Final Series Prospectus dated 5 July 2012

CLOVERIE PUBLIC LIMITED COMPANY
(***incorporated with limited liability in Ireland***)

SERIES PROSPECTUS

Series No.: 2012-002

EUR 500,000,000 Dated Deferrable Notes
(the "Notes")
secured over
EUR 500,000,000 in principal amount of
EUR 500,000,000 Subordinated Fixed-to-Floating Rate Callable Loan Notes with a scheduled maturity in 2042 of Swiss Reinsurance Company Ltd
(the "Collateral Notes")

and issued pursuant to its

Secured Note Issuance Programme

arranged by

CITIGROUP GLOBAL MARKETS LIMITED

The attention of investors is drawn to the section headed "Risk Factors" starting on page 6 of this Series Prospectus

Joint Lead Managers

BARCLAYS CAPITAL

BOFA MERRILL LYNCH

CITIGROUP

HSBC

J.P. MORGAN

Co-Managers

BAYERNLB **COMMERZBANK** **LANDESBANK BADEN-WÜRTTEMBERG** **SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

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Introduction

This Series Prospectus in respect of the EUR 500,000,000 Dated Deferrable Notes (the "**Notes**") constitutes Listing Particulars for the purposes of the Global Exchange Market and incorporates by reference, and should be read in conjunction with, the Base Prospectus dated 18 July 2011 (the "**Base Prospectus**") relating to the Secured Note Issuance Programme (the "**Programme**") of Cloverie Public Limited Company (the "**Issuer**").

Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. There can be no assurance that any such application will be successful or that any such listing will be granted or maintained. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

It is expected that the Notes will be rated A3 by Moody's Investors Service Limited (''**Moody's**'') and A by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc (''**S&P**''). The credit ratings included or referred to in this Series Prospectus have been issued by Moody's and S&P. Moody's is established in the European Union and registered under Regulation (EC) No 1060/2009 (the ''**CRA Regulation**'') on credit rating agencies. S&P is not established in the European Union but is certified under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Terms defined in the Base Prospectus (unless otherwise defined in this Series Prospectus) have the same meaning in this Series Prospectus. This Series Prospectus is to be read in conjunction with all documents that are deemed to be incorporated herein by reference.

The delivery of this Series Prospectus at any time does not imply that any information contained herein is correct at any time subsequent to the date hereof.

Subject as provided below in respect of the information in Appendix A, the Issuer accepts responsibility for the information contained in this Series Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Series Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information memorandum (the "**Collateral Information Memorandum**") dated 5 July 2012 in respect of the EUR 500,000,000 Subordinated Fixed-to-Floating Rate Callable Loan Notes with a scheduled maturity in 2042 of Swiss Reinsurance Company Ltd (the "**Collateral Issuer**") which is included as Appendix A to this Series Prospectus forms part of, and should be read together with, this Series Prospectus.

So far as the Issuer is aware and is able to ascertain from information published by the Collateral Issuer, no facts have been omitted from the Collateral Information Memorandum, which is included as Appendix A to this Series Prospectus, which would render the reproduced or incorporated information inaccurate or misleading. No person is authorised to give any information or to make any representation not contained in this Series Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers and Co-Managers (the "**Managers**"). To the fullest extent permitted by law, the Issuer and the Managers accept no responsibility whatsoever for any information not included in this Series Prospectus. The Issuer and the Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of any such information. Neither the delivery of this Series Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication (a) that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Series Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the

date hereof or the date upon which this Series Prospectus has been most recently amended or supplemented or (b) that any other publicly available information relating to the Issuer, the Notes, the Collateral Notes or the Collateral Issuer is correct.

To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Series Prospectus or for any other statement, made or purported to be made by any Manager or on its behalf in connection with the Issuer, the Collateral Notes, the Collateral Issuer or the issue and offering of the Notes. Each Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Series Prospectus or any such statement.

Furthermore, in relation to the issue of the Notes and save as required by all applicable laws, no representation, warranty or undertaking, express or implied, is or will be made and no responsibility or liability to any Noteholder is or will be accepted by the Collateral Issuer as to the accuracy or completeness of the information contained in this Series Prospectus or any other information provided by the Issuer in connection with the issue and offering of the Notes.

No person has been authorised to give any information or to make any representation other than those contained in this Series Prospectus in connection with the issue and sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Managers.

The net proceeds of this issue (net of expenses) will be approximately EUR 492,000,000 and will be applied by the Issuer to purchase the Collateral Notes on the Issue Date (as defined herein) and to make payment of certain fees, commission and expenses.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Issuer has not registered and will not register under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"). Subject to certain exceptions, the Notes may not be offered, sold or resold within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Notes are not being offered in the United States or to U.S. persons.

This Series Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Series Prospectus in any jurisdiction where such action is required.

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this Series Prospectus nor any other offering or marketing material relating to the Notes constitutes (i) a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, (ii) a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, (iii) a prospectus as such term is defined in the Swiss Collective Investment Scheme Act or (iv) a prospectus or a supplementary prospectus pursuant to the EC Directive 2003/71/EC of the European Parliament and of the Council dated November 4, 2003, as amended (the "**EC Prospectus Directive**"), and neither this Series Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Series Prospectus nor any other offering and marketing material relating to the offering, the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, including, the Swiss Financial

Market Supervisory Authority FINMA ("**FINMA**"), and investors in the Notes will not benefit from protection or supervision by such authority.

In this Series Prospectus, unless otherwise specified or the context otherwise requires, references to "**U.S.$**", "**USD**", and "**U.S. dollars**" are to United States dollars and references to "**EUR**", "**euro**" and "**€**" are to the currency introduced on 1 January 1999 pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union.

The language of this Series Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Incorporation by Reference

The provisions of the Base Prospectus shall be deemed to be incorporated into and form part of this Series Prospectus in their entirety, save that any statement contained in the Base Prospectus shall be deemed to be modified or superseded for the purpose of this Series Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Series Prospectus.

This Series Prospectus must be read in conjunction with the Base Prospectus and the other documents deemed to be incorporated by reference herein and full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the provisions set out within this document, the Base Prospectus and the other documents deemed to be incorporated by reference herein.

The Base Prospectus is available for viewing at, and copies may be obtained free of charge from, the office of the Issuing and Paying Agent and the office of the Issuer.

The audited financial statements of the Issuer for the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 together with the auditor's reports thereon have been filed with the Irish Stock Exchange and are deemed to be incorporated by reference into this Series Prospectus.

Risk Factors

THE CONSIDERATIONS SET OUT BELOW ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES.

General

The purchase of Notes may involve substantial risks. The Notes are suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information set forth in the Base Prospectus incorporated by reference herein and the Collateral Information Memorandum and, in particular, the considerations set forth below and in this Series Prospectus.

The Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive and the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for reasons other than those described below.

This Series Prospectus identifies in general terms certain information that a prospective investor should consider prior to making an investment in the Notes. However, a prospective investor should, without any reliance on the Managers or their affiliates, conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in the Notes as any evaluation of the suitability for an investor of an investment in the Notes depends upon a prospective investor's particular financial and other circumstances, as well as on specific terms of the Notes and, if it does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, it should consult with its financial adviser prior to deciding to make an investment on the suitability of the Notes.

This Series Prospectus is not, and does not purport to be, investment advice, and the Managers make no recommendation as to the suitability of the Notes. The provision of this Series Prospectus to prospective investors is not based on any prospective investor's individual circumstances and should not be relied upon as an assessment of suitability for any prospective investor of the Notes. Even if the Managers possess limited information as to the objectives of any prospective investor in relation to any transaction, series of transactions or trading strategy, this will not be deemed sufficient for any assessment of suitability for such person of the Notes. Any trading or investment decisions a prospective investor takes are in reliance on its own analysis and judgement and/or that of its advisers and not in reliance on the Managers or their affiliates.

In particular, each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or, if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or, if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

Each prospective investor in the Notes should have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes.

Investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) if relevant, the Notes can be used as underlying security for various types of borrowing and (iii) other restrictions apply to its purchase or, if relevant, pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Potential conflicts of interest

The Managers and their affiliates have engaged in, or may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Collateral Issuer or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Collateral Issuer or their respective affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer, the Collateral Issuer or their respective affiliates routinely hedge their credit exposure to the Issuer, the Collateral Issuer or their respective affiliates consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's, the Collateral Issuer's or their respective affiliates' securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

The Issuer is a special purpose vehicle

The Issuer's sole business is the raising of money by issuing notes or other obligations for the purposes of purchasing assets and entering into related derivatives and other contracts. The Issuer has covenanted not to have any subsidiaries or employees, consolidate or merge with any other person or issue any shares (other than such shares as were in issue on the date of its incorporation). As such, the Issuer has, and will have, no assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Notes or entry into of other obligations from time to time, the Mortgaged Property and any other assets on which the Notes or such other obligations are secured and, in the case of the Notes, the Managers' Security (as defined in "Terms and Conditions – The Security Arrangements"). There is no day-to-day management of the business of the Issuer.

Regulation of the Issuer by any regulatory authority

The Issuer is not required to be licensed, registered or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation and will operate without supervision by any authority in any jurisdiction. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holders of the Notes.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of any deposit protection scheme.

Preferred creditors under Irish law

The Issuer is an Irish company. Under Irish law, upon an insolvency of an Irish company, when applying the proceeds of assets subject to fixed security which may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts (see "Examinership" below).

In relation to the disposal of assets of any Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended, to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee represented the majority in number and value of claims within the secured creditor class (which would be likely given the restrictions agreed to by the Issuer in the Conditions), the Trustee would be in a position to reject any proposal not in favour of the Noteholders. The Trustee would also be entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Noteholders, especially if such proposals included a writing down of the value of amounts due by the Issuer to the Noteholders. The primary risks to the holders of Notes if an examiner were to be appointed to the Issuer are as follows:

(i) the potential for a scheme of arrangement to be approved involving the writing down of the debt owed by the Issuer to the Noteholders as secured by the Trust Deed;

(ii) the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and

(iii) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to the Noteholders.

Risks relating to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Limited recourse obligations

The Notes are direct, secured, limited recourse obligations of the Issuer payable solely out of the assets charged by the Issuer in favour of the Trustee on behalf of the Noteholders and other secured parties. The Issuer will have no other assets or sources of revenue available for payment of any of its obligations under the Notes. No assurance can be made that the proceeds available for and allocated to the repayment of the Notes at any particular time will be sufficient to cover all amounts that would otherwise be due and payable in respect of the Notes. If the proceeds of the realisation of the charged assets received by the Trustee for the benefit of the Noteholders prove insufficient to make payments on the Notes, no other assets will be available for payment of the shortfall, and, following distribution of the proceeds of such realisation, the Issuer will have no further obligation to pay any amounts in respect of such shortfall and accordingly no debt will be owed by the Issuer in respect of any such shortfall.

