

		2010		2011
USD millions	Amortised cost or cost	Fair value	Amortised cost or cost	Fair value
Due in one year or less	2342	2379	5401	5464
Due after one year through five years	16601	16891	15535	15767
Due after five years through ten years	14628	15189	16195	16593
Due after ten years	30604	31360	29187	29242
Mortgage- and asset-backed securities with no fixed maturity	15268	15131	13423	13409
Total fixed income securities available-for-sale	79443	80950	**79741**	**80475**

Assets pledged

As of 31 December 2010 and 31 March 2011, investments with the carrying value of USD 1 769 million and USD 1 775 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 2010 and 31 March 2011, investments (including cash and cash equivalents) with a carrying value of approximately USD 8 573 million and USD 7 592 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

As of 31 December 2010 and 31 March 2011, securities of USD 12 802 million and USD 10 547 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 1 750 million and USD 1 707 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying amount of USD 272 million serves as collateral for short-term senior operational debt of USD 710 million.

Collateral accepted

As of 31 December 2010 and 31 March 2011, the fair value of the government bond, corporate bond and equity securities received as collateral was USD 6 539 million and USD 5 072 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2010 and 31 March 2011 was USD nil million and USD nil million, respectively. The sources of the collateral are typically highly rated banking market counterparties.

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 2010 and 31 March 2011. As of 31 December 2010 and 31 March 2011, USD 25 million and USD 22 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 nil million and USD nil million, respectively, to declines in value for more than 12 months.

As of 31 December 2010	Less than 12 months		12 months or more		Total	
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	10 383	539			10 383	539
States of the United States and political subdivisions of the states	128	7			128	7
United Kingdom	3 623	150			3 623	150
Canada	559	18			559	18
Germany	1 722	28			1 722	28
France	869	21			869	21
Other	1 925	90			1 925	90
Total	19 209	853			19 209	853
Corporate debt securities	4 300	234	95	28	4 395	262
Residential mortgage-backed securities	2 490	338			2 490	338
Commercial mortgage-backed securities	1 516	215			1 516	215
Agency securitised products	2 160	22			2 160	22
Other asset-backed securities	862	88			862	88
Total	30 537	1 750	95	28	30 632	1 778

As of 31 March 2011	Less than 12 months		12 months or more		Total	
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	12 795	677			12 795	677
States of the United States and political subdivisions of the states	124	5			124	5
United Kingdom	6 899	195			6 899	195
Canada	818	14			818	14
Germany	2 445	90			2 445	90
France	735	52			735	52
Other	988	114			988	114
Total	24 804	1 147			24 804	1 147
Corporate debt securities	5 735	237			5 735	237
Residential mortgage-backed securities	1 962	252			1 962	252
Commercial mortgage-backed securities	1 186	106			1 186	106
Agency securitised products	2 117	25			2 117	25
Other asset-backed securities	846	86			846	86
Total	**36 650**	**1 853**	**0**	**0**	**36 650**	**1 853**

Mortgages, loans and real estate

As of 31 December 2010 and 31 March 2011, the carrying values of investments in mortgages, policy and other loans, and real estate were as follows:

USD millions	2010	**2011**
Policy loans	3658	3623
Mortgage loans	1337	1393
Other loans	635	677
Investment real estate	2040	2065

The fair value of the real estate as of 31 December 2010 and 31 March 2011 was USD 3306 million and USD 3397 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2010 and 31 March 2011, the Group's investment in mortgages and other loans included USD 270 million and USD 277 million, respectively, of loans due from employees and USD 356 million and USD 360 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2010 and 31 March 2011, investments in real estate included USD 6 million and USD 6 million, respectively, of real estate held for sale.

Depreciation expense related to income producing properties was USD 10 million and USD 9 million for the three months ended 2010 and 2011, respectively. Accumulated depreciation on investment real estate totalled USD 528 million and USD 545 million as of 31 December 2010 and 31 March 2011, 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 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 Group does not adjust the quoted price for such instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

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 Life & Health policy reserves to level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. In the first quarter of 2011, these adjustments were non-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 level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value.

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

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

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

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

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

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

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

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2010 and 31 March 2011, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

As of 31 December 2010 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	16043	74278	1881		92202
Debt securities issued by US government and government agencies	16043	3041			19084
Debt securities issued by non-US governments and government agencies		34438			34438
Corporate debt securities		21108	1748		22856
Residential mortgage-backed securities		4210	7		4217
Commercial mortgage-backed securities		4427	3		4430
Agency securitised products		5011			5011
Other asset-backed securities		2043	123		2166
Equity securities	19972	812	203		20987
Equity securities backing unit-linked and with-profit life and health policies	18495	45			18540
Equity securities held for proprietary investment purposes	1477	767	203		2447
Derivative financial instruments	579	6850	2417	–6560	3286
Interest rate contracts	389	4000	839		5228
Foreign exchange contracts	40	1098	162		1300
Derivative equity contracts	142	1170			1312
Credit contracts		369	1214		1583
Other contracts	8	213	202		423
Other assets	20	–12	1411		1419
Total assets at fair value	36614	81928	5912	–6560	117894
Liabilities					
Derivative financial instruments	–577	–5649	–4532	5772	–4986
Interest rate contracts	–402	–3579	–825		–4806
Foreign exchange contracts	–41	–1103	–72		–1216
Derivative equity contracts	–123	–531	–56		–710
Credit contracts		–317	–1007		–1324
Other contracts	–11	–119	–2572		–2702
Liabilities for life and health policy benefits			–271		–271
Accrued expenses and other liabilities	–398	–1290			–1688
Total liabilities at fair value	–975	–6939	–4803	5772	–6945

[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.

