Financial statements

Contents

Income statement

For the years ended 31 December

CHF millions	Note	2006	2007
Revenues			
Premiums earned	8,15	29 515	**31 664**
Fee income from policyholders	8,15	879	**955**
Net investment income	2,15	7 991	**10 692**
Net realised investment gains/losses	2,15	2 106	**–739**
Other revenues		280	**302**
Total revenues		40 771	**42 874**
Expenses			
Claims and claim adjustment expenses	7,8,15	–11 799	**–12 065**
Life and health benefits	8,15	–9 594	**–11 112**
Interest credited to policyholders	15	–2 827	**–2 120**
Acquisition costs	8,15	–6 079	**–6 499**
Other expenses	15	–3 590	**–4 077**
Interest expenses		–1 026	**–1 814**
Total expenses		–34 915	**–37 687**
Income before income tax expense		5 856	**5 187**
Income tax expense	10	–1 296	**–1 025**
Net income		4 560	**4 162**
Earnings per share in CHF			
Basic	9	13.49	**11.95**
Diluted	9	12.53	**11.23**

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

Please refer to Note 18 for a description of the changes in presentation and disclosure.

Balance Sheet

As of 31 December

Assets

CHF millions	Notes	2006	2007
Investments	2,3		
Fixed income securities:			
Available-for-sale, at fair value (including 18 744 in 2006 and 9 045 in 2007 subject to securities lending and repurchase agreements) (amortised cost: 2006: 92 151; 2007: 105 995)		93 127	**107 810**
Trading (including 10 980 in 2006 and 15 000 in 2007 subject to securities lending and repurchase agreements)		44 662	**51 793**
Equity securities:			
Available-for-sale, at fair value (including 923 in 2006 and 1 528 in 2007 subject to securities lending and repurchase agreements) (cost: 2006: 8 839 ; 2007: 9 039)		10 845	**10 759**
Trading		22 502	**22 103**
Policy loans, mortgages and other loans		8 074	**7 414**
Investment real estate		4 227	**2 682**
Short-term investments, at amortised cost which approximates fair value		9 757	**8 786**
Other invested assets		11 044	**16 465**
Total investments		204 238	**227 812**
Cash and cash equivalents		13 606	**11 531**
Accrued investment income		1 966	**2 139**
Premiums and other receivables		14 771	**14 341**
Reinsurance recoverable on unpaid claims and policy benefits	8	18 699	**14 232**
Funds held by ceding companies		14 211	**14 205**
Deferred acquisition costs	5,8	5 270	**5 152**
Acquired present value of future profits	5	7 550	**6 769**
Goodwill		4 838	**4 897**
Income taxes recoverable		714	**1 049**
Other assets		5 437	**5 160**
Total assets		291 300	**307 287**

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

Please refer to Note 18 for a description of the changes in presentation and disclosure.

Liabilities and shareholders' equity

CHF millions	Notes	2006	2007
Liabilities			
Unpaid claims and claim adjustment expenses	7,8	95 011	**88 528**
Liabilities for life and health policy benefits	8	44 899	**50 026**
Provisions for linked liabilities	8	42 834	**41 340**
Unearned premiums		8 025	**7 722**
Funds held under reinsurance treaties		10 531	**8 377**
Reinsurance balances payable		6 832	**5 384**
Income taxes payable		866	**679**
Deferred and other non-current taxes	10	2 685	**3 817**
Short-term debt	6	9 118	**12 658**
Accrued expenses and other liabilities		24 877	**33 552**
Long-term debt	6	14 738	**23 337**
Total liabilities		260 416	**275 420**
Shareholders' equity			
Common stock, CHF 0.10 par value		37	**37**
2006: 374 440 378; 2007: 370 386 755 shares authorised and issued			
Additional paid-in capital		11 136	**11 208**
Treasury shares		–272	**–1 540**
Accumulated other comprehensive income:			
Net unrealised investment gains, net of deferred taxes		2 230	**3 119**
Cumulative translation adjustments		–205	**–2 554**
Accumulated adjustment for pension and post-retirement benefits		–724	**–115**
Total accumulated other comprehensive income		1 301	**450**
Retained earnings		18 682	**21 712**
Total shareholders' equity		30 884	**31 867**
Total liabilities and shareholders' equity		291 300	**307 287**

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

Statement of shareholders' equity

For the years ended 31 December

CHF millions	2006	2007
Common shares		
Balance as of 1 January	32	**37**
Issue of common shares	5	
Balance as of period end	37	**37**
Additional paid-in capital		
Balance as of 1 January	6 852	**11 136**
Issue of common shares	4 234	**38**
Share based compensation	57	**–18**
Realised gains/losses on treasury shares	–7	**52**
Balance as of period end	11 136	**11 208**
Treasury shares		
Balance as of 1 January	–209	**–272**
Purchase of treasury shares	–284	**–2 574**
Sale of treasury shares	221	**1 306**
Balance as of period end	–272	**–1 540**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	1 908	**2 230**
Change during the year	322	**889**
Balance as of period end	2 230	**3 119**
Foreign currency translation		
Balance as of 1 January	971	**–205**
Change during the year	–1 176	**–2 349**
Balance as of period end	–205	**–2 554**
Adjustments for pension and other post-retirement benefits		
Balance as of 1 January	–59	**–724**
Change during the year	–665	**609**
Balance as of period end	–724	**–115**
Retained earnings		
Balance as of 1 January	14 898	**18 682**
Net income	4 560	**4 162**
Dividends on common shares	–776	**–1 162**
Cumulative effect of adoption of FIN 48		**30**
Balance as of period end	18 682	**21 712**
Total shareholders' equity	30 884	**31 867**

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

Statement of comprehensive income

For the years ended 31 December

CHF millions	2006	2007
Net income	4 560	**4 162**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses (tax:178 in 2006 and 213 in 2007)	322	**889**
Change in foreign currency translation (tax: 38 in 2006 and –201 in 2007)	–1 176	**–2 349**
Change in adjustment for pension benefits (tax: 210 in 2006 and –194 in 2007)	–665	**609**
Comprehensive income	3 041	**3 311**

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

Statement of cash flow

For the years ended 31 December

CHF millions	2006	2007
Cash flows from operating activities		
Net income	4560	**4162**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	886	**676**
Net realised investment gains/losses	–2106	**739**
Change in:		
Technical provisions, net	–2140	**–6434**
Funds held by ceding companies and other reinsurance balances	524	**–449**
Other assets and liabilities, net	2512	**2436**
Income taxes payable/recoverable	910	**672**
Income from equity-accounted investees, net of dividends received	–375	**–407**
Trading positions, net	–10966	**–13094**
Securities purchased/sold under agreement to resell/repurchase, net	7711	**7935**
Net cash provided/used by operating activities	1516	**–3764**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	59045	**51584**
Purchases	–46105	**–53537**
Net purchase/sale/maturities of short-term investments	–4149	**980**
Equity securities:		
Sales	7873	**6495**
Purchases	–8799	**–6244**
Cash paid/received for acquisitions/disposals and reinsurance transactions, net	–3506	**1615**
Net purchases/sales/maturities of other investments	–1394	**–1761**
Net cash provided/used by investing activities	2965	**–868**
Cash flows from financing activities		
Issuance of long-term debt	3925	**4342**
Issuance/repayment of short-term debt	–1042	**2057**
Equity issued	1323	**38**
Purchase/sale of treasury shares	–63	**–2303**
Dividends paid to shareholders	–776	**–1162**
Net cash provided/used by financing activities	3367	**2972**
Total net cash provided/used	7848	**–1660**
Reclassification to short-term investments	–2451	
Effect of foreign currency translation	–159	**–415**
Change in cash and cash equivalents	5238	**–2075**
Cash and cash equivalents as of 1 January	8368	**13606**
Cash and cash equivalents as of 31 December	13606	**11531**

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

Interest paid during 2007 was CHF 2018 million. The Group has reclassified CHF 2451 million from cash to short-term investments related to the assumption of matched funding business of Insurance Solutions in 2006. The Group settled a mandatory convertible bond totalling CHF 1024 million with equity, reducing treasury shares by the same amount.

Please refer to Note 18 for a description of the changes in presentation and disclosure.

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company (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, clients and others worldwide, through a network of offices in over 25 countries as well as through reinsurance brokers.

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. The Group's financial statements are stated in Swiss francs (CHF), the currency of the country in which Swiss Re Zurich is incorporated. All significant inter-company transactions and balances have been eliminated on consolidation.

To reflect the integration of the Financial Services business segment into the Group structure, the way in which certain disclosures are presented in the financial statements has been changed. The main changes include the reclassification of Financial Services assets, liabilities and trading revenues into existing balance sheet and income statement line items. The cash flow statement and the presentation of the business segments has been adjusted accordingly. Please refer to Note 18 for further details of the changes.

Principles of consolidation

The Group's financial statements include the consolidated financial statements of Swiss Re Zurich and its subsidiaries. Entities which Swiss Re Zurich directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group accounts. The Group also consolidates variable interest entities where Swiss Re is the primary beneficiary. Companies which Swiss Re Zurich does not control, but over which Swiss Re Zurich directly or indirectly exercises significant influence, are accounted for using the equity method and are included in other invested assets. The Swiss Re Group's share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

Use of estimates in the preparation of financial statements

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

Foreign currency remeasurement and translation

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

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

Valuation of financial assets

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange traded derivative instruments, most mortgage-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. There can also be differences between the market values implied by collateral requested by counterparties and the prices observed in the 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. For these assets or derivative structures, 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 consider appropriate values have been ascribed to such assets, current market conditions increase the level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above.

Investments

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

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

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

Policy loans, mortgages and other loans are carried at amortised cost (effective yield method), net of any allowance for the estimated uncollectible amounts.

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

Cash and cash equivalents

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

Deferred acquisition costs

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

Business combinations

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

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

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

Acquired present value of future profits

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

Goodwill

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

Other assets

Other assets include deferred expenses on retroactive reinsurance, separate account assets, prepaid reinsurance premiums, real estate for own use, property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

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

Separate account assets are carried at fair value. The investment performance (including interest, dividends, realised gains and losses and changes in unrealised gains and losses) of separate account assets and the corresponding amounts credited to the contract holder are offset to zero in the same line item in earnings.

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

Capitalised software costs

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

Deferred income taxes

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

Unpaid claims and claim adjustment expenses

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

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

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

Liabilities for life and health policy benefits

Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest assumptions for life and health reinsurance benefits liabilities range from 1% to 13%. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience. Liabilities for policy benefits are increased if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses.

The liability for accident and health policy benefits consists of active life reserves and the estimated present value of the remaining ultimate net costs of incurred claims. The active life reserves include unearned premiums and additional reserves. The additional reserves are computed on the net level premium method using assumptions for future investment yield, mortality and morbidity experience. The assumptions are based on projections of past experience and include provisions for possible adverse deviation.

Policyholder account balances

Policyholder account balances relate to universal life-type contracts and investment contracts. Interest crediting rates for policyholder account balances range from 3% to 10%.

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

Investment contracts are long-duration contracts that do not incorporate significant insurance risk. This means that there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder account balances. Related assets are included in general account assets.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses.

Funds held assets and liabilities

Funds held assets and liabilities include amounts retained by the ceding company or the Group for business written on a funds withheld basis, and amounts arising from the application of the deposit method of accounting to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk.

Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Premiums

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

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

Reinsurance ceded

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

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

Pensions and other post-retirement benefits

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

Share-based payment transactions

The Group has a long-term incentive plan, a fixed option plan, a restricted share plan, and an employee participation plan. These plans are described in more detail in Note 12. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

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

Treasury shares

Treasury shares are reported at cost in shareholders' equity. Treasury shares also include stand-alone derivative instruments indexed to the Group's shares that meet the requirements for classification in shareholders' equity as well as embedded derivative instruments indexed to the Group's shares, which are bifurcated from the host contract and meet the requirements for classification in shareholders' equity.

Earnings per common share

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

New accounting pronouncements

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognised in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of 1 January, 2007. The impact of the provisions of FIN 48 is described within Note 10.

In September 2006, the Financial Accounting Standards Board issued SFAS No. 158 "Employers Accounting for Defined Benefit Pension and Other Post Retirement Plans" (SFAS 158). SFAS 158 requires an employer to recognise the over-funded or under-funded status of a defined benefit post-retirement plan as an asset or liability and to recognise changes in that funded status in the year in which the changes occur through comprehensive income. The Group adopted the provisions of FAS 158 for the year ended 31 December 2006 except for the provision to measure plan assets and benefit obligations as of the date of the employer's fiscal year end statement of financial conditions. The Group will adopt this final provision in the first quarter of 2008.

In September 2005, the AICPA released SOP 05-1 "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts" (SOP 05-1). The adoption of SOP 05-1 from 1 January 2007 did not have a material impact on the Group's financial statements.

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157 "Fair Value Measurements" (SFAS 157). SFAS 157 establishes a new definition and framework for determining fair value and expands the required disclosures for assets and liabilities recorded at fair value. This statement applies to all assets and liabilities measured at fair value which are required or allowed by other standards with limited exceptions. The Group will adopt SFAS 157 in the first quarter of 2008.

In February 2007, the Financial Accounting Standards Board issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). SFAS 159 enables entities to elect to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis and expands the ability to use fair value measurements with financial instruments and certain other items not currently permitted to be measured at fair value. SFAS 159 also provides for financial statement presentation guidance and disclosure requirements. The Group will adopt SFAS 159 in the first quarter of 2008.

2 Investments

Please refer to Note 18 for a description of the changes in presentation and disclosure.

Investment income

Net investment income by source was as follows:

CHF millions	2006	2007
Fixed income securities	5 732	**7 516**
Equity securities	721	**888**
Policy loans, mortgages and other loans	618	**604**
Investment real estate	156	**221**
Short-term investments	355	**494**
Other current investments	48	**577**
Equity in earnings of equity-accounted investees	389	**410**
Cash and cash equivalents	294	**351**
Deposits with ceding companies	680	**777**
Gross investment income	8 993	**11 838**
Investment expenses	–404	**–612**
Interest charged for funds held	–598	**–534**
Net investment income	7 991	**10 692**

Dividends received from investments accounted for using the equity method were CHF 14 million and CHF 3 million in 2006 and 2007, respectively.

Net investment income includes income on unit-linked business of CHF 670 million and CHF 749 million in 2006 and 2007, respectively, which is credited to unit-linked policyholders.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments were as follows:

CHF millions	2006	2007
Fixed income securities available-for-sale		
Gross realised gains	922	**621**
Gross realised losses	–591	**–670**
Equity securities available-for-sale		
Gross realised gains	1 151	**1 714**
Gross realised losses	–189	**–159**
Other-than-temporary impairments	–156	**–647**
Net realised investment gains/losses on trading securities	439	**–917**
Change in net unrealised investment gains on trading securities	1 763	**298**
Other investments		
Gross realised/unrealised gains/losses	56	**356**
Exchange gains/losses	–1 289	**–1 335**
Net realised investment gains/losses	2 106	**–739**

Proceeds from fixed income securities available-for-sale amounted to CHF 44 356 million in 2007 (2006: CHF 53 720 million) and sales of equity securities available-for-sale amounted to CHF 6 668 million in 2007 (2006: CHF 7 881 million).

Net realised investment gains/losses include income on unit-linked business of CHF 1 319 million and CHF 512 million in 2006 and 2007, respectively, which is credited to unit-linked policyholders.