Further, neither the Trustee, nor the Noteholders, nor any other secured party will be entitled at any time to petition or take any other step for the insolvency, examinership, winding-up or liquidation of the Issuer.

No person other than the Issuer will be obliged to make payments on the Notes. The Notes will not be guaranteed by, or otherwise be the responsibility of, the Collateral Issuer or any of its affiliates.

Taxation and no gross up

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessments or charges that may be applicable to any payment to it in respect of the Notes. In the event that any withholding tax or deduction for tax is imposed on payments of interest on the Notes (by law, agreement of the Issuer or otherwise), the Noteholders will not be entitled to receive grossed-up amounts to compensate for such withholding tax and no Event of Default shall occur as a result of any such withholding or deduction.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trustee may, in certain circumstances, without the consent of Noteholders, (i) agree to any modification of, or the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under the Notes in place of the Issuer.

Earlier redemption for tax and other reasons

The Issuer may, for specified tax reasons as detailed in Condition 7.3 (*Redemption for taxation and other reasons*), upon giving notice to Noteholders, redeem all Notes earlier than they would otherwise redeem as described below.

Condition 7.3 provides for redemption of the Notes in cases where the Issuer is required by Irish law to make any withholding or deduction on payments to be made by the Issuer under the Notes or if the Issuer is unable to receive any payment in respect of the Collateral Notes without withholding or deduction being required by Swiss law.

Although the terms of the Collateral Notes provide that, in the event of any withholding or deduction on account of Swiss tax being required by Swiss law, the Collateral Issuer shall, subject to certain exceptions, pay additional amounts so that the net amount received by the holders of the Collateral Notes shall equal the amount which would have been received by such holder in the absence of such withholding or deduction, such an obligation may contravene Swiss legislation and be null and void. Although the terms of the Collateral Notes provide in such circumstance for the rate of interest on the Collateral Notes to be adjusted to take into account such withholding or deduction, such adjustment may also contravene Swiss legislation. In that event the amount received by the Issuer, as the holder of the Collateral Notes, and the corresponding amounts payable by the Issuer to the holders of the Notes would be reduced by any such withholding or deduction.

The Collateral Issuer may redeem the Collateral Notes prior to the Collateral Final Maturity Date due to certain events as set forth in the Collateral Notes Conditions.The Collateral Issuer may on the Collateral First Optional Redemption Date and on each Collateral Floating Interest Payment Date (as defined below) thereafter redeem all of the Collateral Notes.

Condition 7.3 provides that if the Issuer is required by Irish law to make any withholding or deduction or payments to be made by it in respect of the Notes or if the Issuer is unable to receive any payment due in respect of the Collateral Notes in full on the due date therefor without deduction for or on account of any withholding tax or duties or charges of whatsoever nature then the Issuer shall so inform the Trustee, and shall use its best endeavours to arrange the substitution of a company incorporated in another jurisdiction approved beforehand in writing by the Trustee (provided that such substitution does not have an adverse effect on any rating awarded to any Series of Notes then outstanding at the time of such substitution) as the principal obligor of the Notes or to change (provided that no such change has an adverse effect on any rating awarded to any Series of Notes then outstanding at the time of such change) its residence for taxation purposes to another jurisdiction approved beforehand in writing by the Trustee. If it is unable to arrange such substitution or change before the next payment is due in respect of the Notes then the Issuer is obliged to give a notice that it will redeem the Notes unless the Trustee shall certify to the Issuer that it considers in its absolute discretion that it is in the best interests of the Noteholders that such notice be delayed or not given or an Extraordinary Resolution of the Noteholders shall otherwise direct. Condition 7.3.4 provides that if the Issuer, on the occasion of the next payment due in respect of the Notes, would be required by FATCA to withhold or account for tax or would suffer tax in accordance with FATCA in respect of its income so that it would be unable to make payment of the full amount due; or is or will be unable to receive any payment due in respect of the Collateral forming part of the Mortgaged Property in full on the due date therefor without deduction for or on account of any withholding tax, back-up withholding or other tax, duties or charges of whatsoever nature on account of FATCA, then the Issuer shall promptly inform the Trustee and the Noteholders and the Noteholders may direct the Issuer by way of Extraordinary Resolution to redeem the Notes. If the Notes become subject to redemption in such circumstances it is likely that the amount realised through the sale of the Collateral Notes will be less than the principal amount of the Notes.

Managers' Security

The proceeds of the Managers' Security (as defined in "Terms and Conditions – The Security Arrangements") will, in the event that the Managers' Security becomes enforceable, be held by Citicorp Trustee Company Limited in its capacity as Managers' Trustee (the "**Managers' Trustee**") on behalf of itself and the Managers and applied in respect of any Manager's Claims (as defined in "Terms and

Conditions – The Security Arrangements"). Noteholders have no direct or indirect interest in the Managers' Security and will not be entitled to the proceeds of enforcement of the Managers' Security.

Change of law

The Conditions are governed by English law in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the Issue Date.

Provision of information

Neither the Issuer, the Trustee, the Managers' Trustee, any Manager nor any affiliate of such persons makes any representation as to the credit quality of the Collateral Issuer. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Collateral Issuer. None of such persons is under any obligation to make such information directly available to Noteholders. None of such persons is under any obligation to make available any information relating to, or keep under review on the Noteholders' behalf, the business, financial condition, prospects, creditworthiness or state of affairs of the Collateral Issuer or conduct any investigation or due diligence into the Collateral Notes (either with respect to the Collateral Issuer, or the terms and conditions of the Collateral Notes).

Credit Ratings

The Notes and the Collateral Notes are rated securities. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, credit ratings may not fully reflect the true risks of an investment. Rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Rating agencies may change their rating methodology, which could adversely affect the rating of the Notes.

Possibility of U.S. withholding tax on payments

In certain circumstances payments to the Issuer may be subject to U.S. withholding tax if it fails to enter into an agreement with the IRS (as described below). In addition, a holder of the Notes may become subject to U.S. withholding at a rate of 30 per cent. on all, or a portion of, certain payments in respect of the Notes made to it after 31 December 2016 in respect of the Notes if the Notes are treated as equity for U.S. federal tax purposes or if they are significantly modified after 31 December 2012

On 18 March 2010, the US enacted sections 1471 through 1474 of the U.S. Internal Revenue Code. ("**FATCA**"). Under FATCA, a non-U.S. financial institution generally will be required to enter into an agreement (an "**FFI Agreement**") with the U.S. Internal Revenue Service (the "**IRS**") to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. For these purposes, the term financial institution includes, among others, banks, insurance companies and entities that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests, including securitization vehicles. If a participating financial institution makes a relevant payment to an accountholder that has not provided information requested to establish that the accountholder is exempt from reporting under the rules, or if the recipient of the payment is a non-participating financial institution (that is not otherwise exempt), the payor may be required to withhold 30 per cent. on a portion of the payment. The IRS has indicated an intention to treat, for example, interest and principal paid by a participating financial institution as being subject to this 30% withholding, but only in proportion to the value of the financial institution's direct and indirect U.S. assets as compared to its total assets. However, the IRS is further considering the

treatment of these so-called "passthru payments" and it is not clear how this rule will ultimately apply to the Issuer or the Notes.

If the Issuer is required to enter into an FFI Agreement and fails to do so, or fails to comply with its obligations under that agreement, the Issuer would be subject to 30 per cent. withholding on all, or a portion of, payments received from U.S. sources and from participating or deemed compliant foreign financial institutions. It is unclear whether the Collateral Issuer will be a foreign financial institution for the purposes of FATCA and, if it were, whether the Collateral Notes would be instruments on which passthru payment withholding would be required.

The relevant rules have not yet been fully developed and the future application of FATCA to the Issuer and the holders of Notes is uncertain. If the Issuer determines that it must comply with FATCA in order to receive certain payments free of U.S. withholding tax, Noteholders may be required to provide certain information or be subject to withholding on certain payments (including payments upon redemption of Notes) made to them. The withholding obligation in respect of a non-participating financial institution may apply whether the financial institution is receiving payments for its own account or on behalf of another person. If a holder is subject to withholding on account of FATCA, there will be no additional amount payable by way of compensation to the holder for the deducted amount. An investor that is able to claim the benefits of an income tax treaty between its own jurisdiction and the United States may be entitled to a refund of amounts withheld pursuant to the FATCA rules, though the investor would have to file a U.S. tax return to claim this refund and would not be entitled to interest from the IRS for the period prior to the refund.

THE FATCA PROVISIONS ARE PARTICULARLY COMPLEX AND THEIR APPLICATION TO THE ISSUER IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISOR TO OBTAIN A MORE DETAILED EXPLANATION OF THE FATCA PROVISIONS AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

Risks relating to the Collateral Notes

Potential investors should note that the performance of the Notes is linked to the performance of the Collateral Notes and should make their own investigations in respect of the Collateral Issuer and the Collateral Notes, including having regard to the disclosure, risks (including specific risk factors therein) and investment considerations set out in the Collateral Information Memorandum.

No investigations

No investigations, searches or other enquiries have been made by or on behalf of the Issuer, the Managers, the Trustee or the Managers' Trustee in respect of the Collateral Notes and no representations or warranties, express or implied, have been given by the Issuer, the Managers, the Trustee, the Managers' Trustee or any other person on their behalf in respect of the Collateral Notes.

Exposure to the market value of the Collateral Notes

Noteholders may be exposed to the market price of the Collateral Notes. The Issuer, the Trustee (in connection with the realisation or enforcement of the security for the Notes) or the Disposal Agent may in certain circumstances have to effect the sale of the Collateral Notes to fund the Issuer's payment obligations. The market price of the Collateral Notes will generally fluctuate with, among other things, the liquidity and volatility of the financial markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the Collateral Issuer. Additionally, the transfer of the Collateral Notes is subject to certain restrictions, including but not limited to the restrictions set out in Condition 1 (*Form, Denomination and Transfer*) of the Collateral Notes Conditions (the "**Collateral Notes Transfer Restrictions**"). The Collateral Notes are

not listed or admitted to trading on any exchange and have not been accepted for clearance through any clearing system. As a result, there will be no established trading market in the Collateral Notes and the Collateral Notes will be illiquid. The illiquidity of the Collateral Notes may have a severely adverse effect on the market value of the Collateral Notes.

In certain circumstances (as more specifically set out in the Agency Agreement), if the Issuer is required to sell the Collateral Notes in order to make a payment on the Notes, Citigroup Global Markets Limited in its capacity as Disposal Agent (the "**Disposal Agent**") is required, provided that it can do so in accordance with the Collateral Notes Transfer Restrictions, to purchase the Collateral Notes if the Disposal Agent is unable to obtain any other firm bid quotes from purchasers qualified to purchase the Collateral Notes within a specified period. However, investors should note that the purchase price to be paid in connection with any such purchase will be based on the fair market value of the Collateral Notes as determined by the Disposal Agent acting in a reasonable commercial manner.