As of 31 March 2011 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	16 323	74 247	1 887		92 457
Debt securities issued by US government and government agencies	16 289	2 384			18 673
Debt securities issued by non-US governments and government agencies	34	35 451			35 485
Corporate debt securities		22 519	1 757		24 276
Residential mortgage-backed securities		3 400	3		3 403
Commercial mortgage-backed securities		4 194	6		4 200
Agency securitised products		4 411			4 411
Other asset-backed securities		1 888	121		2 009
Equity securities	21 359	790	90		22 239
Equity securities backing unit-linked and with-profit life and health policies	18 708	12			18 720
Equity securities held for proprietary investment purposes	2 651	778	90		3 519
Derivative financial instruments	669	5 787	2 204	–6 753	1 907
Interest rate contracts	432	3 281	743		4 456
Foreign exchange contracts	21	987	196		1 204
Derivative equity contracts	204	1 032			1 236
Credit contracts		269	1 060		1 329
Other contracts	12	218	205		435
Other assets	1 192	63	1 441		2 696
Total assets at fair value	**39 543**	**80 887**	**5 622**	**–6 753**	**119 299**
Liabilities					
Derivative financial instruments	–690	–4 891	–4 065	6 144	–3 502
Interest rate contracts	–433	–2 957	–708		–4 098
Foreign exchange contracts	–22	–1 059	–77		–1 158
Derivative equity contracts	–222	–465	–58		–745
Credit contracts		–279	–938		–1 217
Other contracts	–13	–131	–2 284		–2 428
Liabilities for life and health policy benefits			–244		–244
Accrued expenses and other liabilities	–1 221	–2 128			–3 349
Total liabilities at fair value	**–1 911**	**–7 019**	**–4 309**	**6 144**	**–7 095**

[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.

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Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)
As of 31 December 2010 and 31 March 2011, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

As of 31 December 2010 USD millions	Debt securities issued by non-US governments and government agencies	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Other asset-backed securities
Assets					
Balance as of 1 January 2010	82	2 085	1 302	199	2 047
Cumulative effect of adoption of ASU No. 2009-17					–84
Realised/unrealised gains/losses:					
Included in net income	19	115	–4		–36
Included in other comprehensive income	–5	7	29	1	55
Purchases, issuances, and settlements	–115	–77	–73	–4	–1 430
Transfers into level 3[1]	106	87	90	44	176
Transfers out of level 3[1]	–85	–440	–1 333[2]	–238	–600
Impact of foreign exchange movements	–2	–29	–4	1	–5
Closing balance as of 31 December 2010	0	1 748	7	3	123

Liabilities	
Balance as of 1 January 2010	
Realised/unrealised gains/losses:	
Included in net income	
Included in other comprehensive income	
Purchases, issuances, and settlements	
Transfers into level 3[1]	
Transfers out of level 3[1]	
Impact of foreign exchange movements	
Closing balance as of 31 December 2010	

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.
[2] The Group has mainly transferred residential mortgage-backed securities with a maturity longer than 20 years from level 3 to level 2 as the valuation of those products is based on observable inputs.

	Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
	170	1 162	3	57	2 316	283	1 321	11 027
								–84
	–27	–58	54	21	–788	–45	–35	–784
	–2						129	214
	65	–206	48	–88	–314	19	64	–2 111
		91	56	10		2	31	693
		–148				–48	–97	–2 989
	–3	–2	1			–9	–2	–54
	203	839	162	0	1 214	202	1 411	5 912

	Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Total
	–293	–948	–41	–54	–1 738	–2 257	–5 331
	22	123	–31	–2	731	–95	748
						–220	–220
	–271	–825	–72	–56	–1 007	–2 572	–4 803

As of 31 March 2011 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Other asset-backed securities	Equity securities held for proprietary investment purposes
Assets					
Balance as of 1 January 2011	1 748	7	3	123	203
Realised/unrealised gains/losses:					
Included in net income	–9		–3		23
Included in other comprehensive income	–11	–1	1	3	2
Purchases[2]	44		33	3	12
Issuances[2]					
Sales[2]	–131		–30	–13	–151
Settlements[2]	–15	–3			
Transfers into level 3[1]	155		3	4	
Transfers out of level 3[1]	–52				
Impact of foreign exchange movements	28		–1	1	1
Closing balance as of 31 March 2011	**1 757**	**3**	**6**	**121**	**90**
Liabilities					
Balance as of 1 January 2011					
Realised/unrealised gains/losses:					
Included in net income					
Included in other comprehensive income					
Purchases[2]					
Issuances[2]					
Sales[2]					
Settlements[2]					
Transfers into level 3[1]					
Transfers out of level 3[1]					
Impact of foreign exchange movements					
Closing balance as of 31 March 2011					

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.
[2] ASU 2010-06, gross presentation of activity within Level 3 roll forward, presenting separately information about purchases, issuances, sales, and settlements. The standard needs to be applied prospectively.