Investments available-for-sale

Amortised cost or cost and estimated fair values of investments in fixed income and equity securities classified as available-for-sale were as follows:

As of 31 December 2006 CHF millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	29 555	190	–598	29 147
States of the United States and political subdivisions of the states	676	34	–2	708
United Kingdom	5 280	87	–54	5 313
Canada	3 239	755	–12	3 982
Germany	2 293	4	–28	2 269
France	1 537	12	–18	1 531
Other	7 455	212	–66	7 601
Total	50 035	1 294	–778	50 551
Corporate debt securities	26 836	921	–373	27 384
Mortgage-backed and asset-backed securities	15 280	102	–190	15 192
Fixed income securities available-for-sale	92 151	2 317	–1 341	93 127
Equity securities available-for-sale	8 839	2 268	–262	10 845

As of 31 December 2007 CHF millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	22 743	678	–96	23 325
States of the United States and political subdivisions of the states	1 417	46	–11	1 452
United Kingdom	11 096	261	–65	11 292
Canada	3 708	1 040	–4	4 744
Germany	2 228	50	–22	2 256
France	1 196	11	–24	1 183
Other	7 293	281	–41	7 533
Total	49 681	2 367	–263	51 785
Corporate debt securities	25 117	650	–747	25 020
Mortgage-backed and asset-backed securities	31 197	246	–438	31 005
Fixed income securities available-for-sale	**105 995**	**3 263**	**–1 448**	**107 810**
Equity securities available-for-sale	**9 039**	**2 205**	**–485**	**10 759**

After the balance sheet date, the Group took a decision to sell and has sold a substantial part of its proprietary equity securities available-for-sale portfolio in response to recent market developments.

Investments trading

Fixed income securities and equity securities classified as trading were as follows:

CHF millions	2006	2007
Debt securities issued by governments and government agencies	14 609	**14 738**
Corporate debt securities	17 911	**18 894**
Mortgage-backed and asset-backed securities	12 142	**18 161**
Fixed income securities trading	44 662	**51 793**
Equity securities trading	22 502	**22 103**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2006 and 2007, CHF 5 426 million and CHF 5 169 million, respectively, of fixed income securities were callable.

As of 31 December CHF millions	Amortised cost or cost	2006 Estimated fair value	Amortised cost or cost	**2007** Estimated fair value
Due in one year or less	5 768	5 804	**6 643**	**4 149**
Due after one year through five years	26 196	26 171	**20 156**	**23 241**
Due after five years through ten years	19 224	19 129	**17 819**	**18 075**
Due after ten years	25 683	26 831	**30 180**	**31 340**
Mortgage-backed and asset-backed securities with no fixed maturity	15 280	15 192	**31 197**	**31 005**
Total fixed income securities available-for-sale	92 151	93 127	**105 995**	**107 810**

Assets on deposit or pledged

As of 31 December 2006 and 2007, investments with the carrying value of CHF 1 565 million and CHF 1 438 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 2006 and 2007, investments (including cash and cash equivalents) with a carrying value of approximately CHF 14 728 million and CHF 9 262 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

The Group has adjusted the classification of investments placed on deposit or repledged to secure certain reinsurance liabilities for 2006. The revision has no impact on reported balance sheet items, shareholders' equity or net income.

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

As of 31 December 2006 and 2007, the fair value of the government and corporate bond securities received as collateral, was CHF 6 502 million and CHF 17 142 million, respectively. Of this, the amount that has been sold or repledged as of 31 December 2006 and 2007 was CHF 5 450 million and CHF 16 802 million, respectively, which was used to settle short government bond positions. The sources of the collateral are highly rated banking market counterparties.

Unrealised losses on fixed income 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 2006 and 2007. A continuous decline in the value of equity securities available-for-sale for longer than twelve months is considered other-than-temporary and recognised as net realised investment gains/losses in the income statement. Therefore, as of 31 December 2006 and 2007, the gross unrealised loss on equity securities available-for-sale of CHF 262 million and CHF 485 million relates to declines in value for less than 12 months.

As of 31 December 2006 CHF millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies	20 633	295	13 443	483	34 076	778
Corporate debt securities	6 362	104	2 618	269	8 980	373
Mortgage-backed and asset-backed securities	4 939	51	4 138	139	9 077	190
Total	31 934	450	20 199	891	52 133	1 341

As of 31 December 2007 CHF millions	**Less than 12 months** Fair value	 Unrealised losses	**12 months or more** Fair value	 Unrealised losses	**Total** Fair value	 Unrealised losses
Debt securities issued by governments and government agencies	6 960	79	6 349	184	13 309	263
Corporate debt securities	9 379	432	3 495	315	12 874	747
Mortgage-backed and asset-backed securities	11 044	317	4 573	121	15 617	438
Total	**27 383**	**828**	**14 417**	**620**	**41 800**	**1 448**

An assessment of whether an other-than-temporary decline in the value of equity and fixed income securities available-for-sale has occurred as of the balance sheet date is based on a case-by-case evaluation of the reasons behind the decline in value. This evaluation includes: (a) an assessment of the duration and extent of the decline in value; (b) review of the financial performance and outlook for the economic environment and industry in which the issuer operates; (c) review of the financial performance and outlook for the issuer compared to industry peers; and (d) analysis of any other factors, including credit rating, that may adversely affect the Group's intent and ability to hold the investment long enough to allow for any anticipated recovery. Other-than-temporary declines in the value of equity and fixed income securities available-for-sale are recognised as net realised investment gains/losses in the income statement.

The Group may sell available-for-sale equity or fixed income securities at a loss in subsequent periods having previously asserted the intent and ability to hold such securities until recovery. Such sales may only take place in response to changes in market conditions or other circumstances that occur after the balance sheet date. As a result, the Group recognises the associated realised losses in the period in which the decision to sell the securities is taken.

Mortgages, loans and real estate

As of 31 December 2006 and 2007, investments in mortgages and other loans and real estate comprised the following:

	2006		2007	
CHF millions	Carrying value	Fair value	Carrying value	Fair value
Policy loans, mortgages and other loans	8074	8074	**7414**	**7414**
Investment real estate	4227	5389	**2682**	**3937**

As of 31 December 2006 and 2007, the Group's investment in mortgages and other loans included CHF 231 million and CHF 216 million, respectively, of loans due from employees and CHF 388 million and CHF 415 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2006 and 2007, investments in real estate included CHF 67 million and CHF 64 million, respectively, of real estate held for sale.

Depreciation expense related to income-producing properties was CHF 34 million and CHF 57 million for 2006 and 2007, respectively. Accumulated depreciation on investment real estate totalled CHF 444 million and CHF 508 million as of 31 December 2006 and 2007, respectively.

Substantially all mortgages and other loans receivable are secured by buildings, land or the underlying policies. The ultimate collectibility of the receivables is evaluated regularly and an appropriate allowance for uncollectible amounts is established.

3 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 fair values below 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 set-off in the event of default, which substantially reduces credit exposure.

The maximum potential loss assuming non-performance by all counterparties, and based on the market replacement cost as of 31 December 2006 and 2007 approximated CHF 2 220 million and CHF 6 713 million, respectively. These values are net of amounts offset pursuant to rights of set-off and qualifying master netting arrangements with various counterparties. The fair value of derivatives outstanding as of 31 December 2006 and 2007 was as follows:

CHF millions	2006 Positive fair value	2006 Negative fair value	2006 Carrying value assets/liabilities	**2007** Positive fair value	2007 Negative fair value	2007 Carrying value assets/liabilities
Interest rate contracts						
Forwards and futures	24	–71	–47	**88**	**–396**	**–308**
Swaps	2 863	–3 062	–199	**5 330**	**–5 483**	**–153**
Other				**101**	**–101**	
Total	2 887	–3 133	–246	**5 519**	**–5 980**	**–461**
Equity and index contracts						
Forwards and futures	260	–343	–83	**670**	**–672**	**–2**
Options	1 999	–2 146	–147	**2 763**	**–1 997**	**766**
Swaps	202	–148	54	**290**	**–131**	**159**
Other		–11	–11	**57**	**–11**	**46**
Total	2 461	–2 648	–187	**3 780**	**–2 811**	**969**
Foreign currency						
Options	279	–284	–5	**407**	**–359**	**48**
Swaps	1 286	–1 496	–210	**2 034**	**–2 821**	**–787**
Total	1 565	–1 780	–215	**2 441**	**–3 180**	**–739**
Other derivatives						
Credit derivatives	1 427	–1 041	386	**4 011**	**–4 071**	**–60**
Catastrophe derivatives				**1**	**–11**	**–10**
Weather derivatives	95	–124	–29	**3**	**–12**	**–9**
Other	133	–205	–72	**40**	**–97**	**–57**
Total	1 655	–1 370	285	**4 055**	**–4 191**	**–136**
Total derivative financial instruments	8 568	–8 931	–363	**15 795**	**–16 162**	**–367**

The Group offsets derivative assets and liabilities including certain derivative related collateral contracts in the balance sheet, for which there is a right of offset under master netting agreements.

As of 31 December 2006 and 2007, other invested assets included derivative financial instruments with a fair value of CHF 2 804 million and CHF 6 168 million, respectively.

As of 31 December 2006 and 2007, other accrued expenses and other liabilities included derivative financial instruments with a fair value of CHF 3 167 million and CHF 6 535 million, respectively.

These derivative financial instruments include cash flow hedges with a fair value of CHF 31 million and CHF 21 million as of 31 December 2006 and 2007, respectively.

Hedges of the net investment in a foreign operation

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

For the years ended 31 December 2006 and 2007, the Group recorded net unrealised foreign currency remeasurement losses in shareholders' equity of CHF 96 million and CHF 668 million, respectively. This offsets translation gains and losses on the hedged net investment.

4 Acquisitions

On 9 June 2006, Swiss Re completed the acquisition of 100% of the outstanding common shares of GE Insurance Solutions Corporation, excluding its US life and health operation and certain other assets and liabilities, from General Electric Company.

The purchase price has been allocated based on a preliminary estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition.

Property and casualty reserves, both assumed and ceded, have been adjusted based on an estimate of their fair value as of the date of the acquisition. Such estimates include the best estimate of the ultimate claims payments and receipts and the timing of those payments. The estimated payments have been discounted and adjusted for the expected cost of holding capital to support the reinsurance assets and liabilities.

In conjunction with the acquisition, Swiss Re had identified certain areas, mainly with respect to property and casualty reserves, where more information was required. Having obtained this information, Swiss Re has revised the initial estimate in line with the established methodology described above.

The revised estimate resulted in an increase in property and casualty reserves, net of tax, of CHF 333 million, partly offset by other revisions to assets acquired and liabilities assumed, with a net increase in goodwill of CHF 249 million in the second quarter 2007, compared to year end 2006.

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

CHF millions	DAC	2006 PVFP	DAC	2007 PVFP
Balance as of 1 January	5 393	6 535	**5 270**	**7 550**
Deferred	4 161		**4 123**	
Effect of acquisitions/disposals and retrocessions		1 443		**265**
Amortisation	–4 100	–790	**–3 984**	**–977**
Interest accrued on unamortised PVFP		413		**382**
Effect of foreign currency translation	–184	–245	**–257**	**–458**
Effect of change in unrealised gains/losses		194		**7**
Balance as of 31 December	5 270	7 550	**5 152**	**6 769**

The amortisation of DAC in 2007 represents CHF 3 784 million and CHF 200 million for the Property & Casualty and Life & Health business segments, respectively.

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.

The percentage of PVFP which is expected to be amortised in each of the next five years is 6%, 6%, 5%, 5% and 5%, respectively.

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. The Group's debt as of 31 December 2006 and 2007 was as follows:

CHF millions	2006	2007
Senior financial debt	1917	**1254**
Senior operational debt	7201	**10478**
Subordinated financial debt		**926**
Short-term debt – financial and operational debt	9118	**12658**
Senior financial debt	2482	**1367**
Senior operational debt	6765	**8074**
Subordinated financial debt	5491	**6330**
Subordinated operational debt		**7566**
Long-term debt – financial and operational debt	14738	**23337**
Total debt	23856	**35995**

Maturity of long-term debt

As of 31 December 2006 and 2007, long-term debt as reported above had the following maturities:

CHF millions	2006	2007
Due in 2008	1935	**0**[1]
Due in 2009	1818	**2381**
Due in 2010	1201	**1245**
Due in 2011	917	**1730**
Due in 2012	56	**1167**
Due after 2012	8811	**16814**
Total carrying value	14738	**23337**
Total fair value	15081	**23266**

[1] This balance was reclassified to short-term debt.

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in CHF millions
2009	3 EMTN	2004	EUR	20	various	33
2009	EMTN	2004	JPY	5 000	0.81%	51
2009	3 EMTN (zero coupon notes)	2004	USD	37	various	41
2009	EMTN	2005	CHF	300	1.25%	300
2009	EMTN	2005	JPY	3 000	0.41%	30
2009	EMTN	2006	CHF	300	3M Libor + 0.5bp	301
2009	EMTN	2006	CHF	200	2.50%	203
2009	Private placement	2006	CHF	175	2.59%	175
2009	Mandatory convertible bond	2006	CHF	610	9.80%	609
2009	EMTN	2007	JPY	5 000	6M Libor + 3bp	51
2009	EMTN	2007	JPY	8 000	0.32%	80
2009	EMTN	2007	USD	30	3M Libor – 15bp	34
2009	EMTN	2007	GBP	100	3M Libor + 2bp	225
2009	EMTN	2007	EUR	150	3M Euribor + 3bp	248
2010	Senior notes[1]	2000	USD	350	7.50%	441
2010	EMTN (amortising bond)	2003	GBP	30	4.38%	68
2010	2 EMTN	2005	CHF	625	various	625
2010	EMTN	2005	CZK	300	2.88%	19
2011	Credit-linked note	2006	USD	735	3M Libor – 95.51bp	832
2011	EMTN	2007	CHF	250	3.13%	250
2011	Insurance-linked placement	2007	EUR	110	3.83%	35
2012	Credit-linked note	2007	USD	980	3M Libor – 89.87bp	1 110
2015	EMTN (straight bond)	2001	CHF	150	4.00%	151
2016	Credit-linked note	2007	USD	295	3M Libor	335
2017	Credit-linked note	2000	USD	39	various	1
2019	Senior notes[1]	1999	USD	400	6.45%	485
2026	Senior notes[1]	1996	USD	600	7.00%	770
2030	Senior notes[1]	2000	USD	350	7.75%	476
2032	Principal protected structured note	2007	USD	35	zero coupon	40
Various	Payment undertaking agreements	various	various	various	various	1 422
Total senior debt as of 31 December 2007						**9 441**
Total senior debt as of 31 December 2006						9 247

[1] Assumed in the acquisition of GE Insurance Solutions

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate...	... first call in	Book value in CHF millions
2021	Convertible bond	2001	USD	1 150	3.25%	2011	1 285
2047	Subordinated private placement (amortising)[1]	2007	GBP	1 584	4.96%		3 569
2057	Subordinated private placement (amortising)[1]	2007	GBP	1 774	4.79%		3 997
	Subordinated perpetual loan	1998	DEM	110	6M Libor + 45bp	2010	93
	Subordinated perpetual bond (SUPERBs)	1999	CHF	600	3.75%	2011	594
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 645
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	851
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	1 121
	Subordinated perpetual loan note	2007	AUD	750	variable	2017	741
Total subordinated debt as of 31 December 2007							**13 896**
Total subordinated debt as of 31 December 2006							5 491

[1] This debt is resulting from a single transaction and is non-recourse.

Swiss Re 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 strong 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. As of 31 December 2006 and 2007, operational leverage and financial intermediation liabilities amounted to CHF 32.4 billion (thereof CHF 2.5 billion non-recourse) and CHF 52.4 billion (thereof CHF 9.8 billion non-recourse), respectively.

Interest expense on long-term debt

Interest expense on long-term debt for the years ended 31 December 2006 and 2007, respectively, was as follows:

CHF millions	2006	2007
Senior financial debt	121	**83**
Senior operational debt	216	**424**
Subordinated financial debt	221	**327**
Subordinated operational debt		**163**
Total	558	**997**

Long-term debt issued in 2007

In January 2007, the Group issued insurance-linked securities of EUR 110 million, bearing interest at the rate of 3.83% and due in four years.