Payments on the Notes linked to payments on the Collateral Notes

Investors should note that the performance of the Notes is linked to the performance of the Collateral Notes. The Collateral Issuer is obliged to defer interest payments in respect of the Collateral Notes upon the occurrence of certain solvency events as set out in Condition 3.5(c) (*Required Deferral of Interest Payments*) of the Collateral Notes Conditions. In addition, pursuant to Condition 3.5(b) (*Optional Deferral of Interest Payments*) of the Collateral Notes Conditions the Collateral Issuer may elect to defer interest payments in respect of the Collateral Notes. Any event that causes the Collateral Issuer not to make all or part of any scheduled payments on the Collateral Notes, to recalculate the interest in accordance with Condition 3.4 (*Recalculation of Interest*) of the Collateral Notes Conditions or to delay any such payments (including the Collateral Issuer's election to defer interest payments in accordance with Condition 3.5(b) (*Optional Deferral of Interest Payments*) of the Collateral Notes Conditions), will result in corresponding reductions and delays in respect of principal and interest payable in respect of the Notes. The Notes may also redeem earlier than anticipated due to tax events, changes in the accounting, capital or regulatory treatment of the Collateral Notes and other events affecting the Collateral Notes and/or the Collateral Issuer, all as more particularly set out in the Collateral Notes Conditions. Certain of these events may cause significant losses to Noteholders.

The Noteholders will have no right to physical delivery of the Collateral Notes under the terms of the Notes. Any enforcement of security over the Collateral Notes is subject to the transfer restrictions set forth in the Collateral Notes Conditions. These transfer restrictions severely limit the potential transferees of the Collateral Notes.

No withholding and early redemption

The Collateral Notes Conditions provide that, subject to certain exemptions, the Collateral Issuer shall make all payments of principal and interest on the Collateral Notes, free of any withholding or deduction for or on account of any other taxes, duties or assessments or governmental charges in Switzerland unless such withholding or deduction is required by law. The Issuer and the Managers have received a legal opinion from Swiss counsel of the Collateral Issuer that the Collateral Issuer is not at the date of issue of the Collateral Notes required by law to make such deduction or withholding. The Collateral Issuer has obtained a tax ruling from the relevant Swiss authorities that, no Swiss tax withholding or deduction will be required to be made by it in respect of payments due to be made by it to the Issuer under the Collateral Notes. However, there can be no assurance as to the future impact of any possible administrative or judicial decision or change to any relevant Swiss law and/or administrative practice after the date of issue of the relevant Collateral Notes.

Although the Collateral Notes provide for the payments of additional amounts to be paid by the Collateral Issuer if the Collateral Issuer becomes obliged by Swiss law to make any withholding or deduction in respect of payments of principal and interest under the Collateral Notes, the obligation to pay such

additional amounts may not be enforceable under Swiss law. Although the terms of the Collateral Notes provide in such circumstance for the rate of interest on the Collateral Notes to be adjusted to take into account such withholding or deduction, such adjustment may also contravene Swiss legislation. In that event, the Notes may become subject to redemption in such circumstances and may result in amounts payable to Noteholders being less than their principal amount. See "Risks relating to the Notes generally - Earlier redemption for tax reasons".

The Collateral Issuer may redeem the Collateral Notes prior to the Collateral Final Maturity Date due to certain events as set forth in the Collateral Notes Conditions. In addition, the Collateral Issuer may on the Collateral First Optional Redemption Date and on each Collateral Floating Interest Payment Date (as defined below) thereafter redeem all of the Collateral Notes.

Purchase, Exchange or Retirement of Notes: Tender Offers and Exchange Offers

The terms of the Notes provide that in certain circumstances (as set out in the Special Conditions of Condition 7.4 (*Purchases*)), the Issuer may participate in a Tender Offer or an Exchange Offer (each as defined in the Special Conditions) of the Collateral Issuer with respect to the Collateral Notes. If, in such circumstances, the Collateral Issuer defaults in the performance of its payment or delivery obligations under the terms of any such Tender Offer or Exchange Offer, then the Issuer will not be able to satisfy its corresponding payment or delivery obligations to Noteholders in respect of any corresponding Cloverie Tender Offer or Cloverie Exchange Offer (each as defined in the Special Conditions). Any failure by the Issuer to make a payment or delivery due in connection with any Cloverie Tender Offer or Cloverie Exchange Offer shall constitute a default in payment in respect of the Notes for purposes of Condition 11.1, leading to the security for the Notes becoming enforceable.

Accordingly, Noteholders must recognise that they will be exposed to the risk of default by the Collateral Issuer in respect of any Tender Offer or Exchange Offer, regardless of whether or not they participate in any corresponding Cloverie Tender Offer or Cloverie Exchange Offer. Any Cloverie Tender Offer or Cloverie Exchange Offer is subject to any terms or conditions required by the Trustee and, for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, all applicable rules and regulations of the Irish Stock Exchange, and to notification to Moody's and S&P.

Exercise of rights under Collateral Notes

Condition 13.1 provides that, other than in circumstances involving a Tender Offer or an Exchange Offer, which are subject to the Special Conditions of Condition 7.4 (*Purchases*), the Issuer may exercise any rights in its capacity as holder of the Collateral Notes pursuant to the consent of the Trustee or the authority of an Extraordinary Resolution of the Noteholders and, if such direction is given, the Issuer will act only in accordance with such direction (as more specifically set out in the Trust Deed). In particular, the Issuer will not attend or vote at any meeting of holders of the Collateral Notes, or give any consent or notification or make any declaration in relation to the Collateral Notes, unless it shall have been so requested by the Trustee or by any Extraordinary Resolution of the Noteholders.

In addition, the Issuer shall, if so directed in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders (in each case, a "**Noteholder Direction**") (subject in each case to its being indemnified to its satisfaction), exercise any rights in its capacity as holder of the Collateral Notes (including to direct the trustee in respect of the Collateral Notes to enforce the terms of the Collateral Notes as contemplated thereby) or its right under the Purchase Agreement to acquire the Collateral Notes in accordance with such direction (as more specifically set out in the Trust Deed).

At any time after the security for the Notes has become enforceable, Citigroup Global Markets Deutschland AG in its capacity as Enforcement Agent (the "**Enforcement Agent**") shall, if the Issuer is directed to do so by any Noteholder Direction (subject in each case to the Enforcement Agent being

indemnified and/or secured to its satisfaction), exercise on behalf of the Issuer as the Issuer's agent any rights of the Issuer in the Issuer's capacity as holder of the Collateral Notes (including to direct the trustee in respect of the Collateral Notes to enforce the terms of the Collateral Notes as contemplated thereby) or the Issuer's right under the Purchase Agreement to acquire the Collateral Notes and the Enforcement Agent will act only in accordance with any Noteholder Direction (as more specifically set out in the Trust Deed).

Without prejudice to the foregoing, in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other secured parties (including the Managers), nor shall the Noteholders and the other secured parties (including the Managers) (when acting in their respective capacities) be permitted, to take any action against the Collateral Issuer or enforce any claim that the Issuer may have against the Collateral Issuer under the Collateral Notes or the Purchase Agreement or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable.

Enforcement of the rights that the Issuer has under the Collateral Notes through the Issuer or the Enforcement Agent on behalf of the Issuer, as the Issuer's agent, whether prior to or after the security created in respect of the Notes has become enforceable, may be subject to delay pending receipt of relevant Noteholder Directions.

Transfer restrictions in Collateral Notes

The Issuer shall be subject to certain transfer restrictions applicable to the Collateral Notes in relation to any disposal of the Collateral Notes. The Enforcement Agent acting on behalf of the Issuer shall not, and shall not be required to, dispose of the Collateral Notes where such disposal would violate any such transfer restrictions. These transfer restrictions may limit the ability of the Issuer to dispose of the Collateral Notes.

Risks relating to the other parties

Reliance on creditworthiness of other parties

The ability of the Issuer to meet its obligations under the Notes will depend on the receipt by it of payments by the Collateral Issuer. Consequently, the Issuer is exposed to the risk that the Collateral Issuer will not perform its obligations pursuant to the terms of the Collateral Notes.

The ability of the Issuer to meet its obligations under the Notes may also depend on the receipt by it of payments by Citibank N.A., London Branch as Custodian in respect of its accounts with the Custodian. Consequently, the Issuer is also exposed to the risk that the Custodian will not perform its obligations pursuant to the terms of the Custody Agreement or the Agency Agreement.

Investors in the Notes are also exposed to, and rely upon performance of certain obligations by, other parties including, but not limited to, Citibank N.A., London Branch acting as Issuing and Paying Agent, Citigroup Global Markets Limited as Disposal Agent and Citigroup Global Markets Deutschland AG as Enforcement Agent. Default by any such entities of their obligations or the inability of any of the above entities to continue in their roles will disrupt the cash flows flowing from the Collateral Issuer and may result in the inability of the Issuer to make payments in respect of the Notes. Replacing one or more of such entities may take significant amounts of time since the holders of the Notes may need to give instructions to the Trustee and/or the Issuer to effect such replacements. In addition the Trustee and the Issuer may, in such circumstances, require indemnities or reimbursement of expenses before they are able to act.

No regard to individual Noteholders

In connection with the exercise of its functions, the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

In connection with the exercise of its functions, the Managers' Trustee shall have regard solely to the interests of the Manager's Secured Parties and shall not assume any duty or responsibility to, or have regard to the interests of, any Noteholder or other Secured Party.

Business relationships and capacity of Citigroup Global Markets Limited ("Citi")

The Managers, the Custodian, the Disposal Agent, the Enforcement Agent, the Calculation Agent and any of their affiliates may have existing or future business relationships with the Collateral Issuer (including, but not limited to, lending, depository, risk management, advisory and banking relationships), and will pursue actions and take steps that they deem or it deems necessary or appropriate to protect their or its interests arising therefrom without regard to the consequences for a Noteholder. In addition, the Managers, the Custodian, the Disposal Agent, the Calculation Agent and any of their affiliates may make a market or hold positions in respect of any of the Collateral Notes. From time to time, the Managers, the Custodian, the Disposal Agent, the Enforcement Agent, the Calculation Agent and any of their affiliates may own significant amounts of Notes.

Citi and its affiliates may act in a number of capacities in respect of the Notes including, without limitation, Manager, Disposal Agent, Enforcement Agent and Calculation Agent. Citi and its affiliates acting in such capacities in connection with the Notes shall have only the duties and responsibilities expressly agreed to by such entities in the relevant capacity and shall not, by virtue of acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. Citi and its affiliates, including the Trustee and the Managers' Trustee, in their various capacities in connection with the Notes may enter into business dealings, from which they may derive revenues and profits in addition to any fees, without any duty to account therefor.