	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
	839	162		1 214	202	1 411	5 912
	–115	–59	1	–109	–27	25	–273
						33	27
	98	95			26	94	405
	–79	–2	–1	–34		–124	–565
				–11			–29
							162
					–4		–56
					8	2	39
	743	**196**	**0**	**1 060**	**205**	**1 441**	**5 622**

	Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Total
	–271	–825	–72	–56	–1 007	–2 572	–4 803
	27	117	–5	–2	70	334	541
						–55	–55
						5	5
						4	4
					–1		–1
	–244	**–708**	**–77**	**–58**	**–938**	**–2 284**	**–4 309**

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 three months ended 31 March 2010 and 2011 were as follows:

USD millions	2010	2011
Gains/losses included in net income for the period	389	268
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	278	189

Other assets measured at net asset value

Other assets measured at net asset value as of 31 December 2010 and 31 March 2011 were as follows:

USD millions	2010 Fair value	2011 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	646	674	538	non-redeemable	na
Hedge funds	332	308		redeemable[1]	90 – 180 days[2]
Private equity direct	232	242		non-redeemable	na
Real estate funds	168	183	62	non-redeemable[3]	na
Total	1 378	**1 407**	**600**		

[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.
[3] One exception is a real estate fund that can be redeemed annually based on a 90-day notice period. This redeemable fund had a fair value of USD 16.6 million as of 31 March 2011.

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 ten to twelve years.

The redemption frequency of hedge funds varies depending upon 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:

Fixed income securities trading

The Group elected the fair value option for the specific investments acquired within a transaction. These securities are classified as debt securities under the Group's accounting policies. Upon election of the fair value option the securities were classified as trading, with changes in fair value recorded in earnings. The primary reason for electing the fair value option is to mitigate volatility in earnings as a result of using different measurement attributes. In the second quarter of 2010, these fixed income securities matured.

Equity securities trading

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

Liabilities for life and health policy benefits

The Group elected the fair value option for existing guaranteed minimum death benefit (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 2010 and 31 March 2011 were as follows:

USD millions	2010	**2011**
Assets		
Fixed income securities trading	11 252	11 982
of which at fair value pursuant to the fair value option	0[1]	0
Equity securities trading	19 513	19 619
of which at fair value pursuant to the fair value option	475	515
Liabilities		
Liabilities for life and health policy benefits	–39 551	–40 174
of which at fair value pursuant to the fair value option	–271	–244

[1] These fixed income securities matured in the second quarter of 2010. Related changes in fair values are presented in the table below.

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

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the three months ended 31 March 2010 and 2011 were as follows:

USD millions	2010	**2011**
Fixed income securities trading	–27	
Equity securities trading	–14	40
Liabilities for life and health policy benefits	40	27
Total	–1	**67**

Fair value changes from fixed income securities trading and equity securities trading are reported in net realised investment gains/losses. Fair value changes from liabilities for life and health policy benefits are shown in life and health benefits.

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 2010 and 31 March 2011, the fair values and notional amounts of the derivatives outstanding were as follows:

As of 31 December 2010 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	452 349	4 646	–4 796	–150
Foreign exchange contracts	41 372	1 270	–1 201	69
Equity contracts	13 450	1 312	–710	602
Credit contracts	53 087	1 583	–1 324	259
Other contracts	28 949	423	–2 702	–2 279
Total	589 207	9 234	–10 733	–1 499
Derivatives designated as hedging instruments				
Interest rate contracts	4582	582	–10	572
Foreign exchange contracts	3 012	30	–15	15
Total	7 594	612	–25	587
Total derivative financial instruments	596 801	9 846	–10 758	–912
Amount offset				
Where a right of setoff exists		–5 437	5 437	
Due to cash collateral		–1 123	335	
Total net amount of derivative financial instruments		3 286	–4 986	–1 700

As of 31 March 2011 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	472 486	3 971	–4 094	–123
Foreign exchange contracts	34 322	1 098	–1 142	–44
Equity contracts	14 792	1 236	–745	491
Credit contracts	46 875	1 329	–1 217	112
Other contracts	28 375	435	–2 428	–1 993
Total	**596 850**	**8 069**	**–9 626**	**–1 557**
Derivatives designated as hedging instruments				
Interest rate contracts	3 259	485	–4	481
Foreign exchange contracts	2 270	106	–16	90
Total	**5 529**	**591**	**–20**	**571**
Total derivative financial instruments	**602 379**	**8 660**	**–9 646**	**–986**
Amount offset				
Where a right of setoff exists		–5 749	5 749	
Due to cash collateral		–1 004	395	
Total net amount of derivative financial instruments		**1 907**	**–3 502**	**–1 595**

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 2010 and 31 March 2011, respectively.

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 three months ended 31 March 2010 and 2011, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2010	2011
Derivatives not designated as hedging instruments		
Interest rate contracts	21	–5
Foreign exchange contracts	73	–290
Equity contracts	–264	–155
Credit contracts	–127	–97
Other contracts	328	316
Total gain/loss recognised in income	31	**–231**

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 March 2010 and 2011, 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 three months ended 31 March 2010 and 2011, the gains and losses attributable to the hedged risks were as follows:

	2010		2011	
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	31	–19	–67	68
Foreign exchange contracts	–132	140	89	–90
Total gain/loss recognised in income	–101	121	**22**	**–22**

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2010 and the three months ended 31 March 2011, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 171 million and a loss of USD 87 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 2010 and 31 March 2011 was approximately USD 4 409 million and USD 2 911 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, net of cash collateral.

Credit risk-related contingent features

Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or 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 1 975 million and USD 1 843 million as of 31 December 2010 and 31 March 2011, respectively. For derivative financial instruments containing credit risk-related contingent features the Group posted collateral of USD 335 million and USD 396 million as of 31 December 2010 and 31 March 2011, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 1 447 million additional collateral would have had to be posted as of 31 March 2011. The total equals the amount needed to settle the instruments immediately as of 31 December 2010 and 31 March 2011.