In March 2007, the Group issued GBP 500 million subordinated step-up loan notes with a perpetual term bearing interest at the rate of 6.30%.

In April 2007, the Group issued AUD 750 million subordinated step-up loan notes with a perpetual term, AUD 300 million bearing interest at the rate of 7.64% and AUD 450 million bearing interest at the rate of six-month Australian bank bill short-term rate plus 117 basis points. In order to achieve favourable capital treatment from regulators and rating agencies, both instruments require Swiss Re, in specified circumstances (which relate to changes in the financial condition of Swiss Re) either to defer interest otherwise payable or to settle such interest through the issue of its shares or certain other types of securities.

Further, the Group issued a subordinated private placement of GBP 1 620 million, bearing interest at the rate of 4.96% with forty years maturity.

In June 2007, under the EMTN programme, the Group issued JPY 5 000 million with a two-year maturity and a coupon of six-month Libor plus 3 basis points, JPY 8 000 million with a two-year maturity and a coupon of 0.32%, and CHF 250 million with a four-year maturity and a coupon of 3.13%. Further, the Group issued a credit linked note of USD 980 million, due in June 2012, bearing interest of three-month Libor minus 89.87 basis points.

In July 2007, the Group issued EUR 150 million under the EMTN programme, with a two-year maturity and a coupon of three-month Euribor plus 3 basis points, GBP 100 million with a two-year maturity and a coupon of three-month Libor plus 2 basis points.

In September 2007, the Group issued a credit linked note of USD 295 million, due in 2016, bearing interest of three-month USD Libor flat.

In October 2007, the Group issued a principal protected structured note of USD 35 million, due in 2032, with zero percent coupon.

In November 2007, the Group issued a subordinated private placement of GBP 1 770 million, bearing interest at the rate of 4.79% with a fifty years maturity.

In December 2007, the Group issued a structured EMTN of USD 30 million, due in 2009, bearing interest of three-month USD Libor less 15 basis points.

Additional funding resources

As additional resources to meet funding requirements, Swiss Re has access to the US commercial paper market through its USD 1.5 billion programme, as well as back-up credit lines and committed repurchase facilities in place with various banks.

7 Unpaid claims and claim adjustment expenses

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

CHF millions	2006	2007
Non-life	80 391	**73 171**
Life and Health	14 620	**15 357**
Total	95 011	**88 528**

A reconciliation of the beginning and ending reserve balances for non-life unpaid claims and claim adjustment expenses for the periods is presented as follows:

CHF millions	2006	2007
Balance as of 1 January	59 104	**80 391**
Reinsurance recoverable	–2 555	**–7 622**
Deferred expense on retroactive reinsurance	–1 057	**–875**
Net	55 492	**71 894**
Incurred related to:		
Current year	12 292	**11 945**
Prior year	–593	**–205**
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	100	**92**
Total incurred	11 799	**11 832**
Paid related to:		
Current year	–2 853	**–1 767**
Prior year	–10 538	**–12 285**
Total paid	–13 391	**–14 052**
Foreign exchange	–1 796	**–2 567**
Effect of acquisitions, disposals, new retroactive reinsurance and other items	19 790	**300**
Net	71 894	**67 407**
Reinsurance recoverable	7 622	**5 041**
Deferred expense on retroactive reinsurance	875	**723**
Balance as of 31 December	80 391	**73 171**

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

Asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1985, in particular in the area of US asbestos and environmental liability.

Due to the inherent uncertainties and assumptions on which these estimates are based, the Group cannot exclude the need to make further additions to these provisions in the future.

At the end of 2007 the Group carried net reserves for US asbestos, environmental and other long-latent health hazards equal to CHF 2 560 million. During 2007, the group incurred net losses of CHF 439 million and paid net against these liabilities CHF 204 million.

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

Prior year development

Claims development on prior years was broadly neutral during 2007. Adverse developments related to 2001 and prior underwriting years were balanced by the underwriting years 2002 to 2006, which continue to develop very favourably.

Reserves for asbestos and environmental pollution claims in the U.S. were increased during 2007. Experience on workers' compensation line of business continues to develop negatively, and industry statistics are showing a longer development pattern. The Group revised its reserves accordingly during the second half of 2007. The casualty line of business was negatively impacted by adverse development in product liability business and medical malpractice claims.

8 Reinsurance information

Premiums written, premiums earned and fees assessed against policyholders

CHF millions	Non-life	Life & Health	2006 Total	Non-life	Life & Health	2007 Total
Premiums written						
Direct	2256	1594	3850	**2742**	**2147**	**4889**
Assumed	16896	11050	27946	**17436**	**12029**	**29465**
Ceded	–979	–1738	–2717	**–1539**	**–1598**	**–3137**
Total premiums written	18173	10906	29079	**18639**	**12578**	**31217**
Premiums earned						
Direct	2242	1594	3836	**2838**	**2148**	**4986**
Assumed	17653	11116	28769	**17537**	**12101**	**29638**
Ceded	–1354	–1736	–3090	**–1376**	**–1584**	**–2960**
Total premiums earned	18541	10974	29515	**18999**	**12665**	**31664**
Fee income from policyholders						
Direct		756	756		**798**	**798**
Assumed		262	262		**293**	**293**
Ceded		–139	–139		**–136**	**–136**
Total fee income from policyholders		879	879		**955**	**955**

The Group has revised the classification of premiums written, premiums earned and fees assessed against policyholders between direct and assumed for 2006. The revision has no impact on total revenues, net income or net equity.

Claims and claim adjustment expenses

CHF millions	Non-life	Life & Health	2006 Total	Non-life	Life & Health	2007 Total
Claims						
Claims paid, gross	–16 825	–9 631	–26 456	**–17 897**	**–10 971**	**–28 868**
Claims paid, retro	3 434	1 731	5 165	**3 845**	**1 384**	**5 229**
Claims paid, net	–13 391	–7 900	–21 291	**–14 052**	**–9 587**	**–23 639**
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	3 720	–1 922	1 798	**4 846**	**–1 810**	**3 036**
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	–2 128	228	–1 900	**–2 859**	**285**	**–2 574**
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	1 592	–1 694	–102	**1 987**	**–1 525**	**462**
Claims and claim adjustment expenses; life and health benefits	–11 799	–9 594	–21 393	**–12 065**	**–11 112**	**–23 177**

Acquisition costs

CHF millions	Non-life	Life & Health	2006 Total	Non-life	Life & Health	2007 Total
Acquisition costs						
Acquisition costs, gross	–3 970	–2 596	–6 566	**–3 901**	**–3 021**	**–6 922**
Acquisition costs, retro	147	340	487	**67**	**356**	**423**
Acquisition costs, net	–3 823	–2 256	–6 079	**–3 834**	**–2 665**	**–6 499**

Reinsurance assets and liabilities

CHF millions	Non-life	Life & Health	2006 Total	Non-life	Life & Health	2007 Total
Assets						
Reinsurance recoverable	7 622	11 077	18 699	**5 041**	**9 191**	**14 232**
Deferred acquisition costs	1 440	3 830	5 270	**1 417**	**3 735**	**5 152**
Liabilities						
Unpaid claims and claim adjustment expenses	80 391	14 620	95 011	**73 171**	**15 357**	**88 528**
Life and health policy benefits		44 899	44 899		**50 026**	**50 026**
Policyholder account balances		42 834	42 834		**41 340**	**41 340**

9 Shareholders' equity

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

Dividends are declared in Swiss francs. For the years ended 31 December 2006 and 2007 the Group's dividends per share were CHF 2.50 and CHF 3.40, respectively.

	Years ended 31 December	
CHF millions (except share data)	2006	**2007**
Basic earnings per share		
Income available to common shares	4 560	**4 162**
Weighted average common shares outstanding	337 961 019	**348 214 512**
Net income per share in CHF	13.49	**11.95**
Effect of dilutive securities		
Change in income available to common shares due to convertible bonds	140	**143**
Change in average number of shares due to convertible bonds and employee options	37 275 628	**35 261 146**
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	4 700	**4 305**
Weighted average common shares outstanding	375 236 647	**383 475 658**
Net income per share in CHF	12.53	**11.23**

10 Income taxes

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

CHF millions	2006	2007
Current taxes	581	**482**
Deferred taxes	715	**543**
Income tax expense	1 296	**1 025**

Tax rate reconciliation

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

CHF millions	2006	2007
Income tax at the Swiss statutory tax rate of 21.3% and 21.0%, respectively	1 247	**1 089**
Increase/decrease in the income tax charge resulting from:		
Foreign income taxed at different rates	421	**247**
Impact of foreign exchange movements	35	**–125**
Disallowed expenses	36	**75**
Tax exempt income/dividends received deduction	–262	**–141**
Change in the valuation allowance	–228	**–41**
Change in statutory tax rates	–16	**–170**
FIN 48 including interest and penalties	0	**83**
Other, net	63	**8**
Total	1 296	**1 025**

Deferred and other non-current taxes

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

CHF millions	2006	2007
Deferred tax assets		
Income accrued/deferred	720	**667**
Technical provisions	1 941	**1 849**
Pension provisions	348	**148**
Benefit on loss carryforwards	2 063	**2 084**
Other	1 410	**1 397**
Gross deferred tax asset	6 482	**6 145**
Valuation allowance	–1 162	**–994**
Total	5 320	**5 151**
Deferred tax liabilities		
Present value of future profits	–2 469	**–1 710**
Income accrued/deferred	–767	**–500**
Bond amortisation	–230	**–203**
Deferred acquisition costs	–746	**–632**
Technical provisions	–1 577	**–1 113**
Unrealised gains on investments	–649	**–553**
Foreign exchange provisions	–374	**–446**
Other	–1 193	**–1 982**
Total	–8 005	**–7 139**
Deferred income taxes	–2 685	**–1 988**
FIN 48 liabilities including interest and penalties	0	**–1 829**
Deferred and other non-current taxes	–2 685	**–3 817**

Deferred taxes have not been recognised on the undistributed earnings of certain foreign subsidiaries to the extent the Company considers such earnings as being indefinitely reinvested abroad and does not expect to repatriate these earnings in the foreseeable future. The amount of such earnings included in consolidated retained earnings as of 31 December 2007 was approximately 6 430 million CHF. It is not practicable to estimate the amount of additional tax that might be payable if such earnings were not reinvested indefinitely.

As of 31 December 2007, the Group had CHF 6 526 million foreign net operating tax loss carryforwards, expiring as follows: CHF 56 million in 2008, CHF 30 million in 2009, CHF 36 million in 2010, CHF 48 million in 2011, CHF 27 million in 2012 and CHF 6 329 million after 2012. The Group also had capital loss carryforwards of CHF 337 million, expiring as follows: CHF 6 million in 2008, CHF 279 million in 2009, CHF 8 million in 2010, CHF 26 million in 2011 and CHF 18 million after 2012. Net operating losses of CHF 1 540 million were utilised or expired during 2007.

Income taxes paid in 2006 and 2007 were CHF 742 million and CHF 570 million, respectively.

FIN 48

The Group adopted FIN 48 on 1 January 2007 and recognised a decrease of CHF 30 million in the liability for unrecognised tax benefits. The decrease was reported as an adjustment to the opening balance of retained earnings. A reconciliation of the beginning and ending amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

CHF millions	2007
Balance as of 1 January	1 667
Additions based on tax positions of the current year	233
Additions for tax positions of prior years	259
Reductions for tax positions of prior years	–89
Settlements	–106
Reductions due to lapse of applicable statute of limitations	–
Balance as of 31 December	**1 964**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately CHF 1 400 million and CHF 1 535 million at 1 January 2007 and 31 December 2007, respectively. Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense for the year ending 31 December 2007 was CHF 131 million. As at 1 January 2007 and 31 December 2007, CHF 150 million and CHF 240 million, respectively, has been accrued for the payment of interest (net of tax benefits) and penalties. The 31 December 2007 accrued interest balance is included within the deferred and other non-current taxes section reflected above and in the statement of financial position.

The 31 December 2007 balance of gross unrecognised tax benefits presented in the table above is greater than the FIN 48 liability reflected in the deferred and other non-current taxes section due to the impact of tax positions which offset loss carryforwards (CHF 375 million) and the removal of interest expense (CHF 240 million). Unrecognised tax benefits which have created certain loss carryforwards are net, whereby the statement of financial position does not reflect a deferred tax asset for the attribute or a liability for the unrecognised tax benefit.

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

The following table summarises tax years that remain subject to examination in jurisdictions of significance to the Group:

Switzerland	2004 – 2007
Germany	1997 – 2007
United States	2002 – 2007
United Kingdom	2005 – 2007
Canada	2002 – 2007

11 Benefit plans

Defined benefit pension plans and post-retirement benefits

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

Effective from 1 January 2007, Swiss Re has changed the structure of its Swiss pension plan to a defined contribution scheme. The plan will continue to be accounted for as a defined benefit plan under US GAAP.

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

The measurement date of these plans is 30 September for each year presented (except for one UK pension plan with a measurement date as of 31 December).

	Swiss plans pension benefits		Foreign plans pension benefits		Other benefits	
CHF millions	2006	**2007**	2006	**2007**	2006	**2007**
Benefit obligation as of 1 January	2 803	**2 893**	1 712	**2 349**	620	**670**
Service cost	115	**98**	63	**70**	38	**28**
Interest cost	83	**88**	92	**122**	23	**20**
Amendments	50					
Actuarial gains/losses	–81	**–209**	106	**–183**	–12	**–231**
Benefits paid	–80	**–158**	–52	**–73**	–13	**–13**
Employee contribution		**16**		**1**		
Acquisitions/disposals			416	**8**	28	
Effect of curtailment and termination benefits	3	**15**	–7	**–2**		
Effect of foreign currency translation			19	**–80**	–14	**–12**
Benefit obligation as of 31 December	2 893	**2 743**	2 349	**2 212**	670	**462**
Fair value of plan assets as of 1 January	2 678	**2 920**	1 191	**1 543**		
Actual return on plan assets	207	**275**	105	**146**		
Company contribution	115	**116**	76	**410**	13	**13**
Benefits paid	–80	**–158**	–52	**–73**	–13	**–13**
Employee contribution		**16**		**1**		
Acquisitions/disposals			215	**10**		
Effect of foreign currency translation			8	**–67**		
Fair value of plan assets as of 31 December	2 920	**3 169**	1 543	**1 970**		
Funded status	27	**426**	–806	**–242**	–670	**–462**

Actuarial gains arising from experience adjustments as well as changes in actuarial assumptions for the benefit obligation resulted in an unrealised gain in 2007 of CHF 623 million net of deferred tax impact.