Legality of purchase

None of the Issuer, the Trustee, the Managers' Trustee, the Managers or any affiliate of such persons has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes (whether for its own account or for the account of any third party), whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser (or any such third party) with any law, regulation or regulatory policy applicable to it.

Risks related to the market generally

Set out below is a brief description of certain market risks.

The secondary market generally

Although application has been made to have the Notes admitted to the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, the Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at

prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the EUR would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Terms and Conditions

The terms and conditions of the Notes shall consist of the terms and conditions (the "**Base Conditions**") set out in the Base Prospectus dated 18 July 2011 (the "**Base Prospectus**"), as amended or supplemented below (including in the Schedule hereto) (the "**Conditions**"). References in the Base Prospectus and in the Conditions to "Final Terms" shall be deemed to refer to the terms set out below (including the Schedule hereto).

1	Issuer:	Cloverie Public Limited Company
2	Relevant Dealer/Lead Manager (including, if Syndicated Issue, Managers):	Pursuant to a Syndication Agreement dated 5 July 2012 (the "**Syndication Agreement**" between Citigroup Global Markets Limited ("**Citi**", and in such capacity a "**Joint Lead Manager**"), Barclays Bank PLC ("**Barclays**", and in such capacity a "**Joint Lead Manager**"), HSBC Bank plc ("**HSBC**", and in such capacity a "**Joint Lead Manager**"), J.P. Morgan Securities Ltd. ("**JPMSL**", and in such capacity a "**Joint Lead Manager**"), Merrill Lynch International ("**MLI**", and in such capacity a "**Joint Lead Manager**" and, together with Citi, Barclays, HSBC and JPMSL, the "**Joint Lead Managers**"), Bayerische Landesbank ("**BayernLB**", and in such capacity a "**Co-Manager**"), Commerzbank Aktiengesellschaft ("**Commerzbank**", and in such capacity a "**Co-Manager**"), Landesbank Baden-Württemberg ("**LBBW**", and in such capacity a "**Co-Manager**") and Société Générale (in such capacity a "**Co-Manager**" and, together with BayernLB, Commerzbank and LBBW, the "**Co-Managers**", with the Co-Managers and the Joint Lead Managers being, together, the "**Managers**") and the Issuer, the Managers have agreed, subject to the satisfaction of certain conditions, to subscribe for the Notes at the Issue Price.
3	Series No:	2012-002
4	Tranche No:	1
5	ISIN:	XS0802738434
6	Common Code:	080273843
7	CUSIP:	Not Applicable
8	PORTAL Code:	Not Applicable
9	Currency (or Currencies in the case of Dual Currency Notes):	EUR
10	Principal Amount:	
	(i) Series:	EUR 500,000,000
	(ii) Tranche:	EUR 500,000,000
11	(i) Issue Date:	9 July 2012

	(ii) Date Board approval for issuance of Notes obtained:	3 July 2012
12	Issue Price:	99.129 per cent.
13	(i) Form:	Bearer
	(ii) CGN / NGN:	CGN
14	Denomination(s):	EUR 100,000 and integral multiples of EUR 1,000 above such amount up to and including EUR 199,000. No Notes in definitive form will be issued with a denomination above EUR 199,000 (reference to a Note's *pro rata* share of any amount means a proportion of such amount equal to the proportion which the Denomination of such Note bears to the aggregate Denominations of all Notes then outstanding).
15	Status:	Secured and limited recourse obligations of the Issuer, secured as provided below.

Provisions relating to Interest Payable

16	Interest Commencement Date (if different from Issue Date):	See Schedule.
17	Interest Basis:	The Notes are Variable Coupon Amount Notes. See Schedule.
18	Interest Rate:	The interest payable in respect of the Notes is linked to interest payments in respect of the Collateral Notes (as defined in paragraph 73(a) below). Any event that causes the Collateral Issuer (as defined in paragraph 73(a) below) not to make all or part of any scheduled interest payments in respect of the Collateral Notes, or to delay any such scheduled interest payments, or any decision by the Collateral Issuer not to make all or any part of any scheduled interest payments or to delay any such scheduled interest payments, will result in corresponding reductions or delays to the interest payable in respect of the Notes. If the Collateral Notes are not subject to any such reductions or delays and subject as provided in Condition 6.1, each Note will pay interest on the Interest Payment Date (as defined in the Schedule) that is, or is the Relevant Business Day immediately following, each Scheduled Collateral Interest Payment Date, at the applicable Collateral Rate of Interest. "**Collateral Information Memorandum**" means the information memorandum dated 5 July 2012 relating to the EUR 500,000,000 Subordinated Fixed-to-Floating Rate Callable Loan Notes with a scheduled maturity in 2042 of the Collateral Issuer, which is set out at Appendix A to the Series Prospectus in respect of the

Notes (the "**Series Prospectus**").

"**Collateral Issue Date**" means the "Issue Date" of the Collateral Notes (as defined in the Collateral Notes Conditions).

"**Collateral Notes Conditions**" means the detailed terms and conditions of the Collateral Notes, set out in the "Terms and Conditions of the Loan Notes" in the Collateral Information Memorandum.

"**Collateral Rate of Interest**" means, subject to adjustment pursuant to Condition 3.4 (*Recalculation of Interest*) of the Collateral Notes Conditions, the applicable rate of interest, being:

(i) in respect of the period from and including the Collateral Issue Date, to but excluding the Collateral First Optional Redemption Date, a fixed rate of interest equal to 6.625 per cent. per annum; and

(ii) in respect of each Collateral Floating Interest Period which falls within the period from and including the Collateral First Optional Redemption Date, to but excluding the Collateral Final Maturity Date, a floating rate of interest equal to:

(a) the Screen Rate plus Margin; or

(b) if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Agent Bank of such rates plus Margin; or

(c) if fewer than two of the Reference Banks provide such rates, the arithmetic mean of the rates quoted by major banks in the Euro-zone, selected by the Agent Bank, at approximately 11.00 a.m. (C.E.T.) on the first day of such Collateral Floating Interest Period for loans in Euro to leading European banks for a period of six months commencing on the first day of such Collateral Floating Interest Period and for a Representative Amount, plus the Margin; or

(d) if the rate of interest cannot be determined in accordance with the above provisions, the rate of interest shall be determined as at the last preceding Collateral Interest Determination Date, or, in the case of the first Collateral Floating Interest Period, the rate of interest shall be determined by the Agent Bank acting in good faith and in a commercially reasonable manner,

where:

"**Agent Bank**" means Citibank N.A., London Branch or its duly appointed successor;

"**Collateral First Optional Redemption Date**" means 1 September 2022;

"**Collateral Final Maturity Date**" means 1 September 2042, subject to deferral in certain circumstances as specified in the Collateral Notes Conditions;

"**Collateral Floating Interest Period**" means each period from and including the Collateral First Optional Redemption Date to, but excluding, the first Collateral Floating Interest Payment Date and each successive period from and including a Collateral Floating Interest Payment Date to but excluding the next succeeding Collateral Floating Interest Payment Date;

"**Collateral Interest Determination Date**" means the second TARGET2 Settlement Day before the commencement of the Collateral Floating Interest Period for which the relevant rate of interest will apply;

"**Euro-zone**" means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March, 1957) as amended;

"**Margin**" means 5.789 per cent. per annum;

"**Reference Banks**" means the principal Euro-zone office of each of four major banks engaged in the Euro-zone interbank market selected by the Agent Bank, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;

"**Representative Amount**" means, in relation to any quotation of a rate for which a Representative Amount is relevant, an amount that is representative for a single transaction in the relevant market at the relevant time;

"**Screen Rate**" means the rate for six month deposits in Euro which appears on Reuters EURIBOR01 (or such replacement page on that service which displays the information); and

		"**TARGET2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open. "**Scheduled Collateral Interest Payment Date**" means: (i) in respect of the period from and including the Collateral Issue Date, to but excluding the Collateral First Optional Redemption Date, 1 September in each year commencing on 1 September 2012; and (ii) in respect of the period from and including the Collateral First Optional Redemption Date, to but excluding the Collateral Final Maturity Date, 1 March and 1 September in each year commencing on 1 September 2022 (each a "**Collateral Floating Interest Payment Date**"), subject to the provisions relating to the deferral of interest payments as set out in the Collateral Notes Conditions.
19	Interest Payment Date(s):	See Schedule
20	Relevant Time (Floating Rate Notes):	Not Applicable
21	Determination Date(s) (if applicable):	Not Applicable
22	Interest Determination Date (Floating Rate Notes):	Not Applicable
23	Primary Source for Floating Rate (Floating Rate Notes):	Not Applicable
24	Reference Banks (Floating Rate Notes):	Not Applicable
25	Relevant Financial Centre (Floating Rate Notes):	Not Applicable
26	Benchmark (Floating Rate Notes):	Not Applicable
27	Broken Amount (Fixed Rate Notes):	Not Applicable
28	Representative Amount (Floating Rate Notes):	Not Applicable
29	Relevant Currency (Floating Rate Notes):	Not Applicable
30	Effective Date (Floating Rate Notes):	Not Applicable

31	Specified Duration (Floating Rate Notes):	Not Applicable
32	Margin (Floating Rate Notes):	Not Applicable
33	Rate Multiplier (if applicable):	Not Applicable
34	Maximum/Minimum Interest Rate (if applicable):	Not Applicable
35	Maximum/Minimum Instalment Amount (if applicable):	Not Applicable
36	Maximum/Minimum Redemption Amount (if applicable):	Not Applicable
37	Interest Amount:	See Schedule
38	Day Count Fraction:	Not Applicable
39	Interest Period Date(s) (if applicable):	Not Applicable
Provisions relating to redemption		
40	Redemption Amount (including early redemption):	See Schedule
41	Maturity Date:	See Schedule
42	Redemption for taxation reasons permitted on days other than Interest Payment Dates:	Yes
43	Index/Formula or other provisions applicable to Variable Coupon Amount Notes and/or Variable Redemption Amount Notes (if applicable):	The Notes are Variable Coupon Amount Notes. See Schedule.
44	Calculation Agent:	Citibank, N.A., London Branch
45	Dual Currency Notes:	Not Applicable
46	Partly-Paid Notes:	Not Applicable
47	Amortisation Yield (Zero Coupon Notes):	Not Applicable
48	Terms of redemption at the option of the Issuer or other Issuer's option:	Not Applicable
49	Terms of redemption at the option of the Noteholders or other Noteholders' Option (if applicable):	Not Applicable
50	Issuer's Option Period:	Not Applicable