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 2010 and 31 March 2011, 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 2010 and 31 March 2011, the total purchased credit protection based on notional values was USD 30 304 million and USD 26 320 million, respectively. Thereof USD 12 025 million and USD 11 260 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 2010 and 31 March 2011, the fair values and maximum potential payout of the written credit derivatives outstanding were as follows:

As of 31 December 2010 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	29	5 223	2 416		7 639
251 – 500	–43	285		185	470
501 – 1 000	–9	301			301
Greater than 1 000	–307	85		562	647
No credit spread available		200			200
Total	–330	6 094	2 416	747	9 257
Credit Index Products					
Credit spread in basis points					
0 – 250	–273	1 436	9 061		10 497
251 – 500	29	2 814	128		2 942
501 – 1 000	43	48	29		77
Greater than 1 000	1		10		10
Total	–200	4 298	9 228	0	13 526
Total Return Swaps					
Credit spread in basis points					
No credit spread available	95	1 485	581		2 066
Total	95	1 485	581	0	2 066
Total credit derivatives written/sold	–435	11 877	12 225	747	24 849

As of 31 March 2011 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	–23	4971	2893		7864
251 – 500	–42	141		187	328
501 – 1 000	–3	20			20
Greater than 1 000	–277	2		557	559
No credit spread available		200			200
Total	**–345**	**5334**	**2893**	**744**	**8971**
Credit Index Products					
Credit spread in basis points					
0 – 250	–174	766	7560		8326
251 – 500	–42	2786	24		2810
501 – 1 000					0
Greater than 1 000	75	202	246		448
Total	**–141**	**3754**	**7830**	**0**	**11584**
Total Return Swaps					
Credit spread in basis points					
No credit spread available	130	1416	581		1997
Total	**130**	**1416**	**581**	**0**	**1997**
Total credit derivatives written/sold	**–356**	**10504**	**11304**	**744**	**22552**

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

For the twelve months ended 31 December 2010 and the three months ended 31 March 2011, the DAC and PVFP were as follows:

2010 USD millions	Non-Life	Life & Health	DAC Total	PVFP
Opening balance as of 1 January 2010	869	3025	3894	6054
Deferred	1734	313	2047	
Effect of acquisitions/disposals and retrocessions		–212	–212	–1 154
Amortisation	–1805	–365	–2170	–449
Interest accrued on unamortised PVFP				247
Effect of foreign currency translation	–6	18	12	–75
Effect of change in unrealised gains/losses				–58
Closing balance as of 31 December 2010	792	2779	3571	4565

2011 USD millions	Non-Life	Life & Health	DAC Total	PVFP
Opening balance as of 1 January 2011	792	2779	3571	4565
Deferred	681	74	755	
Effect of acquisitions/disposals and retrocessions	–9		–9	
Amortisation	–419	–64	–483	–196
Interest accrued on unamortised PVFP				96
Effect of foreign currency translation	12	36	48	63
Effect of change in unrealised gains/losses				–7
Closing balance as of 31 March 2011	**1057**	**2825**	**3882**	**4521**

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

6 Debt

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

The Group's debt as of 31 December 2010 and 31 March 2011 was as follows:

USD millions	2010	**2011**
Senior financial debt	33	35
Senior financial debt – convertible perpetual capital instrument	3966	
Senior operational debt	5018	4163
Subordinated financial debt	1781	1794
Short-term debt – financial and operational debt	10798	**5992**
Senior financial debt	2590	2628
Senior operational debt	6976	6351
Subordinated financial debt	3634	3737
Subordinated operational debt	5227	5330
Long-term debt – financial and operational debt	18427	**18046**
Total carrying value	29225	**24038**
Total fair value	28017	**22934**

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 2010 and 31 March 2011, debt related to operational leverage and financial intermediation amounted to USD 17.2 billion (thereof USD 7.5 billion limited recourse) and USD 15.8 billion (thereof USD 6.9 billion limited recourse), respectively.

Interest expense on long-term debt

Interest expense on long-term debt for the periods ended 31 March 2010 and 2011 was as follows:

USD millions	2010	**2011**
Senior financial debt	20	20
Senior operational debt	86	81
Subordinated financial debt	70	56
Subordinated operational debt	62	63
Total	238	**220**

Long-term debt issued in 2011

The Group did not issue any long-term debt in the three months ended 31 March 2011.

7 Reinsurance information

For the three months ended 31 March

Premiums written, premiums earned and fees assessed against policyholders

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Premiums written						
Direct	305	244	549	283	282	565
Assumed	5 303	2 494	7 797	5 915	2 604	8 519
Ceded	–1 184	–503	–1 687	–1 258	–510	–1 768
Total premiums written	4 424	2 235	6 659	**4 940**	**2 376**	**7 316**
Premiums earned						
Direct	429	242	671	421	281	702
Assumed	3 184	2 375	5 559	2 922	2 460	5 382
Ceded	–761	–501	–1 262	–692	–510	–1 202
Total premiums earned	2 852	2 116	4 968	**2 651**	**2 231**	**4 882**
Fee income from policyholders						
Direct		165	165		166	166
Assumed		60	60		59	59
Ceded		–4	–4		–4	–4
Total fee income from policyholders		221	221		**221**	**221**