Amounts recognised in the balance sheet in 2007 consist of:

CHF millions	Swiss plan	Foreign plans	Other benefits	Total
Non current assets	426	101		**527**
Current liabilities		–4	–13	**–17**
Non current liabilities		–339	–449	**–788**
Net amount recognised	426	–242	–462	**–278**

Amounts recognised in accumulated other comprehensive income, gross of tax, in 2007 consists of:

Net gain/loss	98	125	–162	**61**
Prior service cost/credit	71	1	–37	**35**
Total	169	126	–199	**96**

Components of net periodic benefit cost and other amounts recognised in other comprehensive income consist of:

	Swiss plans pension benefits		Foreign plans pension benefits		Other benefits	
CHF millions	2006	**2007**	2006	**2007**	2006	**2007**
Service cost (net of participant contributions)	115	**98**	63	**70**	38	**28**
Interest cost	83	**88**	92	**122**	23	**20**
Expected return on assets	–126	**–141**	–76	**–101**		
Amortisation of:						
Net gain/loss	37	**17**	25	**28**	2	**–7**
Prior service cost	3	**7**	1	**1**	–8	**–8**
Effect of settlement, curtailment and termination	3	**15**	-3	**–2**		
Net periodic benefit cost	115	**84**	102	**118**	55	**33**

Other changes in plan assets and benefit obligations recognised in other comprehensive income consist of:

CHF millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	–343	–242	–231	**–816**
Prior service cost/credit				
Amortisation of:				
Net gain/loss	–17	–28	7	**–38**
Prior service cost	–7	–1	8	
Total recognised in other comprehensive income, gross of tax	–367	–271	–216	**–854**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	–283	–153	–183	**–619**

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are CHF 9 million and CHF 7 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is CHF 9 million and CHF 7 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was CHF 4 882 million and CHF 4 642 million as of 31 December 2006 and 2007, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets consist of:

CHF millions	2006	**2007**
Projected benefit obligation	2 078	**1 096**
Accumulated benefit obligation	1 814	**981**
Fair value of plan assets	1 220	**784**

Principal actuarial assumptions

	Swiss plans pension benefits		Foreign plans pension benefits weighted average		Other benefits weighted average	
	2006	**2007**	2006	**2007**	2006	**2007**
Assumptions used to determine obligations at the end of the year						
Discount rate	3.2%	**3.5%**	5.2%	**5.8%**	3.9%	**4.5%**
Rate of compensation increase	2.3%	**2.3%**	4.5%	**4.7%**	4.5%	**4.5%**
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	3.0%	**3.2%**	5.2%	**5.2%**	3.7%	**3.9%**
Expected long-term return on plan assets	5.0%	**5.0%**	6.5%	**6.4%**		
Rate of compensation increase	2.3%	**2.3%**	4.8%	**4.5%**	4.5%	**4.5%**
Assumed medical trend rates at year end						
Medical trend – initial rate					7.1%	**7.1%**
Medical trend – ultimate rate					4.4%	**4.6%**
Year that the rate reaches the ultimate trend rate					2014	**2015**

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

Assumed health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one percentage point change in assumed health-care cost trend rates would have had the following effects for 2007:

CHF millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	8	–6
Effect on post-retirement benefit obligation	69	–54

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2006 and 2007, are as follows:

	Swiss plans actual allocation 2006	Swiss plans actual allocation 2007	Foreign plans actual allocation 2006	Foreign plans actual allocation 2007	Swiss plans Target allocation	Foreign plans Target allocation
Asset category						
Equity securities	34%	**34%**	56%	**51%**	35%	48%
Debt securities	45%	**45%**	42%	**46%**	41%	49%
Real estate	14%	**14%**		**1%**	20%	2%
Other	7%	**7%**	2%	**2%**	4%	1%
Total	100%	**100%**	100%	**100%**	100%	100%

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

Equity securities include Swiss Re common stock of CHF 20 million (0.4% of total plan assets) and CHF 11 million (0.2% of total plan assets) as of 31 December 2006 and 2007, respectively.

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

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2008 to the defined benefit pension plans are CHF 213 million and to the post-retirement benefit plan CHF 14 million.

As of 31 December 2007, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees voluntary contributions, are as follows:

CHF millions	Swiss plans pension benefits	Foreign plans pension benefits	Other benefits
2008	127	69	13
2009	128	71	14
2010	131	76	16
2011	140	82	17
2012	139	87	19
Years 2013 – 2017	736	534	116

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2006 and in 2007 was CHF 28 million and CHF 48 million, respectively.

12 Share-based payments

As of 31 December 2006 and 2007, the Group had the share-based compensation plans described below.

Total compensation cost for share-based compensation plans recognised in net income was CHF 58 million and CHF 31 million in 2006 and 2007, respectively. The related tax benefit was CHF 13 million and CHF 7 million, respectively.

Stock option plans

Stock option plans include the long-term equity award programme, the fixed-option plan and an additional grant to certain members of executive management.

The long-term equity award programme was provided to members of the Executive Board and certain members of management. Under the scheme, the beneficiary was allowed to choose between the fixed-option plan or a restricted-share plan.

Under the fixed-option plan, the exercise price of each option is equal to the market price of the shares on the date of the grant. Options issued vest at the end of the fourth year and have a maximum life of ten years.

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

	Weighted average exercise price in CHF	**2007** Number of shares
Outstanding as of 1 January	122	**9 054 382**
Options granted		
Options exercised	68	**–350 273**
Options sold	141	**–698 525**
Options forfeited or expired	111	**–69 350**
Outstanding as of 31 December	123	**7 936 234**
Exercisable as of 31 December	137	**5 639 884**

The weighted average fair value of options granted per share was CHF 13 in 2006. No options were granted in 2007.

The following table summarises the status of stock options outstanding as of 31 December 2007:

Range of exercise price in CHF	Number of options	Weighted average remaining contractual life in years	Weighted average exercise price in CHF
67 – 99	3 489 802	7.0	82
128 – 187	4 446 432	3.5	155
67 – 187	**7 936 234**	**5.0**	**123**

The fair value of each option grant is estimated on the date of grant using a binomial option-pricing model, with the following weighted average assumptions used for grants in 2006: dividend yield of 3.8%; expected volatility of 20.0%; risk-free interest rate of 2.4%; expected life of 6.0 years. No new stock options were granted in 2007.

Options exercisable

The status of stock options exercisable as of 31 December 2007 is summarised as follows:

Range of exercise prices	Number exercisable (vested)	Weighted average remaining contractual life in years	Weighted average exercise price in CHF
67 – 128	2 065 192	4.7	94
133 – 187	3 574 692	3.6	161
67 – 187	**5 639 884**	**4.0**	**136**

Restricted shares

The Group introduced a restricted-share plan during 2004 to complement the fixed-option plan. No new shares were granted under this plan in 2007.
Additionally, restricted bonus shares were issued during 2006 and 2007.
122 070 and 69 770 restricted shares were granted in 2006 and 2007. The shares issued vest at the end of the fourth year.

A summary of shares relating to outstanding awards granted under the above mentioned plans as of December 2007 is presented below:

	Number of shares	Weighted average grant date fair value
Non-vested at January	612 732	76
Granted	67 770	108
Forfeited	–14 617	87
Outstanding as of 31 December	**665 885**	**79**

The weighted average fair value of restricted shares, which equals the market price of the shares on the date of the grant, was CHF 95 and CHF 108 in 2006 and 2007, respectively.

Long-term incentive plan

In 2006 and 2007, the Group granted a Long-term Incentive plan (LTI) to selected employees with a three year vesting period. The plan is expected to be settled in cash. The requisite service periods as well the maximum contractual term is 3 years. The method to estimate fair value is based on a risk neutral approach which uses the current share price as an estimate of the share price at the end of the vesting period. In order to determine the fair value the following key performance indicators are also taken into consideration: 3 year average return on equity (ROE) and 3 year earnings per share compounds annual growth rate (EPS CAGR). Fair value is revised at every balance sheet date.

Stock appreciation rights

In 2006 the Group has issued 3 million stock appreciation rights as an extraordinary grant following the Insurance Solutions acquisition. The plan will be settled in cash. The requisite service periods is 2 years while the maximum contractual term is 5 years. The fair value of the appreciation rights is estimated at date of grant using a binomial option-pricing model and is revised at every balance sheet date.

Unrecognised compensation cost

As of 31 December 2007, the total unrecognised compensation cost (net of expected forfeitures) related to non-vested share-based compensation awards and the weighted average period over which that cost is expected to be recognised is as follows:

Name of plan	Unrecognised compensation cost CHF million	Weighted average period
Stock option plans	7	1.0
Restricted shares	21	2.5
Long-term incentive plan	61	1.8
Stock appreciation rights	3	0.5
Total	**92**	**1.9**

The number of shares authorised for the Group's share-based payments to employees was 806 179 and 1 204 155 as of 31 December 2006 and 2007, respectively.

Employee participation plan

Swiss Re's employee participation plan consists of a savings scheme lasting two or three years. Employees combine regular savings with the purchase of either actual or tracking options. Swiss Re contributes to the employee savings over the period of the scheme.

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

In 2006 and 2007, 519 991 and 980 711 options, respectively, were issued to employees and the Group contributed CHF 14 million and CHF 19 million, respectively, to the plan.

13 Compensation, participations and loans of members of governing bodies

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

Compensation for acting members of governing bodies

Article 663b^{bis} of the Swiss Code of Obligations requires disclosure of total compensation paid to members of the Board of Directors and the Executive Committee. Compensation to members of the Board of Directors and the highest paid member of the Executive Committee are shown individually. For a description of the elements of this compensation, please see page 110 of the corporate governance and compensation report.

Board of Directors

Total compensation of 13 members of the Board of Directors was as follows:

CHF thousands	2007
Honorarium and cash allowances	**5761**
Honorarium shares	**4248**
Funding of pension benefits	**223**
Total	**10232**

Individual compensation of members of the Board of Directors is as follows:

CHF thousands	Honorarium and cash allowances	Honorarium shares	Pension	Total
Peter Forstmoser, Chairman	2600	667		3267
Walter B. Kielholz, Vice Chairman	1288	1382	223	2893
Jakob Baer, Chairman of the Audit Committee	392	393		785
Thomas W. Bechtler, Member	195	130		325
Raymund Breu, Member		325		325
John R. Coomber, Chairman of the Finance and Risk Committee	354	233		587
Dennis D. Dammerman, Member[1]	59	39		98
Rajna Gibson Brandon, Member	163	162		325
Bénédict G. F. Hentsch, Member	195	130		325
Hans Ulrich Maerki, Member[2]		227		227
Robert A. Scott, Chairman of the Compensation Committee	255	170		425
John F. Smith, Jr., Member	97	228		325
Kaspar Villiger, Member	163	162		325
Total	**5761**	**4248**	**223**	**10232**

[1] Retired from the Board of Directors at the Annual General Meeting of 20 April 2007.
[2] Elected to the Board of Directors at the Annual General Meeting of 20 April 2007.

Members of the Board of Directors, except for the Chairman and Vice Chairman, received an honorarium, a mandatory 40% of which is in the form of shares; the remainder may be taken either in the form of cash or shares with a four-year deferral period. The share price on 2 March 2007 of CHF 107.90 has been used for calculating the number of shares awarded based upon the amount of the honorarium received in shares. For the Chairman and the Vice Chairman, the same approach as for the Executive Committee applies.

The Compensation Committee of the Board of Directors decided to remunerate the Chairman and Vice Chairman going forward through a fixed honorarium rather than a variable bonus.

Executive Committee

Total compensation for 8 members of the Executive Committee was as follows:

CHF thousands	2007
Base salary and allowances	**8 868**
Variable pay for performance year 2007	**25 334**
Cash bonus	**10 229**
Bonus shares	**2 862**
Value Alignment Incentive 2007 grant[1]	**12 243**
Compensation due to member leaving	**2 280**
Subtotal	**36 482**
Long-term Incentive plan 2007 grant[2]	**19 115**
Funding of pension benefits	**1 494**
Total	**57 091**
Change in 2007 fair value of plans vesting over several years	**1 556**

[1] Includes 25% uplift on nominal value, which will be paid out at vesting after three years, adjusted for change in fair value.
[2] The Long-term Incentive will be paid out after the three-year vesting period. For further details on the Value Alignment Incentive and Long-term Incentive please refer to the text in the highest paid member of Executive Committee – Jacques Aigrain (Chief Executive Officer) section and to page 110 of the corporate governance and compensation report.

Highest paid member of Executive Committee – Jacques Aigrain (Chief Executive Officer)

CHF thousands	2007
Base salary and allowances	1 475
Variable pay for 2007 performance year	7 475
Cash bonus	2 600
Value Alignment Incentive 2007 grant[1]	4 875
Subtotal	**8 950**
Long-term Incentive plan 2007 – grant[2]	5 966
Funding of pension benefits	223
Total	**15 139**
Change in 2007 fair value of plans vesting over several years	591

[1] Includes 25% uplift on nominal value, which will be paid out at vesting after three years, adjusted for change in fair value
[2] The Long-term Incentive will be paid out after the three-year vesting period. For further details on the Value Alignment Incentive and Long-term Incentive please refer to the text below and to page 110 of the corporate governance and compensation report.

In this annual report, the fair value of the Value Alignment Incentive (VAI) is based on the nominal amount of the grant and the uplift of 25% on nominal value. The fair value of VAI granted in 2006 is updated based on actual results in 2007. The fair values will change based upon the actual results in 2008 and 2009. The amounts included in respect of the VAI are the fair value of awards during the year plus the change in fair value of prior-year awards. For a description of the Value Alignment Incentive plan, see page 111 of the corporate governance and compensation report.

As of 31 December 2007, the fair value of the Long-term Incentive (LTI) plans that were granted in 2006 and 2007 was based on the actual results for 2006 and 2007and the forecast results for 2008 and 2009. It will change based upon the actual results in 2008 and 2009. The amounts included in respect of the LTI are the fair value of awards during the year as well the change in fair value of prior years' awards. For a description of the Long-term Incentive plan, see page 112 of the corporate governance and compensation report.

Shares awarded to the members of the Executive Committee are subject to a one-year blocking period. The bonus plan stipulates that Executive Committee members decide on the split between cash and shares. The shares are awarded at a discount to the open market. The share price on 31 December 2007 of CHF 80.45, net of discount, has been used for calculating the number of shares awarded based upon the amount of the bonus received in shares.

For US GAAP reporting purposes, the cost of the bonus shares, VAI and LTI awards are accrued over the period during which they are earned. For the current compensation disclosure purposes the full fair value of awards granted is included as compensation in the year of grant together with the change in fair value of prior-year awards.

As of 1 January 2007, Swiss Re converted the employee pension fund in Switzerland from a defined benefit plan to a defined contribution plan (as defined under Swiss Law) requiring actuarially determined one-off contributions to the plan which did not give rise to higher pension entitlement. The remuneration for 2007 disclosed above excludes these one-off contributions arising from the conversion. The actuarially determined contribution amounts were approximately CHF 4.8 million in total for the Board of Directors and Executive Committee. Therefore, certain members of the Executive Committee and the Board of Directors are now in a defined contribution scheme and their pension funding compensation in the remuneration tables above reflects the actual employer contributions. Where defined benefit arrangements persist the funding is determined on an actuarial basis which can vary substantially from year to year depending on age and years of service of the benefiting Executive Committee members.

Compensation to former members of governing bodies

CHF thousands	2007
Former members of the Executive Committee	530
Former members of the Board of Directors	–
Total	**530**

The compensation to former members of the Executive Committee relates to social security on compensation of prior years and preferential interest rates on loans.

Share ownership, options and related instruments

The disclosure below follows article 663c para. 3 of the Swiss Code of Obligations which requires disclosure of share ownership, options and related instruments individually for each member of the Board of Directors and Executive Committee, including shares, options and related instruments held by persons closely related to, and by companies controlled by members of the Board of Directors and Executive Committee.

Members of the Board of Directors	Function	Number of shares held as of 31 December 2007
Peter Forstmoser	Chairman	98775
Walter B. Kielholz	Vice Chairman	123775
Jakob Baer	Chairman of the Audit Committee	10336
Thomas W. Bechtler	Member	17673
Raymund Breu	Member	12208
John R. Coomber	Chairman of the Finance and Risk Committee	113541
Rajna Gibson Brandon	Member	11440
Bénédict G. F. Hentsch	Member	9755
Hans Ulrich Maerki	Member	3819
Robert A. Scott	Chairman of the Compensation Committee	9249
John F. Smith, Jr.	Member	9878
Kaspar Villiger	Member	4833
Total		**425282**

Members of the Executive Committee	Function	Number of shares held as of 31 December 2007
Jacques Aigrain	Chief Executive Officer	236275
Andreas Beerli	Chief Operating Officer	30828
Roger W. Ferguson	Head of Financial Services Products	–
Michel M. Liès	Head of Client Markets	48093
Stefan Lippe	Head of (Re)Insurance Products	39100
Christian Mumenthaler	Chief Risk Officer	2419
George Quinn	Chief Financial Officer	14929
Total		**371644**

Restricted shares

In 2004 and 2005, the beneficiaries of the long-term equity award programme received, as an alternative to the stock options, the right to opt for restricted shares. The applicable ratio of stock options to restricted shares was four to one. The restricted shares vest after four years. During the vesting period, there is a risk of forfeiture.