51	Noteholders' Option Period:	Not Applicable
52	Instalment Date(s) (if applicable):	Not Applicable
53	Instalment Amount(s) (if applicable):	Not Applicable
54	Unmatured Coupons to become void upon early redemption:	Not Applicable
55	Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon (Bearer Notes):	Not Applicable
56	Business Day Jurisdictions for Condition 8.8 (jurisdictions required to be open for payment):	London or TARGET2 Settlement Jurisdiction
57	Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 13.1 (if applicable):	Not Applicable
58	Details of any other additions or variations to the Conditions (if applicable):	See Schedule
59	The Agents appointed in respect of the Notes are:	Citibank, N.A., London Branch Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom as the Issuing and Paying Agent, the Calculation Agent and the Custodian Citigroup Global Markets Deutschland AG Reuterweg 16 60323 Frankfurt Germany as the Enforcement Agent Citigroup Global Markets Limited Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom

		as the Disposal Agent Arthur Cox Listing Services Limited Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland as the Irish Listing Agent
60	Purchase, Exchange or Retirement of Notes by the Issuer:	The Issuer may only purchase, exchange or retire Notes in accordance with the Special Conditions (as defined in the Schedule).
61	Settlement method:	Delivery versus payment

Provisions applicable to Global Notes/Certificates and Definitive Notes/Individual Certificates

62	How Notes will be represented on issue:	Temporary Global Note
63	Applicable "foreign targeted obligation" exemption:	In accordance with regulations under Section 4701(b)(1)(B) of the Code. / Prior to regulations being promulgated under Section 4701(b)(1)(B) of the Code, in accordance with the D Rules and Notice 2012-20.
64	Whether Temporary/Permanent Global Note is exchangeable for Definitive Notes/Individual Certificates at the request of the holder:	Yes, in limited circumstances for Definitive Notes
65	New Global Note:	No
66	Intended to be held in a manner which would allow Eurosystem eligibility:	No

Provisions relating only to the sale and listing of the Notes

67	The following circulation and distribution restrictions apply:	<u>Switzerland</u> Each Manager represents, warrants and agrees that it has not publicly offered or sold, and will not publicly offer or sell, the Notes in Switzerland. The Issuer has not applied for a listing of the Notes on the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and consequently, the information presented in the Base Prospectus or the Series Prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. Neither this Series Prospectus nor any other offering and marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved

		by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, *e.g.*, FINMA, and investors in the Notes will not benefit from protection or supervision by such authority. <u>United States</u> The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Notes may not be offered, sold or resold within the United States or to U.S. persons (as defined in Regulation S under the Securities Act). The Notes are not being offered in the United States or to U.S. persons.
68	(i) Listing and admission to trading:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its Global Exchange Market.
	(ii) Estimate of total expenses related to admission to trading:	EUR 3,041.20
69	Dealer's Commission:	EUR 2,821,281
70	Method of Issue:	Syndicated Issue
71	The following Dealers are subscribing to the Notes:	Citigroup Global Markets Limited, Barclays Bank PLC, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Bayerische Landesbank, Commerzbank Aktiengesellschaft, Landesbank Baden-Württemberg and Société Générale.
72	Rating:	The Notes will be rated A3 by Moody's Investors Service Limited ("**Moody's**") and A by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"). Moody's is established in the European Union and registered under the Regulation (EC) No 1060/2009 (the "**CRA Regulation**") on credit rating agencies. S&P is not established in the European Union but is certified under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration

in accordance with the CRA Regulation and such registration is not refused.

The Security Arrangements

73 Mortgaged Property:

(a) Collateral: EUR 500,000,000 Subordinated Fixed-to-Floating Rate Callable Loan Notes with a scheduled maturity in 2042 (the "**Collateral Notes**") of Swiss Reinsurance Company Ltd (the "**Collateral Issuer**"), which will be registered in the name of the Issuer and any certificate(s) issued in respect thereof will be held by the Custodian acting through its London branch pursuant to the Custody Agreement and the Agency Agreement subject to the security interests in favour of the Trustee created by the Trust Deed.

"**Agency Agreement**" means the agency agreement dated 25 February 1997 as amended and restated on 18 July 2011 (and as further amended and/or supplemented from time to time) and as amended and supplemented for purposes of the Notes by a supplemental agency agreement dated 9 July 2012 (and as further amended and/or supplemented from time to time) between, *inter alios*, the Issuer, the Issuing and Paying Agent, the Disposal Agent, the Custodian and the Trustee (the "**Supplemental Agency Agreement**").

(b) Security:

(i) Order of priorities: Other Priority, as follows:

In respect of the application of the proceeds of realisation or enforcement of the security for the Series, but not the application of the proceeds of realisation or enforcement of the Managers' Security, the proceeds shall be held on trust and applied:

(i) *first*, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Trustee or any receiver in relation to that Series in preparing and executing the trusts under the Principal Trust Deed and the relevant Supplemental Trust Deed (including any taxes required to be paid, the costs of realising any such security and the Trustee's remuneration);

(ii) *secondly*, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Enforcement Agent in acting as enforcement agent of the Issuer in respect of the Security under the terms of the Principal Trust Deed and the relevant Supplemental Trust Deed (including any taxes required to be paid, the costs

of realising or enforcing any such security and the Enforcement Agent's remuneration);

(iii) *thirdly*, in relation to such Series, in meeting the claims (if any) of the Custodian, the Issuing and Paying Agent, or any Paying Agent for reimbursement in respect of any payment of interest, principal or other redemption amounts made to the holders of Notes of such Series, as the case may be, and in payment or satisfaction of the fees, costs, charges, expenses and liabilities (if any) properly incurred by the Disposal Agent in acting as disposal agent of the Issuer in respect of the disposal of the Collateral Notes;

(iv) *fourthly*, rateably in meeting the claims (if any) of the holders of Notes of such Series; and

(v) *fifthly*, in payment of the balance (if any) to the Issuer.

In respect of the application of the proceeds of realisation or enforcement of the Managers' Security, the proceeds shall be held on trust and applied:

(i) *first*, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Managers' Trustee in preparing and executing the trusts under the Principal Trust Deed and the relevant Supplemental Trust Deed (including any taxes required to be paid, the costs of realising any such security and the Trustee's remuneration);

(ii) *secondly*, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Enforcement Agent in acting as enforcement agent of the Issuer in respect of the Managers' Security under the terms of the Principal Trust Deed and the relevant Supplemental Trust Deed (including any taxes required to be paid, the costs of realising or enforcing any such security and the Enforcement Agent's remuneration);

(iii) *thirdly*, in meeting any Manager's Claim (as defined below); and

(iv) *fourthly*, in payment of the balance (if any) to the Issuer.

(ii) Details of any other security or modifications to any security

Managers' Security

Pursuant to the Trust Deed in relation to the Notes, the Issuer:

(i) will assign by way of security in favour of Citicorp

Trustee Company Limited, in its capacity as Managers' Trustee (the "**Managers' Trustee**"), to hold for itself and as trustee for the Managers and the Enforcement Agent, the Issuer's rights, title and interest under the purchase agreement dated 5 July 2012 (and as amended and/or supplemented from time to time) between the Issuer and the Collateral Issuer relating to the purchase of the Collateral Notes by the Issuer (the "**Purchase Agreement**"), but excluding the Issuer's right under the Purchase Agreement to acquire the Collateral Notes;

(ii) will charge in favour of the Managers' Trustee, to hold for itself and as trustee for each Manager and the Enforcement Agent, by way of first fixed charge the proceeds of, income from and sums arising from the enforcement of any claim under the Purchase Agreement, except for the claim of the Issuer in relation to its right to acquire the Collateral Notes; and

(iii) will assign by way of security in favour of the Managers' Trustee, to hold for itself and as trustee for each Manager, the Issuer's rights, title and interest under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (i) and (ii) above,

(together, the "**Managers' Security**"). The Managers' Security is granted as continuing security in respect of any claim a Manager may have (a "**Manager's Claim**") against the Issuer under the Syndication Agreement arising from any representation, warranty, covenant or agreement given therein by the Issuer regarding the Collateral Notes, the Collateral Issuer and the Collateral Information Memorandum prepared by the Collateral Issuer in respect of the Collateral Notes.

No Noteholder shall have any interest in the Managers' Security and the Managers' Security shall not form part of the Mortgaged Property. If the Managers' Security becomes enforceable, the security for the Notes shall not consequently become enforceable and the Notes shall not be affected thereby and shall accordingly remain outstanding.

Each Manager, in respect of the Managers' Security, is subject to limited recourse provisions equivalent to those set out in Condition 4.8 and Condition 12 in respect of the Mortgaged Property, in accordance with the provisions of the Syndication Agreement and the Trust

		Deed in relation to the Notes. Each Manager (when acting in such capacity) is not permitted to take any action against the Collateral Issuer or to enforce any claim that the Issuer may have against the Collateral Issuer under the Collateral Notes or the Purchase Agreement or otherwise whether before, upon, or after the Managers' Security becoming enforceable. The Managers must rely on similar (but not identical) rights to those of the Noteholders, including a right of consultation and agreement with the Issuer (or the Enforcement Agent acting as agent of the Issuer) in relation to any such action or the enforcement of any such claim and/or a right to remove the Managers' Trustee, in each case in accordance with the provisions of the Trust Deed in relation to the Notes. The assignment by way of security in favour of the Trustee of the Issuer's right under the Purchase Agreement to acquire the Collateral Notes, and the first fixed charge in favour of the Trustee of all proceeds from, income from and sums arising from enforcement of any claim under the Purchase Agreement but only if such claim relates to the Issuer's right to acquire the Collateral Notes, shall form part of the Mortgaged Property.
	(c) Option Agreement (if applicable):	Not Applicable
	(d) Swap Agreement (if applicable):	Not Applicable
	(e) Details of Credit Support Document (if applicable):	Not Applicable
	(f) Credit Support Provider:	Not Applicable
	(g) Details of Securities Lending Agreement (if applicable):	Not Applicable
74	Priority of interests in Mortgaged Property:	As set out in paragraph 73(b)(i) above.
75	Mandatory Redemption:	See Schedule.
76	Name of Stabilising Manager:	Citigroup Global Markets Limited

Schedule –
Additional Amendments to the Base Conditions

1 Condition 4.4 (*Disposal Agent*)

Citigroup Global Markets Limited in its capacity as Disposal Agent will act as disposal agent in relation to the disposal of the Collateral Notes (including in connection with any enforcement of the Security (as defined in the Trust Deed) constituted by the Trust Deed), and may itself make an offer to purchase the Collateral Notes (subject to the restrictions set forth in Condition 4.6), as specified in the Supplemental Trust Deed.

In connection with any such disposal by the Disposal Agent, the Issuer or its agent shall give notice to the Noteholders in accordance with Condition 16 that the Disposal Agent is to begin the process of disposing of the Collateral Notes in accordance with the terms of the Agency Agreement.