Claims and claim adjustment expenses

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Claims paid						
Gross	–2 538	–2 608	–5 146	–2 572	–2 723	–5 295
Retro	356	142	498	467	588	1 055
Net	–2 182	–2 466	–4 648	–2 105	–2 135	–4 240
Change in unpaid claims and claim adjustment expenses; life and health benefits						
Gross	–80	56	–24	–2 164	131	–2 033
Retro	–90	385	295	749	–24	725
Net	–170	441	271	–1 415	107	–1 308
Claims and claim adjustment expenses; life and health benefits	–2 352	–2 025	–4 377	**–3 520**	**–2 028**	**–5 548**

Acquisition costs

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Acquisition costs						
Acquisition costs, gross	–721	–498	–1 219	–648	–533	–1 181
Acquisition costs, retro	229	99	328	217	78	295
Acquisition costs, net	–492	–399	–891	**–431**	**–455**	**–886**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2010 and 31 March 2011 were as follows:

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	2011 Total
Assets						
Reinsurance recoverable	5 717	6 920	12 637	6 631	6 910	13 541
Deferred acquisition costs	793	2 778	3 571	1 057	2 825	3 882
Liabilities						
Unpaid claims and claim adjustment expenses	53 345	11 345	64 690	56 560	11 725	68 285
Life and health policy benefits		39 551	39 551		40 174	40 174
Policyholder account balances		36 478	36 478		36 780	36 780

USD millions	2010	2011
Premium receivables invoiced	1 598	1 479
Receivables invoiced from ceded (re)insurance business	695	726
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	568	794
Recognised allowance	–152	–157

Sales inducements are offered to contract holders of certain universal life and annuity products. The amounts deferred equal the sum of persistency bonuses credited to the account value plus the non-interest related increase in the persistency bonus liability. These costs are amortised in constant proportion to estimated gross profits over the life of the contract, using the credited interest rates as the discount rate. The unamortised balance of sales inducements mostly included in deferred acquisition costs as of 1 January 2010 and 2011 was USD 1 035 million and USD 1 019 million, respectively. In the course of 2010 and 2011, USD 234 million and USD 65 million, respectively, of sales inducements were deferred and USD 219 million and USD 62 million, respectively, were amortised. The unamortised balance of sales inducements as of 31 December 2010 and 31 March 2011 was USD 1 019 million and USD 1 048 million, respectively.

Policyholder dividends are recognised as an element of policyholder benefits. In the three months ended 31 March of 2010 and 2011 the relative percentage of participating insurance of the life and health policy benefits was 6% and 7%, respectively. The amount of policyholder dividend expense for the three months ended 31 March 2010 and 2011 was USD 29 million and USD 28 million, respectively.

8 Earnings per share

Earnings per share for the three months ended 31 March 2010 and 2011 were as follows:

USD millions (except share data)	2010	2011
Basic earnings per share		
Net income/loss	273	**–644**
Non-controlling interests	–47	**–21**
Interest on convertible perpetual capital instrument	–68	
Net income/loss attributable to common shareholders	158	**–665**
Weighted average common shares outstanding	342 597 212	**342 546 385**
Net income/loss per share in USD	0.46	**–1.94**
Net income/loss per share in CHF[1]	0.49	**–1.84**
Effect of dilutive securities		
Change in income available to common shares due to convertible bonds		
Change in average number of shares due to convertible bonds and employee options	5 456 291	
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	158	
Weighted average common shares outstanding	348 053 503	
Net income/loss per share in USD	0.45	**–1.94**
Net income/loss per share in CHF[1]	0.48	**–1.84**

[1] The translation from USD to CHF is shown for informational purposes only and has been calculated at the Group's average exchange rates for the three months ended 31 March 2010 and 2011, respectively.

The effects of debt conversion and the issuance of employee options, which totalled 13 105 370 shares for the three months ended 31 March 2011, have not been included in the diluted earnings/losses per share calculation because the impact of including these shares was antidilutive.

9 Benefit plans

Defined benefit pension plans and post-retirement benefits

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

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

Components of net periodic benefit cost

The components of pension and post-retirement cost for the three months ended 31 March 2010 and 2011 were as follows:

2010 USD millions	Swiss plans	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	24	3	1	28
Interest cost	21	26	3	50
Expected return on assets	–31	–27		–58
Amortisation of:				
Net gain/loss	2	4	–3	3
Prior service cost	2		–3	–1
Net periodic benefit cost	18	6	–2	22

2011 USD millions	Swiss plans	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	26	2	1	29
Interest cost	21	26	3	50
Expected return on assets	–30	–26		–56
Amortisation of:				
Net gain/loss	9	4	–3	10
Prior service cost	2		–3	–1
Net periodic benefit cost	**28**	**6**	**–2**	**32**

Employer's contributions for 2011

As of 31 March 2011, the Group contributed USD 55 million to its defined benefit pension plans and USD 4 million to other post-retirement plans, compared to USD 46 million and USD 4 million, respectively, in the same period of 2010.

The expected 2011 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 31 March 2011 for latest information, amount to USD 142 million (31 March 2010: USD 124 million) and USD 15 million (31 March 2010: USD 14 million), respectively.

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10 Information on business segments

The Group provides reinsurance, insurance and capital market solutions for clients that complement its (re)insurance offering 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 result of the Group.

The Group presents three operating business segments: Property & Casualty, Life & Health and Asset Management. Items not allocated to these three business segments are included in the "Group items" column.

The Property & Casualty segment consists of the following sub-segments: Property traditional, Casualty traditional, Specialty traditional and Non-traditional business. The Property & Casualty business segment includes Property & Casualty insurance-linked securities, Environmental & Commodity Markets business and, in the Specialty traditional sub-segment, Credit Reinsurance, Bank Trade Finance, and Credit securitisations.