The following unvested restricted shares were held by members of governing bodies as of 31 December 2007.

Members of the Board of Directors Grant year	2004	2005
Share price in CHF as of grant date	93	83
Peter Forstmoser, Chairman	10 000	5 000

Members of the Executive Committee Grant year		2004	2005
Share price in CHF as of grant date		93	83
Jacques Aigrain	Chief Executive Officer		13 750
Andreas Beerli	Chief Operating Officer	7 500	7 500
Michel M. Liès	Head of Client Markets		3 750
Stefan Lippe	Head of (Re)Insurance Products		9 125
Christian Mumenthaler	Chief Risk Officer	1 250	5 000
Total		**8 750**	**39 125**

Unvested options

The following unvested options were held by members of governing bodies on 31December 2007.

Members of the Board of Directors	Number of options	Average strike price in CHF	Exercise years
Peter Forstmoser, Chairman	20 000	82.9	2015
Walter B. Kielholz, Vice Chairman	40 000	87.9	2014 – 2015
John R. Coomber	130 000	87.5	2014 – 2015
Total	**190 000**	**87.1**	

Members of the Executive Committee	Number of options	Average strike price in CHF	Exercise years
Jacques Aigrain	150 000	95.3	2014 – 2015
Michel M. Liès	42 000	89.4	2014 – 2015
Stefan Lippe	41 000	91.7	2011 – 2014
George Quinn	25 000	86.7	2011 – 2015
Total	**258 000**	**92.9**	

Options have a four-year vesting period, during which there is a risk of forfeiture, and an exercise period of six years. The exchange ratio is 1:1, meaning each option entitles the beneficiary to purchase one share at a non-adjustable strike price.

Vested options

The following vested and privately purchased options were held by members of governing bodies as of 31December 2007.

Members of the Board of Directors	Number of options	Average strike price in CHF	Exercise years
Peter Forstmoser, Chairman	30000	67.7	2013
Walter B. Kielholz, Vice Chairman	337950	133.4	2008 – 2012
John R. Coomber	207000	128.4	2008 – 2013
Total	**574950**	**128.2**	

Members of the Executive Committee	Number of options	Average strike price in CHF	Exercise years
Jacques Aigrain	90000	101.7	2012 – 2013
Andreas Beerli	103600	130.8	2008 – 2013
Michel M. Liès	104000	136.4	2008 – 2013
Stefan Lippe	86400	118.4	2008 – 2013
Christian Mumenthaler	2000	144.3	2012
George Quinn	24600	135.0	2009 – 2013
Total	**410600**	**123.5**	

Loans to members of governing bodies

The following loans were granted to members of governing bodies:

	CHF thousands
Mortgages and loans to members of the Board of Directors	
Walter B. Kielholz, Vice Chairman	2000
Total mortgages and loans to 4 members of the Executive Committee	8585
Highest mortgages and loans to an individual member of the Executive Committee	
Andreas Beerli, Chief Operating Officer	3000
Total mortgages and loans not at market conditions to 3 former members of the Executive Committee	4184

All credit is secured against real estate or pledged shares. The terms and conditions of loans and mortgages are the same as those available to all Swiss Re employees in the respective locations. Fixed-rate mortgages have a maturity of five years and interest rates that correspond to the five-year Swiss franc swap rate plus a margin of 10 basis points. Adjustable-rate mortgages have no agreed maturity dates. The basic preferential interest rates are equal to the corresponding interest rates applied by the Zurich Cantonal Bank minus one percentage point. To the extent that fixed or adjustable interest rates are preferential, such values have been factored into the compensation sums given to the governing body members in accordance with section 5.1 of the corporate governance and compensation report for acting members of governing bodies.

14 Commitments and contingent liabilities

Leasing commitments

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

As of 31 December 2007	CHF millions
2008	97
2009	87
2010	80
2011	73
2012	68
After 2012	711
Total operating lease commitments	1 116
Less minimum non-cancellable sublease rentals	–94
Total net future minimum lease commitments	**1 022**

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

CHF millions	2006	**2007**
Minimum rentals	66	**69**
Sublease rental income	–9	**–3**
Total	57	**66**

Other commitments

As a participant in limited investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to 10 years. The total commitments remaining uncalled as of 31 December 2006 and 2007 were CHF 1 212 million and CHF 1 837 million, respectively. The comparative amount of total commitments uncalled as of 31 December 2006 has been revised compared to the number published in the Annual Report 2006.

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

Legal proceedings

In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these or any other legal matters, except as disclosed in this note, is not expected to have a material adverse effect on the Group's business, consolidated financial position or results of operations.

15 Information on business segments

The Group provides reinsurance, insurance and financial services throughout the world through three 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 business segments in place are Property & Casualty, Life & Health and Financial Markets. Group items include items which are not allocated to operating segments including foreign exchange remeasurement, the mark to market of trading portfolios designated to match foreign currency reinsurance net liabilities, financing costs for operational and financial debt and corporate entre expenses. The comparative business segment information is represented accordingly.

Net investment income and net realised gains which are attributable to either Property and Casualty or Life and Health are directly allocated to these business segments. This includes income and charges on cedent deposits, reinsurance derivatives, income on unit-linked and with-profit business and other items. These returns are excluded from the Financial Market segment. Net investment income and realised investment gains/losses generated in the Financial Markets segment, including return on fixed income securities, equity securities and alternative investments, are allocated to the Property & Casualty and Life & Health business segments based on technical reserves and other information including duration of the underlying liabilities as a key for the allocation.

The accounting policies of the business segments are in line with those described in the summary of significant accounting policies (see Note 1).

Please refer to Note 18 for a description of the changes in presentation and disclosure.

a) Business segment results

For the years ended 31 December

2006 CHF millions	Property & Casualty	Life & Health	Financial Markets	Group items	Allocation	Total
Revenues						
Premiums earned	18541	10974				29515
Fee income from policyholders		879				879
Net investment income	3753	3686	6055	184	–5687	7991
Net realised investment gains/losses	379	1667	765	103	–808	2106
Other revenues	58		201	21		280
Total revenues	**22731**	**17206**	**7021**	**308**	**–6495**	**40771**
Expenses						
Claims and claim adjustment expenses; life and health benefits	–11799	–9594				–21393
Interest credited to policyholders		–2827				–2827
Acquisition costs	–3823	–2256				–6079
Other expenses	–1496	–983		–605	–506	–3590
Interest expenses				–1026		–1026
Total expenses	**–17118**	**–15660**	**0**	**–1631**	**–506**	**–34915**
Operating income/loss	**5613**	**1546**	**7021**	**–1323**	**–7001**	**5856**

2007 CHF millions	Property & Casualty	Life & Health	Financial Markets	Group items	Allocation	Total
Revenues						
Premiums earned	18999	12665				31664
Fee income from policyholders		955				955
Net investment income	4458	5441	8388	236	–7831	10692
Net realised investment gains/losses	–74	863	–1181	-209	–138	–739
Other revenues	97	5	125	75		302
Total revenues	**23480**	**19929**	**7332**	**102**	**–7969**	**42874**
Expenses						
Claims and claim adjustment expenses; life and health benefits	–12065	–11112				–23177
Interest credited to policyholders		–2120				–2120
Acquisition costs	–3834	–2665				–6499
Other expenses	–1633	–1313		–626	–505	–4077
Interest expenses				–1649	–165	–1814
Total expenses	**–17532**	**–17210**	**0**	**–2275**	**–670**	**–37687**
Operating income/loss	**5948**	**2719**	**7332**	**–2 173**	**–8639**	**5187**

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

For the years ended 31 December

2006 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	6096	7542	4223	17861	680	18541
Net investment income	620	2232	552	3404	349	3753
Net realised investment gains/losses	–48	305	74	331	48	379
Other revenues	–20		52	32	26	58
Total revenues	6648	10079	4901	21628	1103	22731
Expenses						
Claims and claim adjustment expenses	–2779	–6220	–2290	–11289	–510	–11799
Acquisition costs	–1074	–1404	–1015	–3493	–330	–3823
Other expenses	–487	–620	–282	–1389	–107	–1496
Total expenses	–4340	–8244	–3587	–16171	–947	–17118
Operating income/loss	2308	1835	1314	5457	156	5613
Claims ratio in %	45.6	82.5	54.2	63.2		
Expense ratio in %	25.6	26.8	30.7	27.3		
Combined ratio in %	71.2	109.3	84.9	90.5		

2007 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	**6464**	**7446**	**4600**	**18510**	**489**	**18999**
Net investment income	**533**	**3205**	**372**	**4110**	**348**	**4458**
Net realised investment gains/losses	**–171**	**52**	**6**	**–113**	**39**	**–74**
Other revenues	**–7**		**104**	**97**		**97**
Total revenues	**6819**	**10703**	**5082**	**22604**	**876**	**23480**
Expenses						
Claims and claim adjustment expenses	**–2800**	**–6634**	**–2063**	**–11497**	**–568**	**–12065**
Acquisition costs	**–1143**	**–1417**	**–1102**	**–3662**	**–172**	**–3834**
Other expenses	**–510**	**–732**	**–292**	**–1534**	**–99**	**–1633**
Total expenses	**–4453**	**–8783**	**–3457**	**–16693**	**–839**	**–17532**
Operating income/loss	**2366**	**1920**	**1625**	**5911**	**37**	**5948**
Claims ratio in %	**43.3**	**89.1**	**44.8**	**62.2**		
Expense ratio in %	**25.6**	**28.9**	**30.3**	**28.0**		
Combined ratio in %	**68.9**	**118.0**	**75.1**	**90.2**		

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

For the years ended 31 December

2006 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	7851	2243	880	10974
Fee income from policyholders	38		841	879
Net investment income	1213	518	1955	3686
Net realised investment gains/losses	505	72	1090	1667
Other revenues				
Total revenues	9607	2833	4766	17206
Expenses				
Claims and claim adjustment expenses; life and health benefits	–6081	–1763	–1750	–9594
Interest credited to policyholders	–569		–2258	–2827
Acquisition costs	–1607	–550	–99	–2256
Other expenses	–503	–161	–319	–983
Total expenses	–8760	–2474	–4426	–15660
Operating income/loss	847	359	340	1546
Operating result, excluding non-participating net realised investment gains/losses	759	272	350	1381
Net investment income – unit-linked	109		561	670
Net realised investment gains/losses – unit-linked	410		909	1319
Net realised investment gains/losses – non-participating	88	87	–10	165
Operating revenues[1]	9000	2746	3306	15052
Management expense ratio in %	5.6	5.9	9.6	6.5
Return on operating revenues in %	8.4	9.9	10.6	9.2

[1] Operating revenues exclude net investment income and net realised investment gains from unit-linked business as these are passed through to contract holders via interest credited to policyholders and therefore do not have an impact on the operating result.

For the years ended 31 December

2007 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	**8311**	**2950**	**1404**	**12665**
Fee income from policyholders	**48**		**907**	**955**
Net investment income	**1769**	**724**	**2948**	**5441**
Net realised investment gains/losses	**–161**	**–54**	**1 078**	**863**
Other revenues	**5**			**5**
Total revenues	**9972**	**3620**	**6337**	**19 929**
Expenses				
Claims and claim adjustment expenses; life and health benefits	**–6226**	**–2239**	**–2647**	**–11112**
Interest credited to policyholders	**255**		**–2375**	**–2120**
Acquisition costs	**–1697**	**–596**	**–372**	**–2665**
Other expenses	**–684**	**–159**	**–470**	**–1313**
Total expenses	**–8352**	**–2994**	**–5864**	**–17210**
Operating income/loss	**1620**	**626**	**473**	**2719**
Operating result, excluding non-participating net realised investment gains/losses	**1710**	**612**	**422**	**2744**
Net investment income – unit-linked	**111**		**638**	**749**
Net realised investment gains/losses – unit-linked	**–421**		**933**	**512**
Net realised investment gains/losses – non-participating	**–90**	**14**	**51**	**–25**
Operating revenues[1]	**10372**	**3606**	**4715**	**18693**
Management expense ratio in %	**6.6**	**4.4**	**10.0**	**7.0**
Return on operating revenues in %	**16.5**	**17.0**	**9.0**	**14.7**

[1] Operating revenues exclude net investment income and net realised investment gains from unit-linked business as these are passed through to contract holders via interest credited to policyholders and therefore do not have an impact on the operating result.

d) Financial Markets

For the years ended 31 December

2006 CHF millions	Credit & Rates	Equity & Alternative Investments	Other	Total
Revenues				
Premiums earned				
Net investment income	5 771	313	–29	6 055
Net realised investment gains/losses	–182	904	43	765
Other revenues	201			201
Total revenues	5 790	1 217	14	7 021
Expenses				
Claims and claim adjustment expenses				0
Acquisition costs				0
Other expenses				0
Total expenses	0	0	0	0
Operating income/loss	5 790	1 217	14	7 021

2007 CHF millions	Credit & Rates	Equity & Alternative Investments	Other	Total
Revenues				
Premiums earned				
Net investment income	**7 999**	**413**	**–24**	**8 388**
Net realised investment gains/losses	**–1 518**	**1 631**	**–1 294**	**–1 181**
Other revenues	**125**			**125**
Total revenues	**6 606**	**2 044**	**–1 318**	**7 332**
Expenses				
Claims and claim adjustment expenses				**0**
Acquisition costs				**0**
Other expenses				**0**
Total expenses	**0**	**0**	**0**	**0**
Operating income/loss	**6 606**	**2 044**	**–1 318**	**7 332**

e) Net premiums earned and fees income from policyholders by country

CHF millions	2006	2007
United States	12 320	**13 387**
United Kingdom	3 513	**4 788**
Germany	2 560	**1 983**
Canada	1 235	**1 314**
France	1 137	**1 220**
Australia	979	**997**
Italy	804	**994**
Switzerland	705	**832**
Spain	626	**704**
Other	6 515	**6 400**
Total	30 394	**32 619**

16 Subsidiaries, equity investees and variable interest entities

Subsidiaries and equity investees

	Share capital (CHF millions)	Affiliation in % as of 31.12.2007	Method of consolidation
Europe			
Denmark			
Swiss Re Denmark Holding ApS[2]	54	100	f
Swiss Re Denmark Reinsurance A/S[2]	43	100	f
France			
Frasecur Société d'Investissement à Capital Variable[1]	97	99.96	f
Protegys Assurance	14	34	e
Germany			
Swiss Re Frankona Management Service GmbH[2]	0	100	f
Swiss Re Frankona Rückversicherungs AG[2]	83	100	f
Swiss Re Germany AG	74	100	f
Swiss Re Germany Holding GmbH[2]	42	100	f
Hungary			
Swiss Re Treasury (Hungary) Ltd.	0	100	f
Ireland			
Swiss Re International Treasury (Ireland) Ltd.	0	100	f
Swiss Re Ireland Ltd.	166	100	f
Swiss Re Life & Health (Ireland) Ltd.	1	100	f
Swiss Reinsurance Ireland Limited[2]	166	100	f
Luxembourg			
Swiss Re Europe S.A.	114	100	f
Swiss Re Finance (Luxembourg) S.A.	0	100	f
Swiss Re Funds (LUX) I	3 505	100	f
Swiss Re Management (Luxembourg) S.A.	329	100	f
Swiss Re Treasury (Luxembourg) S.A.	174	100	f
Malta			
Swiss Re Finance (Malta) Ltd.	3 173	100	f
Swiss Re Treasury (Malta) Limited	828	100	f
Netherlands			
Algemene Levensherverzekering Maatschappij N.V.	8	100	f
Atradius	94	34.95	e
Calam C.V.	0	100	f
Reassurantie Maatschappij Nederland N.V.	12	100	f
Swiss Re Life & Health Nederland N.V.	6	100	f
Swiss Re Nederland Holding B.V.	1	100	f