2 Condition 4.6 (*Realisation of security*)

Condition 4.6 (*Realisation of security*) shall be amended by:

(i) adding the words "and/or secured" following the words "without first being indemnified" at the end of the first sentence thereof;

(ii) deleting sub-clause 4.6.3 thereof and replacing it with the following:

"**4.6.3** if sums are due to the Enforcement Agent and/or the Custodian and/or the Issuing and Paying Agent and/or any Paying Agent (the claims in respect of which are Secured Liabilities (as defined in Condition 4.8)) and the Trustee is so directed in writing by the Enforcement Agent and/or the Custodian and/or the Issuing and Paying Agent and/or any Paying Agent (unless this would in the Trustee's opinion be contrary to the interests of the holders of Notes, subject to Clause 6.19 of the Principal Trust Deed (if applicable)),"; and

(iii) adding the following additional text at the end thereof:

"The Security constituted by the Trust Deed shall, in addition to in the circumstances set out in Condition 11 (*Events of Default*), forthwith become enforceable, as provided in the Trust Deed, if there is any default in the payment of any Redemption Amount on the date such Redemption Amount is due.

Any realisation and/or enforcement of the Security over the Collateral Notes or exercise of any right in respect of the Collateral Notes shall be subject to the restrictions set forth in the Collateral Notes Conditions, including, but not limited to, Condition 1 (*Form, Denomination and Transfe*r).

3 Condition 4.7 (*Application of Proceeds*)

Condition 4.7 (*Application of Proceeds*) shall be deleted and replaced with the following:

4.7 Application of Proceeds

The Trust Deed requires that the net proceeds of the Security shall be applied according to the priority of payments specified for purposes of Condition 4.2 (*Application of security*). In particular, but without limitation, none of the Noteholders shall be entitled to petition or take any other step for the insolvency, examinership, winding-up or liquidation of the Issuer to recover any shortfall.

4 Condition 4.9 (*Substitution of Mortgaged Property*)

Condition 4.9 (*Substitution of Mortgaged Property*) shall not apply in respect of the Collateral Notes, but shall apply in respect of the remainder of the Mortgaged Property.

5 Condition 4.10 (*Replacement of Collateral*)

Condition 4.10 (*Replacement of Collateral*) shall not apply to the Notes.

6 Condition 4.11 (*Issuer's rights as holder of Collateral*)

Condition 4.11 (*Issuer's rights as holder of Collateral*) shall be deleted and replaced with the following:

4.11 Issuer's rights as holder of Collateral Notes

The Issuer may exercise any rights in its capacity as holder of the Collateral Notes only with the consent of the Trustee or as directed by an Extraordinary Resolution of the Noteholders or, where applicable, in accordance with Condition 7.4 or Condition 13.1 and, if such consent or direction is given, the Issuer will act only in accordance with such consent or direction. In particular, the Issuer will not attend or vote at any meeting of holders of the Collateral Notes, or give any consent or notification or make any declaration in relation to the Collateral Notes, unless the Trustee gives its consent or by direction of an Extraordinary Resolution of the Noteholders or, where applicable, in accordance with Condition 7.4 or Condition 13.1.

7 Condition 6.1 (*Interest Rate and Accrual*)

Condition 6.1 (*Interest Rate and Accrual*) shall be deleted and replaced with the following:

6.1 Interest Rate and Accrual

The Notes are Variable Coupon Amount Notes.

Each Note bears interest from (and including) the Interest Commencement Date on the basis of the relevant Interest Amount calculated in respect of each relevant Interest Payment Date. For each Interest Payment Date on which a Note is outstanding, the relevant Interest Amount shall be due and payable in respect of the Denomination of the relevant Note on such Interest Payment Date.

Interest will cease to accrue on each Note on the due date for redemption unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) on any overdue principal from the due date for redemption to the Relevant Date at the rate determined daily by the Calculation Agent to be the rate for overnight deposits in the applicable currency. Such interest shall be added annually to the overdue sum and shall itself bear interest accordingly.

As used herein:

"**Business Day Convention**" means Modified Following Business Day Convention.

"**Collateral Interest Amount**" means any interest amount payable in respect of the Collateral Notes, including but not limited to scheduled Interest Amounts (as defined in the Collateral Notes Conditions) and payments of Deferred Interest (as defined in the Collateral Notes Conditions), to the extent that the relevant interest amount is actually received by the Issuer and subject to any adjustment pursuant to (i) Condition 3.4 (*Recalculation of Interest*) of the Collateral Notes Conditions due to tax deduction or withholding, (ii) any deduction or withholding on account of FATCA and (iii) any other or further adjustments to such amounts as set out in the Collateral Notes Conditions.

"**Collateral Interest Payment Date**" means any date on which a Collateral Interest Amount is payable.

"**Interest Amount**" means, in respect of the Denomination of the relevant Note and an Interest Payment Date, its *pro rata* share of an amount equal to any Collateral Interest Amount received by the Issuer in respect of the Interest Calculation Date relating to such Collateral Interest Amount.

"**Interest Calculation Date**" means in respect of a Collateral Interest Amount, the Collateral Interest Payment Date relating thereto or, if later, the later of (i) the date on which the Issuer receives payment of the Collateral Interest Amount relating to such Collateral Interest Payment Date and (ii) the date on which the Calculation Agent is notified by or on behalf of the Issuer of the Collateral Interest Amount relating to such Collateral Interest Payment Date and has received any information required in order to enable the Calculation Agent to determine the related Interest Amount.

"**Interest Commencement Date**" means the Collateral Issue Date.

"**Interest Payment Date**" means the relevant Interest Calculation Date or, where the Calculation Agent determines that payment of any related Interest Amount on such date is not possible or practicable, the Relevant Business Day immediately following such Interest Calculation Date.

8 Condition 6.6 (*Calculations*)

Condition 6.6 (*Calculations*) shall be deleted and replaced with the following:

6.6 Calculations

In respect of each Interest Payment Date, the Calculation Agent shall, subject to the paragraph below, calculate the Interest Amount due and payable on such Interest Payment Date in respect of each Note outstanding on such Interest Payment Date.

In order to enable the Calculation Agent to perform its functions under these Conditions, the Issuer shall provide to the Calculation Agent (or procure the provision of) any information required in order to enable the Calculation Agent to determine any Interest Amount, Redemption Amount or other amount payable hereunder. The Calculation Agent shall not be liable for any failure to comply with its obligations under these Conditions as a result of any failure of the Issuer to provide any such information.

9 Condition 7.2 (*Mandatory Redemption*)

Condition 7.2 (*Mandatory Redemption*) shall be deleted and replaced with the following:

7.2 Mandatory Redemption

If at any time the Collateral Notes become redeemable or repayable in accordance with their terms, the Issuer shall redeem each Note on the related Mandatory Redemption Date at its Mandatory Redemption Amount.

As used in these Conditions:

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time.

"**Collateral Final Maturity Date**" means the day determined pursuant to the definition of "Final Maturity Date" in the Collateral Notes Conditions.

"**Collateral Redemption Amount**" means any amount equal to the amount payable (i) on redemption or repayment of the Collateral Notes (but excluding any amount included in any Collateral Interest Amount or any amount payable in connection with any Tender Offer or Exchange Offer), once the Collateral Notes have become redeemable or repayable in accordance with the provisions of Condition 4 (*Redemption*) or (ii) upon the Collateral Notes becoming repayable in accordance with the provisions of Condition 10 (*Enforcement*) of the Collateral Notes Conditions, to the extent that the relevant amount is actually received by the Issuer.

"**Collateral Redemption Date**" means any date on which the Collateral Notes are redeemable or repayable, including but not limited to (i) the Collateral Final Maturity Date pursuant to Condition 4.1 (*Redemption at Maturity*) of the Collateral Notes Conditions, (ii) any such date arising as a result of

a redemption under Condition 4.2 (*Early Redemption Events*) of the Collateral Notes Conditions or (iii) a redemption following the Collateral Issuer exercising its option to redeem the Collateral Notes under Condition 4.3 (Early *Redemption at the Option of the Issuer*) of the Collateral Notes Conditions, each in accordance with the Collateral Notes Conditions.

"**FATCA**" means Sections 1471 through 1474 of the Code (including any regulations or guidance thereunder) and any successor version thereof and any agreement entered into thereunder.

"**Mandatory Redemption Amount**" means, in respect of the Denomination of the relevant Note, its *pro rata* share of an amount equal to the Collateral Redemption Amount.

"**Mandatory Redemption Date**" means the relevant Redemption Calculation Date or, where the Calculation Agent determines that payment of any related Mandatory Redemption Amount on such date is not possible or practicable, the Relevant Business Day immediately following such Redemption Calculation Date.

"**Redemption Calculation Date**" means the Collateral Redemption Date or, if later, the later of (i) the date on which the Issuer receives payment of the Collateral Redemption Amount relating to such Collateral Redemption Date and (ii) the date on which the Calculation Agent is notified by or on behalf of the Issuer of the Collateral Redemption Amount relating to such Collateral Redemption Date and has received any information required in order to enable the Calculation Agent to determine the related Mandatory Redemption Amount.

10 Condition 7.3 (*Redemption for taxation and other reasons*)

10.1 Condition 7.3 (*Redemption for taxation and other reasons*) shall be interpreted as follows.

If a tax deduction or withholding (collectively, a "**Tax Deduction**") is required by law to be made by the Collateral Issuer in respect of any payment of principal or interest in respect of the Collateral Notes for any taxes, duties, assessments or governmental charges of whatever nature imposed by or on behalf of Switzerland, Condition 7.3.2 of the Notes shall not apply to such Tax Deduction if there is an actual payment by the Collateral Issuer of a corresponding payment of additional amounts pursuant to Condition 6 (*Taxation*) or an adjustment to the rate of interest in respect of the Collateral Notes pursuant to Condition 3.4 (*Recalculation of Interest*) of the Collateral Notes Conditions such that the amount received by the Issuer in respect of the Collateral Notes equals the amount that would have been received by it had no such deduction or withholding been required.

10.2 In Condition 7.3.2 (iii) the words "is required to comply with any reporting requirement of any such authority" shall be deleted and replaced with the following:

"is, as a result of a change in, or amendment to, the laws, regulations of the jurisdiction of the Collateral Issuer or in the official interpretation or application of such laws or regulations, required to comply with any reporting requirement of any such authority".

10.3 The following Condition 7.3.4 shall be inserted after Condition 7.3.3:

"If the Issuer, (i) on the occasion of the next payment due in respect of the Notes, (a) would be required by FATCA to withhold or account for tax or (b) would suffer tax in accordance with FATCA in respect of its income so that it would be unable to make payment of the full amount due; or (ii) is or will be unable to receive any payment due in respect of the Collateral forming part of the Mortgaged Property in full on the due date therefor without deduction for or on account of any withholding tax, back-up withholding or other tax, duties or charges of whatsoever nature on account of FATCA,

then the Issuer shall promptly inform the Trustee and the Noteholders of such event and if the Noteholders within 80 days of such notice direct the Issuer by way of Extraordinary Resolution to redeem all but not some of the Notes, then the Issuer shall within 30 days of such direction (the "**Early Redemption Date**"), redeem all but not some only of the Notes at their outstanding Redemption Amount. In such circumstances, the Disposal Agent will sell the Collateral Notes pursuant to the terms of the Agency Agreement in order to fund such redemption.