The Life & Health segment continues to consist of the following sub-segments: Life traditional, Health traditional and Admin Re®. The Life & Health business segment includes variable annuity business and Life & Health insurance-linked securities.

The Asset Management business segment includes two separate sub-segments Credit & Rates and Equity & Alternative Investments resulting from the aggregation of Asset Management Risk Stripes. The Asset Management business segment includes proprietary returns on the Group's invested fixed income securities, equity securities and alternative investments.

Group items include certain costs of Corporate Centre functions not allocated to the business segments, certain foreign exchange items, interest expenses on operating and financial debt and other items not considered for the performance of the operating segments. From 1 January 2011 non-core activities which are largely in run-off (formerly presented in the business segment Legacy) are being reported within Group items. 2010 comparatives are presented accordingly.

Certain investment results, including investment income and realised gains on unit-linked business, with-profit business and reinsurance derivatives, are excluded from the performance of the Asset Management business segment and directly allocated to the Property & Casualty and Life & Health business segments.

The allocation of investment result to Property & Casualty and Life & Health is determined based on US GAAP (re)insurance liabilities. The allocation methodology applies a risk-free return to the nominal net reserves at the end of the prior quarter. The risk-free interest rate applied to the reserves is determined by currency and duration of the underlying Property & Casualty and Life & Health reserves. The "Allocation" column eliminates the calculated investment result allocated to either the Property & Casualty or the Life & Health business segments.

The accounting policies of the business segments are in line with those described in the summary of significant accounting policies (see Note 1 to the Group's annual consolidated financial statements).

a) Business segment results

For the three months ended 31 March

2010 USD millions	Property & Casualty	Life & Health	Asset Management	Group items	Allocation	Total
Revenues						
Premiums earned	2 851	2 116		1		4 968
Fee income from policyholders		221				221
Net investment income/loss	472	752	1 022	114	–881	1 479
Net realised investment gains/losses	52	1 375	–91	44		1 380
Other revenues			6	12		18
Total revenues	3 375	4 464	937	171	–881	8 066
Expenses						
Claims and claim adjustment expenses; life and health benefits	–2 352	–2 025				–4 377
Return credited to policyholders		–1 610				–1 610
Acquisition costs	–494	–399		2		–891
Other expenses	–270	–185		–115		–570
Interest expenses				–278		–278
Total expenses	–3 116	–4 219	0	–391	0	–7 726
Operating income/loss	259	245	937	–220	–881	340

2011 USD millions	Property & Casualty	Life & Health	Asset Management	Group items	Allocation	Total
Revenues						
Premiums earned	2 630	2 231		21		4 882
Fee income from policyholders		221				221
Net investment income/loss	360	735	959	64	–756	1 362
Net realised investment gains/losses	8	–11	261	–61		197
Other revenues			6	5		11
Total revenues	**2 998**	**3 176**	**1 226**	**29**	**–756**	**6 673**
Expenses						
Claims and claim adjustment expenses; life and health benefits	–3 520	–2 028				–5 548
Return credited to policyholders		–363				–363
Acquisition costs	–426	–455		–5		–886
Other expenses	–285	–186		–104		–575
Interest expenses				–219		–219
Total expenses	**–4 231**	**–3 032**	**0**	**–328**	**0**	**–7 591**
Operating income/loss	**–1 233**	**144**	**1 226**	**–299**	**–756**	**–918**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the three months ended 31 March of 2010 and 2011 as follows:

USD millions, for the three months ended 31 March 2010	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	427	454	0	–881

USD millions, for the three months ended 31 March 2011	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	330	426	0	–756

b) Property & Casualty business segment – by line of business
For the three months ended 31 March

2010 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 145	863	732	2 740	111	2 851
Net investment income	39	308	75	422	50	472
Net realised investment gains/losses	–3		–2	–5	57	52
Other revenues						0
Total revenues	1 181	1 171	805	3 157	218	3 375
Expenses						
Claims and claim adjustment expenses	–1 149	–710	–436	–2 295	–57	–2 352
Acquisition costs	–143	–166	–135	–444	–50	–494
Other expenses	–109	–102	–47	–258	–12	–270
Total expenses	–1 401	–978	–618	–2 997	–119	–3 116
Operating income/loss	–220	193	187	160	99	259
Claims ratio in %	100.4	82.2	59.5	83.8		
Expense ratio in %	22.0	31.1	24.9	25.6		
Combined ratio in %	122.4	113.3	84.4	109.4		

2011 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 117	797	621	2 535	95	2 630
Net investment income	10	268	48	326	34	360
Net realised investment gains/losses			–4	–4	12	8
Other revenues						0
Total revenues	**1 127**	**1 065**	**665**	**2 857**	**141**	**2 998**
Expenses						
Claims and claim adjustment expenses	–2 645	–488	–329	–3 462	–58	–3 520
Acquisition costs	–130	–145	–138	–413	–13	–426
Other expenses	–121	–96	–57	–274	–11	–285
Total expenses	**–2 896**	**–729**	**–524**	**–4 149**	**–82**	**–4 231**
Operating income/loss	**–1 769**	**336**	**141**	**–1 292**	**59**	**–1 233**
Claims ratio in %	236.8	61.3	53.0	136.6		
Expense ratio in %	22.5	30.2	31.4	27.1		
Combined ratio in %	259.3	91.5	84.4	163.7		