Method of consolidation:
f full
e equity
1 Net asset value instead of share capital
2 From acquisition of GE Insurance Solutions

	Share capital (CHF millions)	Affiliation in % as of 31.12.2007	Method of consolidation
Switzerland			
D Holding	9	48.14	e
European Reinsurance Company of Zurich	312	100	f
SR Institutional Funds[1]	12 269	85.93	f
Swiss Re Asset Management Funds (Switzerland) AG	1	100	f
Swiss Re Partnership Holding AG	0	100	f
Tertianum AG	10	23.2	e
United Kingdom			
Admin Re UK Limited	12	100	f
Banian Investments UK Ltd.	1	100	f
Calico Leasing (GB) Ltd.	79	100	f
Cyrenaic Investments (UK) Ltd.	1 352	100	f
Dex Name Ltd.	26	100	f
European Credit and Guarantee Insurance PCC Ltd.	10	100	f
Life Assurance Holding Corporation Ltd.	165	100	f
NM Insurance Holdings Limited	296	100	f
NM Life Group Limited	337	100	f
NM Life Limited	214	100	f
NM Pensions Limited	304	100	f
Reassure UK Life Assurance Company Ltd.	870	100	f
SR Delta Investments (UK) Ltd.	16	100	f
SR International Business Insurance Company Ltd.	288	100	f
SRNY Limited	75	100	f
Swiss Re BHI Limited	0	100	f
Swiss Re Capital Markets Ltd.	68	100	f
Swiss Re Financial Services Ltd.	16	100	f
Swiss Re Frankona LM Limited[2]	16	100	e
Swiss Re Frankona Reinsurance Ltd.[2]	0	100	f
Swiss Re GB Plc	1 439	100	f
Swiss Re Life & Health Limited	428	100	f
Swiss Re Properties Ltd.	0	100	f
Swiss Re Services Ltd.	5	100	f
Swiss Re Specialised Investments Holdings (UK) Ltd.	2	100	f
Swiss Re Specialty Insurance (UK) Ltd.[2]	41	100	f
Swiss Reinsurance Company UK Ltd.	1 068	100	f
The Mercantile & General Reinsurance Company Ltd.	0	100	f
The Palatine Insurance Company Limited	17	100	f
Windsor Life Assurance Company Ltd.	7	100	f
XSMA Ltd.	34	100	f

	Share capital (CHF millions)	Affiliation in % as of 31.12.2007	Method of consolidation
North America and Caribbean			
Barbados			
Accra Holdings Corporation	18	100	f
Atlantic International Reinsurance Company Ltd.	5	100	f
European Finance Reinsurance Company Ltd.	6	100	f
European International Holding Company Ltd.	1 466	100	f
European International Reinsurance Company Ltd.	1 804	100	f
Gasper Funding Corporation	19	100	f
Stockwood Reinsurance Company, Ltd.	1	100	f
Underwriters Reinsurance Company (Barbados) Ltd.	18	100	f
Bermuda			
CORE Reinsurance Company Limited	0	100	f
Englewood Ltd.	0	100	f
Life Re International, Ltd.	0	100	f
Old Fort Insurance Company Ltd.	0	100	f
Swiss Re Global Markets Limited	0	100	f
SwissRe Capital Management (Bermuda) Ltd.	0	100	f
SwissRe Finance (Bermuda) Ltd.	0	100	f
SwissRe Investments (Bermuda) Ltd.	0	100	f
Canada			
Swiss Re Holdings (Canada) Inc.	135	100	f
Swiss Re Life & Health Canada	130	100	f
Swiss Reinsurance Company Canada	12	100	f
Cayman Islands			
Ampersand Investments (UK) Ltd.	0	100	f
Cobham Funding Ltd.	23	100	f
Dunstanburgh Finance (Cayman) Ltd.	0	100	f
Farnham Funding Ltd.	5	100	f
Kilgallon Finance Ltd.	23	100	f
SR Alternative Financing I SPC	0	100	f
SR Alternative Financing II SPC	0	100	f
SR Cayman Holdings Ltd.	0	100	f
SR York Limited	113	100	f
Swiss Re Dorus Investment Ltd.	0	100	f
Swiss Re Funding (UK) Ltd.	0	100	f
Swiss Re Hedge Funds SPC	0	100	f
Swiss Re Strategic Investments (UK) Ltd.	0	100	f
SV Corinthian Investments Ltd.	0	100	f

	Share capital (CHF millions)	Affiliation in % as of 31.12.2007	Method of consolidation
United States			
Conning & Company	0	100	f
Core Insurance Holdings Inc.[2]	0	100	f
Employers Reinsurance Corporation[2]	7	100	f
Facility Insurance Corporation	1	100	f
Facility Insurance Holding Corporation	0	100	f
First Specialty Insurance Corporation[2]	6	100	f
Industrial Risk Insurers[2]	3	100	f
Life Re Capital Trust I	4	100	f
North American Capacity Insurance Company	5	100	f
North American Elite Insurance Company	4	100	f
North American Specialty Insurance Company	5	100	f
Reassure America Life Insurance Company	6	100	f
Southwestern Life Holdings, Inc.	1	100	f
SR PA Finance Inc	0	100	f
Swiss Re America Holding Corporation	0	100	f
Swiss Re Asset Management (Americas) Inc.	0	100	f
Swiss Re Atrium Corporation	1	100	f
Swiss Re Capital Markets Corporation	0	100	f
Swiss Re Financial Products Corporation	0	100	f
Swiss Re Financial Services Corporation	0	100	f
Swiss Re Solutions Holding Corporation[2]	10	100	f
Swiss Re Life & Health America Holding Company	5	100	f
Swiss Re Life & Health America Inc.	5	100	f
Swiss Re Management Corporation	1	100	f
Swiss Re Partnership Holding, LLC	0	100	f
Swiss Re Treasury (US) Corporation	0	100	f
Swiss Reinsurance America Corporation	12	100	f
Washington International Insurance Company	5	100	f
Westport Insurance Corporation[2]	6	100	f
Australia			
Swiss Re Australia Ltd.	20	100	f
Swiss Re Life & Health Australia Ltd.	154	100	f
The Mercantile and General Reinsurance Company of Australia Ltd.	0	100	f
Africa			
South Africa			
Swiss Re Africa Ltd.	2	100	f
Swiss Re Life & Health Africa Ltd.	0	100	f
Asia			
Singapore			
ERC Asia Pacific Pte Ltd	4	100	f

Variable interest entities

The Group holds a variable interest in various entities due to a modified coinsurance agreement, certain insurance-linked and credit-linked securitisations, private equity limited partnerships, hedge funds, debt financing and other entities, which meet the definition of a variable interest entity (VIE).

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 initially assumes the insurance risk through insurance contracts. In credit-linked securitisations, the securitisation vehicle initially assumes the credit risk through credit default swaps.

The securitisation vehicle generally retains the issuance proceeds as collateral. The Group's variable interests arise through ownership of insurance-linked and credit-linked securities, or through protection provided for the value of the collateral held. The Group's maximum exposure to loss equals the higher of the carrying amount of the collateral protected or the carrying amount of the insurance-linked or credit-linked securities held. The collateral held usually consists of investment grade securities.

Commercial paper conduit vehicles issue commercial paper to finance the purchase of assets. The Group assumes the risks and rewards of a portion of the assets held by the vehicle through a total return swap. The maximum exposure to loss equals the carrying amount of the assets underlying the total return swap.

Investment vehicles include private equity limited partnerships and hedge funds. The Group's variable interests arise through an ownership interest in the vehicle or a guarantee of the value of the assets held by the vehicle. The maximum exposure to loss equals the carrying amount of the ownership interest or the maximum amount payable under the guarantee.

Debt financing vehicles issue loan notes to provide Swiss Re with funding. The maximum potential loss is limited to the lower of the total assets excluding the funding provided to Swiss Re and the carrying amount of Swiss Re's ownership interest.

The following table shows the total assets of VIEs of which the Group is the primary beneficiary, but does not hold a majority voting interest:

As of 31 December CHF millions	2006	**2007**
Modified coinsurance agreement	5 324	4 022
Investment vehicles	447	8 007
Other	6	1
Total	5 777	**12 030**

As of 31 December 2007, the consolidation of the VIEs resulted in a minority interest in the balance sheet of CHF 435 million (31 December 2006: CHF 702 million). The minority interest is included in accrued expenses and other liabilities. The net minority interest in income was CHF 39 million and CHF 37 million net of tax in years ended 31 December 2006 and 2007, respectively. The income statement impacts are generally included in the relevant segment with the underlying movement in income or expenses.

The following table shows the total assets of and maximum exposure to loss in VIEs in which the Group holds a significant variable interest:

	2006		**2007**	
As of 31 December CHF millions	Total Assets	Maximum exposure to loss	Total Assets	Maximum exposure to loss
Insurance-linked/credit-linked securitisations	7 861	7 786	10 874	10 874
Commercial paper conduit vehicles	3 699	3 699		
Investment vehicles	3 487	1 952	17 684	2 089
Debt financing	2 683	250	7 753	526
Other	795	777	1 690	1 137
Total	18 525	14 464	**38 001**	**14 626**

17 Restructuring provision

In 2007 the Group has charged expenses of CHF 31 million against the provision for Insurance Solution activities and CHF 46 million for the existing Swiss Re activities.

2007 CHF millions	Property & Casualty	Life & Health	Financial Markets	Total
Balance as of 1 January	99	30	38	167
Increase in provision	5	1	1	7
Release of provision	–3	–6	–1	–10
Costs incurred	–55	–14	–8	–77
Effect of foreign currency translation	–3	–1	–2	–6
Balance as of 31 December	**43**	**10**	**28**	**81**

18 Changes to Group presentation and disclosure

Segment disclosure

In 2007, the Group changed the organisational structure resulting in a more complete integration of Financial Services business within Swiss Re. Following the new structure, the Group presents three operating business segments – Property & Casualty, Life & Health and Financial Markets. Items not allocated to these three business segments are included in the "Group items" column.

The operating segments are determined by the organisational structure and by the way in which management reviews the operating result of the Group.

The Property & Casualty segment consists of the following sub-segments: Property traditional, Casualty traditional, Specialty traditional and non-traditional business. The Specialty traditional sub-segment includes certain parts of the former Credit Solutions business; Credit Reinsurance, Financial Guaranty business, Bank Trade Finance and Credit securitisations.

Certain parts of the former Capital Management and Advisory business are now included in the Property & Casualty business segment, including revenues and expenses related to Property & Casualty insurance-linked securities.

The Life & Health segment continues to consist of the following sub-segments: Life traditional, Health traditional and Admin Re.

Certain parts of the former Capital Management and Advisory business are now included in the Life & Health business segment, including variable annuity business.

The Financial Markets business segment consists of the following sub-segments: Credit and Rates, Equities and Alternative Investments and Other.

The Financial Markets business segment includes proprietary returns on the Group's invested fixed income securities, equity securities and alternative investments. Third-party asset management is included in Credit and Rates.

The sub-segment Other includes mark-to-market gains/losses on structured credit products.

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 (except for directly allocated interest expenses to the segments) and other items not considered for the performance of the operating segments.

Allocated investment return

With the new segment structure, the allocation of investment results has been revised. 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 Financial Markets business segment and directly allocated to the Property & Casualty and Life & Health business segments.

Proprietary return reported in Financial Markets is allocated to the Property & Casualty or Life & Health business segments. The allocation is now based on technical reserves and other information, including duration of the underlying liabilities.

The investment result of the Other sub-segment in Financial Markets is not allocated to the Property & Casualty or Life & Health segments.

The "Allocation" column eliminates Financial Markets investment result as well as other revenues and/or expenses directly allocated to either the Property & Casualty or the Life & Health business segments.

Financial Services assets and liabilities

As a consequence of the integration of Financial Services within the Group Structure business segment, Financial Services assets and Financial Services liabilities are no longer disclosed separately in the balance sheet. The respective positions have been incorporated within existing balance sheet line items. The information on the funding business is still available (see note 6).

The following table shows the result of the integration as of 31 December 2006:

As of 31 December 2006 CHF millions	Before change in Group structure	Reclassifications	After change in Group structure
Assets			
Fixed income securities, trading	22 622	22 040	44 662
Equity securities, trading	20 828	1674	22 502
Policy loans, mortgages and other loans	7 058	1 016	8 074
Short-term investments	9 464	293	9 757
Other invested assets	4 336	6 708	11 044
Accrued investment income	1 782	184	1 966
Premiums and other receivables	14 726	45	14 771
Other assets	5 045	392	5 437
Financial Services assets – fixed income securities, trading	23 714	–23 714	0
Other Financial Services assets	8 638	–8 638	0
Assets not affected by the reclassifications[1]	173 087	0	173 087
Total assets	**291 300**	**0**	**291 300**
Liabilities			
Short-term debt	1 917	7 201	9 118
Accrued expenses and other liabilities	6 470	18 407	24 877
Long-term debt	7 973	6 765	14 738
Financial Services liabilities – short-term debt	7 201	–7 201	0
Financial Services liabilities – long-term debt	6 765	–6 765	0
Other Financial Services liabilities	18 407	–18 407	0
Liabilities not affected by the reclassifications[1]	211 683	0	211 683
Total liabilities	**260 416**	**0**	**260 416**
Total shareholders' equity	**30 884**	**0**	**30 884**
Total liabilities and shareholders' equity	**291 300**	**0**	**291 300**

[1] Other assets and other liabilities in this overview include all assets and liabilities that are not subject to reclassifications.

Trading revenues

Amounts allocated to other invested assets include securities purchased under agreement to resell, derivative financial instruments according to FAS 133, and other investments. Amounts allocated to accrued expenses and other liabilities include repurchase agreements, derivative financial instruments according to FAS 133, securities sold short, and other creditors.

Trading revenues were generated by the trading activities of the Financial Services business segment. Trading revenues have been allocated to the respective line items in the Group's income statement to be consistent with the change in the Group's organisational structure and to reflect the new balance sheet structure.

Trading revenues generated from Financial Services assets and liabilities are reported in net investment income, net realised gains/losses and interest expenses lines depending on the nature of the revenue and/or expense.

For the year ended 31 December 2006 CHF millions	Before change in Group structure	Reclassifications	After change in Group structure
Net investment income	6 990	1 001	7 991
Net realised gains/losses	1 948	158	2 106
Trading revenues	654	–654	0
Revenues not affected by the reclassifications[2]	30 674	0	30 674
Total revenues	**40 266**	**505**	**40 771**
Expenses			
Interest expenses	–521	–505	–1 026
Expenses not affected by the reclassifications[2]	–33 889	0	–33 889
Total expenses	**–34 410**	**–505**	**–34 915**
Income before income tax expenses	**5 856**	**0**	**5 856**
Income tax expenses	–1 296	0	–1 296
Net income	**4 560**	**0**	**4 560**

[2] These categories summarise revenues and expenses in the Groups' income statement not affected by the reclassifications.

Cash flow statement

In accordance with the changes in the balance sheet and the income statement, the cash flow line items changed. Cash flows originated from financial service assets and liabilities are reallocated according to the origin of the cash flow (operating/investing/financing).

19 Subsequent Event

On 27 February 2008 a putative securities class action complaint was filed in the US District Court for the Southern District of New York against Swiss Re Zurich and various of its executive officers alleging false and misleading statements in connection with the mark-to-market loss, announced on 19 November 2007. The Company intends to vigorously defend against the action.