Notwithstanding the foregoing, if any of the taxes referred to above arises by reason of the failure of a Noteholder to comply with any applicable procedures including, without limitation, any requirement to provide information or documentation pursuant to FATCA or to provide any waiver required by FATCA, then, to the extent it is able to do so, the Issuer, the relevant paying agent, or any person required to deduct or withhold on a payment to such Noteholder, shall deduct such taxes from the amounts payable to such Noteholder and all other Noteholders shall receive the due amounts payable to them. In such circumstances, the Noteholders shall not be entitled to direct the Issuer by way of Extraordinary Resolution to redeem the Notes as aforesaid. Any such deduction shall not be an Event of Default under Condition 11.

For the purpose of Condition 7.3, reference to "outstanding Redemption Amount" means, in respect of each Note, such Note's pro rata share of the net realised sale proceeds of the Collateral Notes following their sale by the Disposal Agent pursuant to the relevant terms governing the sale of the Collateral Notes in the Agency Agreement and after any withholding or deduction that may be required by FATCA, or otherwise, in connection with the sale of the Collateral Notes or the distribution of the outstanding Redemption Amount to Noteholders."

11 Condition 7.4 (*Purchases*)

Condition 7.4 (*Purchases*) shall be deleted and replaced with the following:

7.4 Purchases

The Issuer may only purchase, exchange or retire Notes in accordance with the special conditions below (the "**Special Conditions**"):

(i) The Issuer may at any time make an offer to purchase the Notes for cash consideration or to receive the Notes for cancellation (a "**Cloverie Tender Offer**") or to exchange the Notes for non-cash assets (a "**Cloverie Exchange Offer**") (in each case, whether by private treaty or tender offer). Any Cloverie Tender Offer or Cloverie Exchange Offer may only be made on a limited recourse basis and upon terms that will ensure that after any such purchase, cancellation or exchange of Notes, the aggregate principal amount of Notes outstanding will be the same as the aggregate principal amount of Collateral Notes outstanding. The Issuer shall not make a Cloverie Tender Offer or a Cloverie Exchange Offer (A) other than in the case of the Issuer receiving Notes for cancellation, without first having entered into an agency agreement with an agent to act as tender agent or, as the case may be, exchange agent for the Issuer in connection with the Cloverie Tender Offer or the Cloverie Exchange Offer and (B) without first being satisfied that its costs and expenses in connection with the same will be met, and subject to Moody's and/or Standard & Poor's, as the case may be (or any other applicable rating agency), being notified of the same. Furthermore, any Cloverie Tender Offer or Cloverie Exchange Offer shall be subject to any terms and conditions required by the Trustee and shall, for as long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, be in accordance with all applicable rules and regulations of the Irish Stock Exchange. The Issuer shall forthwith notify Moody's and/or Standard & Poor's, as the case may be (or any other applicable rating agency), if any Notes are purchased or exchanged pursuant to this Condition 7.4.

(ii) If at any time the Collateral Issuer makes an offer to the Issuer, or to the Custodian on behalf of the Issuer, to purchase the Collateral Notes for cash consideration or to receive the Notes for cancellation (a "**Tender Offer**") or for non-cash assets (an "**Exchange Offer**"), then the Issuer shall not accept such Tender Offer or Exchange Offer (notwithstanding anything to the contrary in Condition 13.1 (*Meetings of Noteholders*)), and the Trustee shall not be permitted to release the Security created over the Collateral Notes pursuant to the Trust Deed, other than in accordance with paragraphs (iii) and (iv) below.

(iii) Subject to the requirements of paragraph (i) above, the Issuer shall make a Cloverie Tender Offer or, as the case may be, a Cloverie Exchange Offer, upon the occurrence of a Tender Offer or, as the case may be, an Exchange Offer unless (other than in the case of the Issuer receiving Notes for cancellation) in the reasonable opinion of the Issuer, the Issuer would be materially disadvantaged by the same.

(iv) For purposes of any Cloverie Tender Offer or Cloverie Exchange Offer, whether or not relating to any Tender Offer or Exchange Offer, the Trustee shall not release the Security created over the Collateral Notes pursuant to the Trust Deed except that it may release the Collateral Notes to the extent that after such release and taking into account any purchase, exchange or cancellation of Notes pursuant to any Cloverie Tender Offer or Cloverie Exchange Offer, the aggregate principal amount of the Collateral Notes outstanding will be the same as the aggregate principal amount of Notes outstanding. To the extent that such Cloverie Tender Offer or Cloverie Exchange Offer relates to any Tender Offer or, as the case may be, Exchange Offer, following the release of such Security the Issuer shall accept (or procure the acceptance of) such Tender Offer or Exchange Offer in respect of the Collateral Notes so released.

Any failure by the Issuer to make a payment or delivery due in connection with any Cloverie Tender Offer or Cloverie Exchange Offer shall constitute a default in payment in respect of the Notes for purposes of Condition 11.1.

12 Condition 7.10 (*Cancellation*)

The provisions of Condition 7.10 (*Cancellation*) shall apply to the exchange or retirement of Notes as well as to the purchase of Notes in accordance with Condition 7.4 (*Purchases*).

13 Condition 8.4 (*Payments subject to law, etc.*)

Condition 8.4 (*Payments subject to law, etc.*) shall be deleted and replaced with the following:

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or any Agent with any taxing authority) and the Issuer shall not be liable for any taxes or duties of whatever nature imposed, levied or required to be withheld or or deducted by any such law, regulation or agreement. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

14 Condition 8.5 (*Appointment of Agents*)

Condition 8.5 (*Appointment of Agents*) shall be deleted and replaced with the following:

8.5 Appointment of Agents

The Issuing and Paying Agent, the Calculation Agent, the Custodian, the Disposal Agent and the Enforcement Agent initially appointed by the Issuer and their respective specified offices are:

Issuing and Paying Agent, Custodian and Calculation Agent	Enforcement Agent	Disposal Agent
Citibank, N.A., London Branch Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom	Citigroup Global Markets Deutschland AG Reuterweg 16 60323 Frankfurt Germany	Citigroup Global Markets Limited Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom

The Issuing and Paying Agent, the Calculation Agent, the Custodian, the Disposal Agent and the Enforcement Agent act solely for the Issuer (or, as the case may be, and other than in the case of the Disposal Agent or the Enforcement Agent, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any holder.

The Issuing and Paying Agent and the Custodian are subject to the minimum rating requirements set forth in the Agency Agreement and the Custody Agreement, respectively.

The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any Paying Agent, the Custodian, the Disposal Agent or the Enforcement Agent and to appoint additional or other Paying Agents, provided that the Issuer will at all times maintain (i) an Issuing and Paying Agent, (ii) a Paying Agent having its specified office in a major European city, (iii) a Calculation Agent where the Conditions so require, (iv) a Disposal Agent where the Conditions so require, (v) an Enforcement Agent where the Conditions so require (except where the Trust Deed permits the Enforcement Agent to resign without a replacement having been appointed), (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 and (vii) a Custodian. In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in Condition 8.3. For so long as the Notes are listed on a stock exchange, the Issuer will maintain such agents as may be required by the rules of such stock exchange.

15 Condition 9 (Taxation)

All payments of principal and interest by the Issuer in respect of the Notes and Coupons will be made subject to any withholding or deduction for, or on account of, any withholding tax. Any such deduction shall not be an Event of Default under Condition 11 — Events of Default. In the event of the imposition of any withholding taxes other than on account of FATCA on payments in respect of the Notes, the Issuer will use its best endeavours to arrange for the substitution of its obligations by a company incorporated in another jurisdiction provided that such company is approved by the Trustee as the principal debtor and provided further that Moody's, Fitch or Standard & Poor's, as the case may be, (or any other applicable rating agency) is notified and that the then current rating of the Notes by such rating agency is not adversely affected.

16 Condition 12 (*Enforcement*)

Condition 12 (*Enforcement*) shall be deleted and replaced with the following:

12 Enforcement

At any time after the Notes become due and repayable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the

terms of the Trust Deed and the Notes (other than insofar as they relate to the Security constituted by the Trust Deed), but it need not take any such proceedings or any step or action unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction.

Only the Trustee, or the Enforcement Agent acting as agent of the Issuer in accordance with Clause 6.3 of the Supplemental Trust Deed, may pursue the remedies available under the Trust Deed to enforce the rights of the Secured Parties or the other parties thereto. If the Trustee, having become bound to do so, but only to the extent that the Trustee is permitted to take such action pursuant to Clause 6.1 of the Supplemental Trust Deed, fails or neglects to do so, then the Noteholders may exercise their rights under Clause 16.2 (*Retirement and Removal*) of the Principal Trust Deed to remove the Trustee, but shall in no circumstances be entitled to proceed directly against the Issuer.

If the Enforcement Agent, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so, then the Noteholders may exercise their rights under Clause 6.5 (*Provisions relating to the Enforcement Agent*) of the Supplemental Trust Deed to remove the Enforcement Agent, but shall in no circumstances be entitled to proceed directly against the Issuer.

For each Series, the Trustee and the other Secured Parties shall have recourse only to the Mortgaged Property in respect of such Series (and, in the case of the Manager's Secured Parties, to the Manager's Charged Assets (each as defined in the Supplemental Trust Deed)) and, the Trustee and/or the Enforcement Agent having realised the same and the Trustee having distributed the Net Proceeds in accordance with Condition 4 (and, where applicable, the Managers' Trustee and/or the Enforcement Agent having realised the Manager's Charged Assets and the Managers' Trustee having distributed the net proceeds thereof in accordance with the Trust Deed), the Trustee and the other Secured Parties or the Managers' Trustee and the other Manager's Secured Parties or anyone acting on behalf of any of them shall not be entitled to take any further steps against the Issuer to recover any further sum and no debt shall be owed by the Issuer to any such person in respect of any such further sum. In particular, none of the Trustee, Managers' Trustee, any other Secured Party or Manager's Secured Party or any other party to the Trust Deed shall be entitled to petition or take any other step for the insolvency, examinership, winding-up or liquidation of the Issuer, and none of them shall have any claim in respect of any sum arising in respect of the Mortgaged Property for any other Series or any other assets secured for the benefit of any other obligation of the Issuer, provided that any such Secured Party or Manager's Secured Party or other party may prove or lodge a claim in the insolvency, examinership, winding-up or liquidation of the Issuer initiated by another party and provided further that any such Secured Party or Manager's Secured Party or other party may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer.