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

For the three months ended 31 March

2010 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	1 475	481	160	2 116
Fee income from policyholders	15		206	221
Net investment income	161	79	512	752
Net realised investment gains / losses	114	–2	1 263	1 375
Other revenues				
Total revenues	1 765	558	2 141	4 464
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1 021	–410	–594	–2 025
Return credited to policyholders	–119		–1 491	–1 610
Acquisition costs	–307	–69	–23	–399
Other expenses	–80	–31	–74	–185
Total expenses	–1 527	–510	–2 182	–4 219
Operating income / loss	238	48	–41	245
Net investment income – unit-linked	10		137	147
Net investment income – with-profit business			37	37
Net investment income – non-participating	151	79	338	568
Net realised investment gains / losses – unit-linked	93		1 162	1 255
Net realised investment gains / losses – with-profit business			103	103
Net realised investment gains / losses – non-participating	21	–2	–2	17
Operating revenues[1]	1 641	560	704	2 905
Management expense ratio in %	4.9	5.5	10.5	6.4
Benefit ratio[2] in %				89.1

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Life & Health business segment – by line of business

For the three months ended 31 March

2011 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	1462	567	202	2231
Fee income from policyholders	16		205	221
Net investment income	155	69	511	735
Net realised investment gains/losses	21	–1	–31	–11
Other revenues				
Total revenues	**1654**	**635**	**887**	**3176**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1144	–413	–471	–2028
Return credited to policyholders	–60		–303	–363
Acquisition costs	–302	–92	–61	–455
Other expenses	–80	–30	–76	–186
Total expenses	**–1586**	**–535**	**–911**	**–3032**
Operating income/loss	**68**	**100**	**–24**	**144**
Net investment income – unit-linked	3		149	152
Net investment income – with-profit business			43	43
Net investment income – non-participating	152	69	319	540
Net realised investment gains/losses – unit-linked	55		–20	35
Net realised investment gains/losses – with-profit business			–8	–8
Net realised investment gains/losses – non-participating	–34	–1	–3	–38
Operating revenues[1]	**1630**	**636**	**726**	**2992**
Management expense ratio in %	4.9	4.7	10.5	6.2
Benefit ratio[2] in %				89.4

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

d) Asset Management

For the three months ended 31 March

2010 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	859	163	1 022
Net realised investment gains/losses	–46	–45	–91
Other revenues		6	6
Total revenues	813	124	937
Operating income	813	124	937

2011 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	845	114	959
Net realised investment gains/losses	151	110	261
Other revenues		6	6
Total revenues	**996**	**230**	**1 226**
Operating income	**996**	**230**	**1 226**

11 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 a modified coinsurance agreement, certain insurance-linked and credit-linked securitisations, swaps in trusts, debt financing and other entities, which meet the definition of a VIE.

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

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

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

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

Modified coinsurance agreement

The Group assumes insurance risk via a modified coinsurance agreement from a direct insurer, which qualifies as a VIE. The Group assumes the majority of the mortality and investment risk in the VIE. In addition, the Group has the power over the investment management and policyholder administration. As these are the activities that most significantly impact the entity's economic performance, the Group qualifies as the primary beneficiary and consolidates the entity. The Group will incur losses if mortality risk or the investment returns of the entity develop unfavourably.

The total assets of the modified coinsurance vehicles in which the Group is the primary beneficiary were USD 3 177 million as of 31 March 2011.

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 principle 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 in 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 when 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 March 2011, 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 5 243 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 1 070 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.

Certain debt financing vehicles are consolidated as the Group has power over the investment management, considered to be the activity that most significantly impacts the entity's 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 March 2011, the total assets of the debt financing vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 5 092 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 8 183 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 private equity investments, residential real estate and other.

As of 31 March 2011, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 3 625 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 714 million.

The Group did not provide financial or other support to any VIEs during 2011 that it was not previously contractually required to provide.

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 2010 and 31 March 2011:

		2010		**2011**
USD millions	Carrying value	Whereof restricted:	Carrying value	Whereof restricted:
Fixed income securities:				
Available-for-sale	8 842	8 842	8 753	8 753
Policy loans, mortgages and other loans	596	203	248	197
Short-term investments	1 329	1 329	1 163	1 163
Other invested assets	2 045	195	2 072	194
Cash and cash equivalents	968	966	514	510
Accrued investment income	82	82	86	86
Premiums and other receivables	10	10	10	10
Reinsurance recoverable on unpaid claims and policy benefits	11	11	8	8
Funds held by ceding companies	6	6	4	4
Income taxes recoverable	19	19	4	4
Acquired present value of future profits	36	36	27	27
Other assets	63	63	255	255
Total assets	14 007	11 762	**13 144**	**11 211**

	Carrying value	Whereof limited recourse:	Carrying value	Whereof limited recourse:
Unpaid claims and claim adjustment expenses	23	23	17	17
Liabilities for life and health policy benefits	1 182	1 182	1 178	1 178
Policyholder account balances	1 440	1 440	1 416	1 416
Funds held under reinsurance treaties	133	133	154	154
Reinsurance balances payable	8	8	7	7
Deferred and other non-current taxes	76	76	45	45
Short-term debt	3 200	1 485	2 113	1 133
Accrued expenses and other liabilities	530	136	1 261	451
Long-term debt	5 938	5 938	5 553	5 553
Total liabilities	12 530	10 421	**11 744**	**9 954**

As of 31 March 2011, the consolidation of the VIEs resulted in non-controlling interests in the balance sheet of USD 402 million (31 December 2010: USD 402 million). The net non-controlling interests in income were USD 1 million and USD 2 million net of tax for the three months ended 31 March 2010 and 2011, respectively.