Report of the Group Auditors

Report of the Group Auditors
to the General Meeting of
Swiss Reinsurance Company
Zurich

As Auditors of the Group, we have audited the consolidated financial statements of the Swiss Re Group for the year ended 31 December 2007 (comprising consolidated balance sheet, income statement, statement of shareholders' equity, statement of comprehensive income, statement of cash flow and notes), set out on pages 129 to 196.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

We conducted our audit in accordance with Swiss Auditing Standards and with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Swiss Re Group, the results of its operations and its cash flows in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

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

PricewaterhouseCoopers AG

David JA Law Auditor in charge	Dawn M Kink

Zurich, 28 February 2008

Annual report Swiss Reinsurance Company, Zurich

Reinsurance and holding company

Swiss Reinsurance Company, Zurich, performs a dual role within the Swiss Re Group as both a reinsurance company and a holding company. The assessment of the market position, profitability and financial strength of Swiss Re's worldwide organisation must focus primarily on the consolidated financial statements.

The following commentary on the 2007 financial year of the parent company thus complements the review of the financial year of the Swiss Re Group.

Financial year 2007

The after-tax profit for the financial year, based on Swiss Company Law, amounted to CHF 1.7 billion, compared to CHF 2.1 billion in the previous year.

The business year was characterised by a substantially improved reinsurance result, mainly due to the increased business volume and benign losses incurred. The investment result decreased mainly due to higher valuation adjustments on investments.

Reinsurance result

Gross premiums written increased by CHF 3.9 billion to CHF 23.8 billion, benefiting mainly from the acquisition of GE Insurance Solutions in 2006.

Claims and claim adjustment expenses increased, reflecting the extended business volume in general and the losses incurred in Europe and Asia in the first half of the year.

The reduction of acquisition costs reflects the non-recurring impact of the change in the valuation methodology for determining the liabilities for life and health policy benefits in 2006.

Investment result

Investment income remained almost unchanged at CHF 5.4 billion. Investment expenses increased from CHF 2.6 billion in 2006 to CHF 4.2 billion, mainly due to statutory depreciation of CHF 1.5 billion on fixed income and equity securities.

The investment return allocated to reinsurance operations increased due to higher technical provisions and a slight increase in interest rates.

Other income and expenses

The increase in interest income and expenses is due to financing transactions within Swiss Re Group. Furthermore, higher interest expenses reflect the issuance of perpetual subordinated step-up loans in 2007.

Assets

Total assets rose by 14% to CHF 105.1 billion. This increase is mainly reflected in higher invested assets, loans to subsidiaries and affiliated companies and fixed income securities. Within current assets, reinsurance related items increased mainly due to extended business and new contracts on a funds withheld basis.

Liabilities

Liabilities rose by CHF 12.3 billion to CHF 86.1 billion. In 2007, Swiss Reinsurance Company, Zurich, issued perpetual subordinated step-up loan notes in connection with the placement of GBP 500 million and AUD 750 million hybrid capital. In addition, loans to subsidiaries and affiliated companies increased due to intragroup financing transactions. The increase in technical provisions, reflected mainly in higher unpaid claims, was predominantly due to increased business volume.

The equalisation provision for future claims fluctuations and for large and catastrophe losses increased by CHF 300 million to CHF 550 million.

Shareholders' equity

As of 31 December 2006, shareholders' equity amounted to CHF 18.4 billion before allocation of the profit. After the dividend payment of CHF 1 162 million for 2006, the issuance of new shares and the inclusion of the profit for the 2007 financial year, shareholders' equity increased to CHF 19.0 billion at the end of 2007.

Other reserves decreased by CHF 0.3 billion to CHF 15.2 billion in 2007, due to the net result of the increase of the reserve for own shares, the allocation of the profit for the 2006 financial year and the issuance of new shares from options being exercised.

The nominal share capital of the company decreased slightly due to the net effect from the cancellation of 4 505 347 shares, based on a 2007 General Meeting resolution, and 451 724 newly issued shares from the conditional capital in connection with employee participation programmes. As of 31 December 2007, the nominal share capital amounted to CHF 37 million.

Income statement Swiss Reinsurance Company, Zurich

For the years ended 31 December

CHF millions	Notes	2006	2007
Reinsurance	1		
Premiums earned		16083	**18883**
Claims and claim adjustment expenses		–11210	**–13663**
Life and health benefits		1112	**77**
Change in equalisation provision		–250	**–300**
Acquisition costs		–5786	**–3949**
Other reinsurance result		972	**983**
Operating costs		–1379	**–1269**
Allocated investment return		1095	**1326**
Reinsurance result		637	**2088**
Investments	2		
Investment income		5431	**5437**
Investment expenses		–2634	**–4175**
Allocated investment return		–1095	**–1326**
Investment result		1702	**–64**
Other income and expenses			
Other interest income		244	**348**
Other interest expenses		–301	**–524**
Other income		122	**226**
Other expenses		–190	**–129**
Result from other income and expenses		–125	**–79**
Income before tax expense		2214	**1945**
Tax expense		–70	**–248**
Net income		2144	**1697**

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

Balance sheet
Swiss Reinsurance Company, Zurich

As of 31 December

Assets

CHF millions	Notes	2006	2007
Non-current assets			
Investments			
Investment real estate		970	**1 098**
Investments in subsidiaries and affiliated companies		17 249	**17 092**
Loans to subsidiaries and affiliated companies		8 859	**13 737**
Mortgages and other loans		762	**749**
Equity securities		8 956	**7 461**
Fixed income securities		19 204	**22 860**
Short-term investments		1 709	**1 497**
Assets in derivative financial instruments		562	**1 713**
Total investments		58 271	**66 207**
Tangible assets		871	**772**
Intangible assets		59	**63**
Total non-current assets		59 201	**67 042**
Current assets			
Premiums and other receivables from reinsurance	3	7 295	**9 615**
Funds held by ceding companies	3	17 698	**20 115**
Deferred acquisition costs	3	1 103	**1 085**
Cash and cash equivalents		2 158	**4 041**
Other receivables		3 134	**1 382**
Other assets		677	**590**
Accrued income		955	**1 224**
Total current assets		33 020	**38 052**
Total assets		92 221	**105 094**

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

Liabilities and shareholders' equity

CHF millions	Notes	2006	2007
Liabilities			
Technical provisions			
Unpaid claims	4	42 972	**48 469**
Liabilities for life and health policy benefits	4	11 459	**11 053**
Unearned premiums	4	4 248	**4 832**
Provisions for profit commissions	4	552	**617**
Equalisation provision	4	250	**550**
Total technical provisions		59 481	**65 521**
Non-technical provisions			
Provision for taxation		205	**179**
Provision for currency fluctuation		905	**948**
Other provisions		570	**518**
Total non-technical provisions		1 680	**1 645**
Debt			
Debentures		4 319	**5 757**
Loans		620	**3 060**
Total debt		4 939	**8 817**
Funds held under reinsurance treaties	4	2 574	**2 849**
Reinsurance balances payable	4	2 851	**3 713**
Liabilities from derivative financial instruments		939	**2 417**
Other liabilities		1 193	**949**
Accrued expenses		155	**202**
Total liabilities		73 812	**86 113**
Shareholders' equity	5		
Share capital		37	**37**
Reserve for own shares		31	**1 297**
Other legal reserves		650	**650**
Other reserves		15 539	**15 235**
Retained earnings brought forward		8	**65**
Profit for the financial year		2 144	**1 697**
Total shareholders' equity		18 409	**18 981**
Total liabilities and shareholders' equity		92 221	**105 094**

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

Notes
Swiss Reinsurance Company, Zurich

Significant accounting principles

Basis of presentation

The financial statements are prepared in accordance with Swiss Company Law.

Time period

The 2007 financial year comprises the accounting period from 1 January to 31 December 2007.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Participations are maintained in Swiss francs at historical exchange rates.
Revenues and expenses are translated into Swiss francs at average exchange rates of the year under report.

All exchange rate differences arising from the revaluation of the opening balance sheet, the adjustments from application of year-end or average rates and foreign-exchange transactions are booked via a corresponding provision.

Investments

The following assets are carried at cost, less necessary and legally permissible depreciation:
- Investment real estate
- Investments in subsidiaries and affiliated companies
- Equity securities
- Fixed income securities
- Investments in funds
- Short-term investments
- Assets in derivative financial instruments

These assets are generally not subject to revaluation. The valuation rules prescribed by the Swiss insurance supervisory authority are observed.

Assets in derivative financial instruments include reinsurance contracts or features embedded in reinsurance contracts that fulfil the characteristics of derivative financial instruments.

Short-term investments contain investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months.

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

Tangible assets

Property for own use is valued at the purchase or construction cost less necessary and legally permissible depreciation.

Other tangible assets are carried at cost, less individually scheduled straight-line depreciation over their useful lives. Items of minor value are not capitalised.

Intangible assets

Intangible assets, consisting of capitalised development costs for software for internal use, are stated at cost less straight-line amortisation over the estimated useful lives.

Deferred acquisition costs

Deferred acquisition costs consist principally of commissions and are related to the production of new reinsurance business. Deferred acquisition costs for short duration contracts are amortised in proportion to premiums earned. Deferred acquisition costs for long duration contracts are amortised over the life of the underlying contracts.

Other assets

Other assets include deferred expenses on retroactive reinsurance policies, which are amortised through earnings over the expected claims-paying period.

Other current assets

Other current assets are carried at nominal value in the balance sheet, after deduction of known credit risks if applicable.

Technical provisions

Unpaid claims are based on information provided by clients and own estimates of expected claims experience, which are drawn from empirical statistics. These include provisions for claims incurred but not reported. Unpaid insurance obligations are set aside at the full expected amount of future payment.

Liabilities for life and health policy benefits are determined on the basis of actuarially calculated present values taking experience into account. For external business, liabilities are the greater of cedent-reported information and estimates of own experience drawn from internal studies. With respect to the business ceded by the Company's life and health subsidiaries, a prospective gross premium valuation is applied taking into account expected future cash flows inherent in the reinsurance contract from the valuation date until expiry of the contract obligations. Cash flows include premiums, claims, commissions, investment income and expenses, with a margin added for prudence to reflect the uncertainties of the underlying best estimates. The gross premium valuation approach could result in a negative liability provision, which is typically set to zero.

Accounting principles for life and health business require that no contract is treated as an asset on the balance sheet, with the exception of specific contracts (for example modified coinsurance type of treaties), where an offsetting amount has been paid and is recoverable from the ceding company.

Premiums written relating to future periods are stated as unearned premiums and are normally calculated by statistical methods. The accrual of commissions is determined correspondingly and is reported in the line item deferred acquisition costs.

Provisions for profit commissions are based on contractual agreements with clients and depend on the results of reinsurance treaties.

The equalisation provision is established to achieve a protection of the balance sheet and to break peaks of incurred claims in individual financial years with an exceptionally high claims burden by releasing appropriate amounts from the provision.

The shares of technical provisions pertaining to retroceded business are determined or estimated according to the contractual agreement and the underlying gross business data per treaty.

Non-technical provisions

The provision for taxation contains taxes on the basis of the financial year just ended.

The provision for currency fluctuation comprises all currency differences arising from the revaluation of the opening balance sheet, the adjustments from application of year-end or average rates and foreign-exchange transactions.

Other provisions are determined according to business principles and are based on estimated needs and in accordance with tax regulations.

Debt

Debt is held at redemption value.

Funds held under reinsurance treaties

Funds held under reinsurance treaties mainly contain cash deposits withheld from retrocessionaires, which are stated at redemption value.

Reinsurance balances payable

Reinsurance balances payable are held at redemption value.

Liabilities from derivative financial instruments

Liabilities from derivative financial instruments are generally maintained at the highest commitment amount as per a balance sheet date during the life of the underlying contracts. Premiums received in respect of derivative financial instruments are not realised until expiration or settlement of the contract.

Included in this position are reinsurance contracts or features embedded in reinsurance contracts that fulfil the characteristics of derivative financial instruments. For such contracts, premiums received may be recognised as income prior to contract expiration or settlement in cases, where the recorded commitment has already reached the maximum liability amount potentially payable under the terms of the respective contracts.

Deposit arrangements

Contracts which do not meet risk transfer requirements, defined as transferring a reasonable probability of a significant loss to the reinsurer, are accounted for as deposit arrangements. Deposit amounts are adjusted for payments received and made, as well as for amortisation or accretion of interest.

Allocated investment return

The allocated investment return contains the calculated interest generated on the investments covering the technical provisions. The interest rate reflects the currency-weighted, five-year average yield on five-year government bonds.

Management expenses

The overall management expenses are allocated to the reinsurance business and the investment business on an imputed basis.

Tax expense

The tax expense relates to the financial year and includes taxes on income and capital as well as indirect taxes. Value-added taxes are included in the respective expense lines in the income statement.

Notes
Swiss Reinsurance Company, Zurich

Additional information on the financial statements

1. Reinsurance result

CHF millions	Gross	Retro	2006 Net	Gross	Retro	**2007** Net
Premiums written	19891	–3579	16312	**23788**	**–4106**	**19682**
Change in unearned premiums	–632	403	–229	**–1160**	**361**	**–799**
Premiums earned	19259	–3176	16083	**22628**	**–3745**	**18883**
Claims paid and claim adjustment expenses	–8181	1796	–6385	**–8276**	**1684**	**–6592**
Change in unpaid claims	–4752	–73	–4825	**–7177**	**106**	**–7071**
Claims and claim adjustment expenses	–12933	1723	–11210	**–15453**	**1790**	**–13663**
Life and health benefits	1853	–741	1112	**–271**	**348**	**77**
Change in equalisation provision	–250	–	–250	**–300**	**–**	**–300**
Fixed commissions	–6116	657	–5459	**–4210**	**579**	**–3631**
Profit commissions	–370	43	–327	**–385**	**67**	**–318**
Acquisition costs	–6486	700	–5786	**–4595**	**646**	**–3949**
Other reinsurance income and expenses	150	–69	81	**–7**	**–36**	**–43**
Result from cash deposits	1057	–166	891	**1187**	**–161**	**1026**
Other reinsurance result	1207	–235	972	**1180**	**–197**	**983**
Operating costs			–1379			**–1269**
Allocated investment return			1095			**1326**
Reinsurance result			637			**2088**

2. Investment result

CHF millions	2006	2007
Income from investment real estate	90	**93**
Income from subsidiaries and affiliated companies	2 234	**2 109**
Income from equity securities	574	**817**
Income from fixed income securities, mortgages and other loans	789	**905**
Income from short-term investments	47	**56**
Income from investment services	66	**88**
Realised gains on sale of investments	1 631	**1 369**
Investment income	5 431	**5 437**
Investment management expenses	–195	**–235**
Valuation adjustments on investments	–695	**–2 432**
Realised losses on sale of investments	–1 744	**–1 508**
Investment expenses	–2 634	**–4 175**
Allocated investment return	–1 095	**–1 326**
Investment result	1 702	**–64**

3. Assets from reinsurance

			2006			**2007**
CHF millions	Gross	Retro	Net	Gross	Retro	Net
Premiums and other receivables from reinsurance	7 039	256	7 295	**9 464**	**151**	**9 615**
Funds held by ceding companies	17 698	–	17 698	**20 115**	**–**	**20 115**
Deferred acquisition costs	1 256	–153	1 103	**1 367**	**–282**	**1 085**
Assets from reinsurance	25 993	103	26 096	**30 946**	**–131**	**30 815**

4. Liabilities from reinsurance

CHF millions	Gross	Retro	2006 Net	Gross	Retro	2007 Net
Unpaid claims	46777	–3805	42972	**52433**	**–3964**	**48469**
Liabilities for life and health policy benefits	12449	–990	11459	**12189**	**–1136**	**11053**
Unearned premiums	5202	–954	4248	**6129**	**–1297**	**4832**
Provisions for profit commissions	565	–13	552	**656**	**–39**	**617**
Equalisation provision	250	–	250	**550**	**–**	**550**
Funds held under reinsurance treaties	–	2574	2574	**403**	**2446**	**2849**
Reinsurance balances payable	1217	1634	2851	**1506**	**2207**	**3713**
Liabilities from reinsurance	66460	–1554	64906	**73866**	**–1783**	**72083**

5. Shareholders' equity

Change in shareholders' equity

CHF millions	2006	2007
Shareholders' equity as of 1 January	12802	**18409**
Dividend paid for the previous year	–776	**–1162**
Capital increase including premium	4239	**37**
Profit for the financial year	2144	**1697**
Shareholders' equity on 31 December before allocation of profit	18409	**18981**
Dividend payment	–1218	**–1387**[1]
Shareholders' equity on 31 December after allocation of profit	17191	**17594**

[1] Board of Directors' proposal to the Annual General Meeting of 18 April 2008, subject to the actual number of shares outstanding and eligible for dividend.