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group holds a variable interest but is not the primary beneficiary as of 31 December 2010 and 31 March 2011:

USD millions	2010	2011
Fixed income securities:		
Available-for-sale	60	59
Trading	9	16
Other invested assets	1 406	1 351
Premiums and other receivables	2	2
Reinsurance recoverables	1 631	1 609
Deferred acquisition costs	2	2
Total assets	3 110	**3 039**
Funds held under reinsurance treaties	1 614	1 597
Short-term debt	406	430
Accrued expenses and other liabilities	885	612
Total liabilities	2 905	**2 639**

The following table shows the Group's assets, liabilities and maximum exposure to loss as of 31 December 2010 and 31 March 2011 which are related to VIEs in which the Group holds a variable interest but is not the primary beneficiary:

				2010				2011
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	1 890	1 665	2 197	532	1 878	1 626	2 147	521
Swaps in trusts	423	643	–[1]	–	358	408	–[1]	–
Debt financing	468		126	126	485		129	129
Other	329	597	1 184	587	318	605	1 233	628
Total	3 110	2 905	–[1]	–	**3 039**	**2 639**	**–[1]**	**–**

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

The liabilities of USD 1 626 million as of 31 March 2011 for insurance-linked and credit-linked securitisations represent funds held under reinsurance treaties.

The assets and liabilities for the swaps in trusts category 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 605 million recognised for the "Other" category relate mainly to collateral received.

Note on risk factors

General impact of adverse market conditions

Since 2007, the global financial markets have experienced extreme volatility and disruption, due in large part to turmoil affecting the liquidity of the banking system and the market reaction thereto. The impact of the turmoil in the financial markets was exacerbated by adverse macro-economic trends affecting a number of the principal economies. Volatility and disruption reached unprecedented levels in 2008 to 2009. Concerns remain regarding the financial markets and the health of major economies, driven in part by concerns over the sovereign debt of Greece, Ireland, Portugal and Spain and concerns over the pace of economic recovery. It is difficult to predict what the impact of market and economic conditions will be on the Group from a general business perspective or from a capital or liquidity perspective were conditions to again deteriorate or were austerity or stimulus measures adopted by governments in response to budget deficits and adverse economic conditions to be unsuccessful or harmful.

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

While many changes will impact banking institutions, some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on the Group. Changes are particularly likely to impact financial institutions designated as "systemically important", which designation is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms. Although, to date, the focus of reforms in respect of systemically important financial institutions principally has been on banks, there is an emerging focus on insurance companies as well. In addition, there appears to be a trend towards a more coordinated, centralised and stricter approach to insurance regulation specifically, in both the EU and the US. For example, a pan-European regulator for insurance companies, the European Insurance and Occupational Pension Authority, gained its regulatory powers on 1 January 2011 and will be able to overrule national regulators in certain circumstances. In the US, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury.

Changes may also occur in areas of broader application, such as competition policy and tax laws. Any number of these changes could apply to the Group and its operations. These changes could increase the costs of doing business, reduce access to liquidity, limit the scope of business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

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

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

Credit risk
Like other financial institutions, the Group was adversely impacted by the deterioration in the credit markets in 2008 – 2009. Although the Group has taken significant steps to de-risk its portfolio and reposition its assets, if the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience further losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to deteriorate again, the Group could face further write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could once again face difficulties in valuing credit-related instruments.

Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

Liquidity risks

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

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

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

Counterparty risks

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

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

Risks relating to credit rating downgrades

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

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

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

Legal and regulatory risks

The Group has been named, from time to time, as a defendant in various legal actions in connection with its operations. The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years. The Group could also be subject to risk from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm its business.

A number of lawsuits have been filed against financial service firms raising claims tied to the unprecedented market turmoil. The Group cannot predict whether it could be subject to further claims arising out of the market turmoil or otherwise.

Insurance, operational and other risks
As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, industrial accidents, explosions, industrial actions, fires and pandemics) may expose the Group to unexpected large losses, competitive conditions, cyclicality of the industry, risks related to emerging claims and coverage issues, risks arising from the Group's dependence on policies, procedures and expertise of ceding companies, and risks related to the failure of operational systems and infrastructure. Even natural catastrophe events that occur in relatively sparsely populated areas, such as the volcanic eruption in Iceland in April 2010, can have severe and wide-reaching economic impact. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group.

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

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

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

Cautionary note on forward-looking statements

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

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re's actual results, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Such factors include, among others:

- further instability affecting the global financial system and developments related thereto;
- changes in global economic conditions;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls under derivative contracts due to actual or perceived deterioration of Swiss Re's financial strength;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to its mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of one or more of the companies in the Group or developments adversely affecting the ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality and morbidity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies, and regulatory or legal actions;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions, including, in the case of acquisitions, issues arising in connection with integrating acquired operations;
- changing levels of competition;
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks; and
- challenges in implementation, adverse responses of counterparties, regulators or rating agencies, or other issues arising from, or otherwise relating to, the changes in Swiss Re's corporate structure.

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

Corporate calendar and contact information

Corporate calendar
4 August 2011
Second quarter 2011 results

3 November 2011
Third quarter 2011 results

9 December 2011
Investors´ Day

16 February 2012
2011 annual results

4 May 2012
First quarter 2012 results

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