The difference between the proposed dividend payment in the previous year and the actual dividend payment in the year under report is described on page 214.

Sources of shareholders' equity after allocation of profit

CHF millions	2006	2007
From nominal capital	37	**37**
From share premium	10008	**10045**
From profit allocation	6847	**7213**
From other allocations	299	**299**
Shareholders' equity on 31 December after allocation of profit	17191	**17594**

Contingent liabilities

As of 31 December 2007, contingent liabilities, mainly towards Group companies, amounted to CHF 8 608 million (2006: CHF 3 076 million). In addition, there were 43 unlimited guarantees; 41 of these are for obligations of Group companies. No payments are currently expected under these guarantees.

Leasing contracts

Total off-balance sheet commitments from operating leases for the next five years and thereafter are as follows:

CHF millions	2006	**2007**
2007	13	**–**
2008	8	**16**
2009	3	**8**
2010	2	**5**
2011	1	**2**
After 2012	–	**12**

These commitments pertain to the non-cancellable contract periods and refer primarily to office and apartment space rented by the company.

In addition, a financial lease of IT hardware is recognised on the balance sheet. The corresponding asset and liability of CHF 13 million (2006: CHF 19 million) are included in tangible assets and other liabilities, respectively.

Security deposits

To secure the technical provisions on the 2007 balance sheet date, securities with a value of CHF 10 428 million (2006: CHF 11 286 million) were deposited in favour of ceding companies, of which CHF 5 839 million (2006: CHF 6 906 million) was to Group companies.

Securities lending

As of 31 December 2007, securities of CHF 5 845 million (2006: CHF 5 503 million) were lent under securities lending agreements, with the right to be sold or pledged by the borrowing entity. CHF 4 154 million (2006: CHF 3 362 million) of these was lent to Group companies. The securities which were held and lent by the Swiss Re Institutional Fund, a separate legal entity, are excluded.

Investment funds

Equity securities of CHF 5 681 million (2006: CHF 5 789 million) and fixed income securities of CHF 5 333 million (2006: CHF 4 607 million) were held in investment funds, which are fully owned by Swiss Re Group companies and the Swiss Re Pension Fund. The securities in these funds and their revenues are reported in the corresponding asset category.

Fire insurance value of tangible assets

As of 31 December 2007, the insurance value of tangible assets, comprising the real estate portfolio and other tangible assets, amounted to CHF 2 508 million (2006: CHF 2 364 million).

Obligations towards employee pension funds

Other liabilities include CHF 7 million (2006: CHF 6 million) payable to the employee pension funds.

A provision of CHF 37 million was established as of 31 December 2006 for transitional obligations concerning the change in the pension plan structure from a defined benefit scheme to a defined contribution scheme effective as of 1 January 2007. This provision was fully released in 2007.

Debentures

As of 31 December 2007, the following debentures were outstanding:

Instrument	Issued in	Currency	Nominal in millions	Interest rate	First call in	Book value CHF millions
Subordinated perpetual bond	1999	CHF	600	3.75%	2011	600

Investments in subsidiaries

Details on the Swiss Re Group's subsidiaries are disclosed on pages 186 to 191.

Treasury shares

As of 31 December 2007, the Group held 12 334 212 treasury shares (2006: 287 624). In the year under report, 25 277 897 treasury shares (2006: 2 262 854) were purchased at an average price of CHF 101.41 (2006: CHF 95.21) and 13 231 309 treasury shares (2006: 2 181 679) were sold at an average price of CHF 99.19 (2006: CHF 94.50).

Deposit account

Deposit arrangements generated the following balances, which are included in:

CHF millions	2006	2007
Reinsurance result	31	**–76**
Premiums and other receivables from reinsurance	287	**677**
Funds held by ceding companies	182	**162**
Funds held under reinsurance treaties	–	**403**
Reinsurance balances payable	566	**644**

Claims on and obligations towards Group companies

CHF millions	2006	2007
Premiums and other receivables from reinsurance	2 569	**3 353**
Funds held by ceding companies	13 714	**13 830**
Other receivables	2 996	**1 137**
Funds held under reinsurance treaties	331	**213**
Reinsurance balances payable	1 198	**1 712**
Loans	345	**2 785**
Other liabilities	673	**445**

Conditional capital and authorised capital

As of 31 December 2007, Swiss Reinsurance Company's total conditional capital outstanding amounted to CHF 3 208 316 (2006: CHF 4 649 560). CHF 2 603 928 was reserved for the exercise of conversion rights and warrants granted in connection with bonds and similar instruments and CHF 604 388 for employee participation purposes.

In addition, authorised capital with shareholders' subscription rights amounted to CHF 1 105 337 at the end of 2007.

The Extraordinary General Meeting, held on 27 February 2006, approved the creation of authorised capital of CHF 9 000 000 and an increase of conditional capital by CHF 2 000 000.

As of 31 December 2006, CHF 900 000 was reserved for the exercise of conversion rights and warrants granted in connection with bonds and similar instruments for General Electric Company, that was fully exercised in 2007.

Change in undisclosed reserves

In the year under report, no net undisclosed reserves on investments and on provisions were released (2006: net decrease of CHF 159 million).

Major shareholders

As of 31 December 2007, there were two shareholders with a participation exceeding the 3% threshold of Swiss Reinsurance Company's share capital.

a. Swiss Reinsurance Company, Mythenquai 50/60, 8022 Zurich, Switzerland, held a total of 23 964 732 Swiss Re shares or 6.47% of the share capital. Of these shares, 6 280 930 shares were fully paid in shares held for general corporate purposes, 11 678 802 shares were paid in only at nominal value and reserved for general corporate purposes, and 6 005 000 shares were acquired under the share buy-back programme and subject to cancellation.

b. The Capital Group Companies, Inc., 333 South Hope Street, Los Angeles, CA, USA (Capital Group), announced on 4 December 2007 that they held, through acquisitions by some of their Group companies, in the capacity of investment manager for mutual funds and clients, 19 364 301 registered Swiss Re shares. Capital Group thus has 5.23% of Swiss Reinsurance Company's voting rights, which can be exercised autonomously of the beneficial owners.

After 31 December 2007, and as of 22 February 2008, two additional shareholders held more than 3% of Swiss Reinsurance Company's share capital each.

c. Credit Suisse Group, Paradeplatz 8, 8070 Zurich, Switzerland, notified Swiss Reinsurance Company on 21 February 2008 that, as per 15 February 2008, it held, through acquisitions by a number of its group companies, registered shares, conversion rights, share purchase rights and written share sale rights conferring a total of 3.40% of the voting rights of Swiss Reinsurance Company.

d. Berkshire Hathaway Inc., 3555 Farnam Street, Omaha, NE 68131, USA, notified Swiss Reinsurance Company on 22 January 2008 that, as of the same day, it held through its subsidiary Columbia Insurance Company, 3024 Harney Street, Omaha, NE 68131, USA, 11 250 000 registered shares or 3.03% of the voting rights of Swiss Reinsurance Company.

Personnel information

Swiss Reinsurance Company, Zurich, employed a worldwide staff of 3 802 on the balance sheet date (2006: 3 745). Personnel expenses for the 2007 financial year amounted to CHF 1 009 million (2006: CHF 1 187 million).

In connection with the integration of GE Insurance Solutions, restructuring charges of CHF 59 million were recognised in 2006. As of 31 December 2007, a respective restructuring provision of CHF 4 million (2006: CHF 34 million) remained on the Company's books.

Management compensation

The new disclosure requirements under Swiss Company Law in respect of management compensation to the members of the Board of Directors and of the Executive Committee of Swiss Reinsurance Company, Zurich, as well as to closely related persons, are detailed on pages 172 to 177.

Management fee contribution

In 2007, management expenses of CHF 152 million (2006: CHF 170 million) were recharged to Group companies and reported net under operating costs and investment expenses.

Change of accounting policy for liabilities for life and health policy benefits

The valuation methodology for determining the liabilities for life and health policy benefits was modified in 2006 to ensure consistency of the Company's liabilities and thus to improve accuracy and comparability of valuations among different lines. The transition impact of CHF 92 million is included in the 2006 income statement.

Life and health application landscape alignment

In 2007, the Company implemented a new system for technical accounting and financial reporting of life and health business, which is aligned to the existing application landscape of the property and casualty segment. Consequently, the disclosure of estimates in the balance sheet has changed.

In the previous years, estimates of written premiums, claims and commissions were reported net under receivables from reinsurance or reinsurance balances payable. As of 2007, estimates for expected claims and profit commissions are reported under provisions for claims incurred but not reported and provisions for profit commissions, respectively. This led to an increase of unpaid claims by CHF 734 million, of provisions for profit commissions by CHF 105 million, and to a corresponding increase in the sum of receivables from reinsurance and reinsurance balances payable of CHF 839 million. Estimates for written premiums and fixed commissions accounted continue to be reported under receivables from reinsurance or reinsurance balances payable.

The modification of estimation models and assumptions resulted in no material transition impact. No restatement of previously reported 2006 figures is made.

6 Subsequent Event

On 27 February 2008 a putative securities class action complaint was filed in the US District Court for the Southern District of New York against Swiss Re Zurich and various of its executive officers alleging false and misleading statements in connection with the mark-to-market loss, announced on 19 November 2007. The Company intends to vigorously defend against the action.

Proposal for allocation of profit

The Annual General Meeting, to be held in Zurich on 18 April 2008, has at its disposal the following profit:

in CHF	2006	2007
Retained earnings brought forward from the previous year	7 895 490	**64 760 537**
Profit for the financial year	2 144 273 601	**1 697 024 261**
Disposable profit	2 152 169 091	**1 761 784 798**

Share structure	Number of registered shares	Nominal capital in CHF
For the financial year 2007:		
– eligible for dividend	346 665 966	**34 666 596**
– not eligible for dividend	23 720 789	**2 372 079**
Total shares issued	370 386 755	**37 038 675**

The Board of Directors proposes to the Annual General Meeting to allocate this profit as follows:

in CHF	2006	2007
Dividend	1 162 408 554[1]	**1 386 663 864**[2]
Allocation to other reserves	925 000 000	**370 000 000**
Balance carried forward	64 760 537[1]	**5 120 934**
Disposable profit	2 152 169 091	**1 761 784 798**

[1] The number of registered shares eligible for dividend at the dividend payment date decreased since the proposal for allocation of profit, dated 1 March 2007, due to the net effect from the share buy-back of General Electric 16 650 479 shares and the issuance of 279 119 new registered shares from options being exercised. This resulted in a lower dividend of CHF 55 662 625 compared to the Board of Directors' proposal, and in higher retained earnings brought forward from the previous year by the same amount.

[2] Board of Directors' proposal to the Annual General Meeting of 18 April 2008, subject to the actual number of shares outstanding and eligible for dividend.

Dividend

If the Board of Directors' proposal for allocation of profit is accepted, a dividend of CHF 4.00 per share will be paid.

After deduction of Federal Withholding Tax of 35%, the dividend will be paid from 23 April 2008 by means of dividend order to shareholders recorded in the Share Register or to their deposit banks.

Zurich, 28 February 2008

Report of the Statutory Auditors

To the Annual General Meeting of
Swiss Reinsurance Company
Zurich

As Statutory Auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes/pages 201 to 213) of Swiss Reinsurance Company for the year ended 31 December 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's Articles of Association.

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

PricewaterhouseCoopers AG

David JA Law
Auditor in charge

Dawn M Kink

Zurich, 28 February 2008

Financial years 1998 – 2007

CHF millions	1998[1]	1999[1]	2000[1]	2001[1]	2002[1]	2003[1]	2004[1]	2005	2006[2]	2007
Income statement										
Revenues										
Premiums earned	16 727	18 051	22 081	25 219	29 058	30 740	29 439	26 891	29 515	**31 664**
Fee income								881	879	**955**
Net investment income	3 131	3 846	4 802	5 765	5 494	4 606	4 857	6 137	7 991	**10 692**
Net realised investment gains/losses	2 509	3 588	4 275	2 665	–730	376	1 116	3 474	2 106	**–739**
Trading revenues					228	472	438	346		
Other revenues	286	246	395	455	365	236	243	283	280	**302**
Total revenues	22 653	25 731	31 553	34 104	34 415	36 430	36 093	38 012	40 771	**42 874**
Expenses										
Claims and claim adjustment expenses	–8 514	–9 333	–12 153	–16 266	–14 485	–14 898	–13 853	–14 758	–11 799	**–12 065**
Life and health benefits	–4 881	–6 200	–7 478	–8 532	–10 084	–9 085	–9 331	–8 668	–9 594	**–11 112**
Interest credited to policyholders								–3 019	–2 827	**–2 120**
Acquisition costs	–3 661	–3 973	–4 883	–5 658	–6 220	–6 854	–6 325	–5 927	–6 079	**–6 499**
Amortisation of goodwill	–91	–211	–310	–368	–350	–315	–277			
Other operating costs and expenses	–2 698	–2 785	–3 074	–3 384	–3 240	–2 942	–2 940	–3 081	–4 616	**–5 891**
Total expenses	–19 845	–22 502	–27 898	–34 208	–34 379	–34 094	–32 726	–35 453	–34 915	**–37 687**
Income/loss before income tax expense	2 808	3 229	3 655	–104	36	2 336	3 367	2 559	5 856	**5 187**
Income tax expense	–647	–783	–689	–61	–127	–634	–892	–255	–1 296	**–1 025**
Net income/loss on ordinary activities	2 161	2 446	2 966	–165	–91	1 702	2 475	2 304	4 560	**4 162**
Extraordinary income		450								
Extraordinary charges		–450								
Net income/loss	2 161	2 446	2 966	–165	–91	1 702	2 475	2 304	4 560	**4 162**
Balance sheet										
Assets										
Investments	69 589	85 684	89 584	95 888	86 728	90 653	108 023	130 601	204 238	**227 812**
Other assets	38 748	44 516	53 056	74 342	75 129	79 045	76 417	90 698	87 062	**79 475**
Total assets	108 337	130 200	142 640	170 230	161 857	169 698	184 440	221 299	291 300	**307 287**
Liabilities										
Unpaid claims and claim adjustment expenses	45 866	54 072	59 600	68 618	62 652	63 474	61 619	71 759	95 011	**88 528**
Liabilities for life and health policy benefits	15 143	23 279	29 300	41 370	37 269	37 244	43 239	31 081	44 899	**50 026**
Unearned premiums	3 174	4 251	6 131	6 399	6 754	6 457	5 748	6 563	8 025	**7 722**
Other liabilities	19 142	18 819	19 764	24 200	32 833	39 205	49 361	81 651	97 743	**105 807**
Long-term debt	5 049	4 947	5 058	7 045	5 663	4 807	5 296	5 852	14 738	**23 337**
Total liabilities	88 374	105 368	119 853	147 632	145 171	151 187	165 263	196 906	260 416	**275 420**
Shareholders' equity	19 963	24 832	22 787	22 598	16 686	18 511	19 177	24 393	30 884	**31 867**
Earnings/losses per share in CHF	7.35*	8.55*	10.39*	–0.57	–0.29	5.48	8.00	7.44	13.49	**11.95**

* Adjusted by 20-for-1 share split
[1] Numbers are based on the Group's previous accounting standards
[2] Trading revenues are included in net investment income; long-term debt also includes debt positions from Financial Markets