17 Condition 13.1 (*Meetings of Noteholders*)

Condition 13.1 (*Meetings of Noteholders*) shall be amended by adding the following two paragraphs at the end thereof:

"In addition, the Issuer shall, if so directed in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders (in each case, a "**Noteholder Direction**") (subject in each case to its being indemnified to its satisfaction), exercise any rights in its capacity as holder of the Collateral Notes (including to direct the trustee in respect of the Collateral Notes to enforce the terms of the Collateral Notes as contemplated thereby) or its right under the Purchase Agreement to acquire the Collateral Notes in accordance with such direction (as more specifically set out in the Trust Deed).

At any time after the security for the Notes has become enforceable, the Enforcement Agent shall, if the Issuer is directed to do so by any Noteholder Direction (subject in each case to the Enforcement Agent being indemnified and/or secured to its satisfaction), exercise on behalf of the Issuer as the Issuer's agent any rights of the Issuer in the Issuer's capacity as holder of the Collateral Notes (including to direct the trustee in respect of the Collateral Notes to enforce the terms of the Collateral Notes as contemplated thereby) or the Issuer's right under the Purchase Agreement to acquire the Collateral Notes and the Enforcement Agent will act only in accordance with any Noteholder Direction (as more specifically set out in the Trust Deed).

Without prejudice to the foregoing, in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other Secured Parties, nor shall the Noteholders and the other Secured Parties (when acting in their respective capacities) be permitted, to take any action against the Collateral Issuer or enforce any claim that the Issuer may have against the Collateral Issuer under the Collateral Notes or the Purchase Agreement or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable."

18 Condition 17 (*Indemnification and Obligations of the Trustee*)

The fourth paragraph of Condition 17 (*Indemnification and Obligations of the Trustee*) shall be deleted and replaced with the following:

"The Trust Deed provides that in acting as Trustee under the Trust Deed the Trustee shall not assume any duty or responsibility to any other Secured Party (other than to pay any such Secured Party any moneys received and repayable to it held on trust for it and to act in accordance with the provisions of Conditions 4 and 13.1 and Clauses 6.6, 6.19, 16.1, 16.2 and 20.1 of the Principal Trust Deed) and shall have regard solely to the interests of the Noteholders of any Series, or as the case may be, all Series and shall not (subject to the provisions of Conditions 4 and 13.1 and Clauses 6.6, 6.19, 16.1, 16.2 and 20.1 of the Principal Trust Deed, to the extent applicable, which require the Trustee to act on the direction of the Custodian, the Issuing and Paying Agent, the Registrar, any Paying Agent, any Transfer Agent or the Enforcement Agent in certain circumstances or divide the Mortgaged Property) be obliged to act on any directions of any other person if this would in the Trustee's opinion be contrary to the interests of the Noteholders."

Collateral Notes Summary

Purchase of the Collateral Notes

The Issuer and the Collateral Issuer have entered into the Purchase Agreement pursuant to which the Issuer has agreed to purchase the Collateral Notes from the Collateral Issuer. Under the Purchase Agreement, the Collateral Issuer has given certain representations and warranties to the Issuer and agreed to indemnify the Issuer against certain liabilities.

The Collateral Issuer has acknowledged the assignments by way of security of the Issuer's rights under the Purchase Agreement to the Trustee. For a description of these assignments see "The Security Arrangements – Details of any other Security" under "Terms and Conditions of the Notes", and "Security Arrangements in respect of the Notes" below.

Security Arrangements in respect of the Notes

Subject as set out below, the obligations of the Issuer under the Notes are secured, *inter alia*, by a first fixed charge over the Collateral Notes. The Collateral Notes will be registered in the name of the Issuer and any certificate(s) issued in respect thereof will be held by the Custodian acting through its London office pursuant to the Custody Agreement and the Agency Agreement subject to the security interests in favour of the Trustee created by the Trust Deed.

Subject as set out below, the obligations of the Issuer under the Notes are secured pursuant to the Trust Deed by, *inter alia*, (i) a first fixed charge in favour of the Trustee over the Collateral Notes, which are registered in the name of the Issuer and all assets and property belonging to the Issuer and deriving from the Collateral Notes; (ii) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest attaching to or relating to the Collateral Notes and all sums derived therefrom, including, without limitation, any right to delivery thereof or to an equivalent number or nominal value thereof which arises in connection with any such assets being held in a clearing system or through a financial intermediary; (iii) an assignment by way of security in favour of the Trustee of the Issuer's right under the Purchase Agreement to acquire the Collateral Notes; (iv) a first fixed charge in favour of the Trustee over all proceeds of, income from and sums arising from enforcement of any claim under the Purchase Agreement but only if such claim relates to the Issuer's right to acquire the Collateral Notes; (v) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest against the Custodian and the Disposal Agent, to the extent that they relate to the Collateral Notes; (vi) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (i) to (v) above; (vii) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest under the Agency Agreement, to the extent that they relate to the Notes; (viii) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest under the Custody Agreement, to the extent that they relate to the Notes; (ix) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest to all sums held in the Cash Account (as defined in the Custody Agreement); and (x) a first fixed charge in favour of the Trustee over (a) all sums held by the Custodian and/or the Issuing and Paying Agent and/or any Paying Agent to meet payments due in respect of the obligations and duties of the Issuer under the Trust Deed, the Notes, the Agency Agreement and/or the Custody Agreement and (b) all sums held by the Custodian in the Cash Account and all other sums held by the Custodian or any sums held by the Issuing and Paying Agent and/or any Paying Agent to meet payments due in respect of the obligations and duties of the Issuer under the Trust Deed, the Notes, the Agency Agreement and/or the Custody Agreement (the Collateral Notes, together with the rights and assets of the Issuer referred to in this paragraph, being the "**Mortgaged Property**").

A charge, although expressed in words which would suffice to create a fixed charge, may be treated as a floating charge, particularly if it appears that it was intended that the chargor should have licence to dispose of the assets charged in the course of its business without the consent of the chargee.

Following any realisation or enforcement of the security over the Mortgaged Property, there can be no assurance that the proceeds of such realisation or enforcement will be sufficient to repay the principal amount due under the Notes and any other amount due in respect of the Notes.

Disposal of the Collateral Notes

The following is a summary of the provisions pursuant to which the Disposal Agent will effect a sale of the Collateral Notes if required to do so pursuant to the Conditions.

If the Issuer becomes obliged under the Conditions to sell the Collateral Notes in order for it to make a payment under the Conditions, or if the Security (including in respect of the Collateral Notes) constituted by the Trust Deed becomes enforceable (such Collateral Notes in either case being the "**Affected Collateral**"), the Disposal Agent, as the Issuer's agent, shall on the Disposal Commencement Date seek from five Qualifying Banks firm bid quotes for the purchase of the Affected Collateral for settlement no later than the Affected Collateral Settlement Date (each a "**Bid Quotation**"). If at least two Bid Quotations are not available by 2.00 p.m. London time on the Disposal Commencement Date, then the Disposal Agent shall continue to seek Bid Quotations from five such Qualifying Banks on each Disposal Business Day thereafter until at least two such Bid Quotations are received by the Disposal Agent by 2.00 p.m. London time on the same Disposal Business Day. Upon receipt of at least two Bid Quotations by 2.00 p.m. London time on a Disposal Business Day, the Disposal Agent shall select the highest Bid Quotation received and shall sell the Affected Collateral on behalf of the Issuer at the selected Bid Quotation. If the Disposal Agent is unable to obtain at least two Bid Quotations by 2.00 p.m. London time on a Disposal Business Day prior to the Disposal Cut-Off Date then the Disposal Agent shall either, if a single Bid Quotation is available by 2.00 p.m. London time on the Disposal Cut-Off Date, select such single Bid Quotation and shall sell the Affected Collateral on behalf of the Issuer at the selected Bid Quotation or, if no such single Bid Quotation is available prior to the Disposal Cut-Off Date, seek on the Disposal Cut-Off Date from two or more Qualifying Banks firm bid quotes for the purchase of such principal amount of the Affected Collateral as the Disposal Agent in its sole discretion shall determine but which in the aggregate is equal to the principal amount of the Affected Collateral and if any such bid quotes are available by 2.00 pm. on the Disposal Cut-Off Date, sell the Affected Collateral on behalf of the Issuer to each provider of such bid quotes such principal amount of Affected Collateral the subject of the relevant bid. If by 2.00 pm. on the Disposal Cut-Off Date, a principal amount of the Affected Collateral has not been the subject of any bid quotation whatsoever, then the Disposal Agent shall (provided that Citi is a Qualifying Bank) purchase such principal amount of the Affected Collateral on the Affected Collateral Settlement Date at such value determined by Citi acting in a reasonable commercial manner, to be the fair market value thereof. For the avoidance of doubt, Citi may deem the fair market value of the Affected Collateral to be zero.

The Disposal Agent and Citi shall be subject to the transfer restrictions applicable to the Collateral Notes in relation to any disposal of the Collateral Notes, including but not limited to the restrictions set out in Condition 1 (*Form, Denomination and Transfer*) of the Collateral Notes Conditions. The Disposal Agent shall not, and shall not be required to, dispose of the Collateral Notes where such disposal would violate any such transfer restrictions, and Citi shall not, and shall not be required to, purchase the Collateral Notes where such purchase would violate any such transfer restrictions.

For the purpose of the above:

"**Affected Collateral Settlement Date**" means the date occurring one Business Day prior to the Settlement Date.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks are generally open for business in New York and London.

"**Disposal Business Day**" means each Business Day from, and including, the Disposal Commencement Date to, and including, the Disposal Cut-Off Date.

"**Disposal Commencement Date**" means:

(i) other than in connection with any enforcement of Security, the date occurring five Business Days (or such shorter period as may be required by the Conditions) prior to the Settlement Date, unless on such date the amount of the payment required to be made on the Settlement Date has not been determined, in which case the "Disposal Commencement Date" shall be the date on which the amount of such payment is determined or if such date is not a Business Day, the next following Business Day; or

(ii) in connection with any enforcement of Security, the date falling 30 calendar days following the date on which Noteholders are notified in accordance with the terms and conditions of the Notes that the Disposal Agent is to begin the process of disposing of the Collateral Notes in accordance with the terms of the Agency Agreement or, if such 30th calendar day is not a Business Day, the immediately following Business Day.

"**Disposal Cut-Off Date**" means the date occurring two Business Days prior to the Settlement Date.

"**Qualifying Bank**" means a person or entity which effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch.

"**Settlement Date**" means:

(i) other than in connection with any enforcement of Security, the date on which the Issuer is required to make a payment under the terms and conditions of the Notes; and

(ii) in connection with any enforcement of Security, the date occurring 30 calendar days following the Disposal Commencement Date or, if such 30th calendar day is not a Business Day, the immediately following Business Day.

Subscription and Sale

Pursuant to the Syndication Agreement, the Managers have agreed, subject to the satisfaction of certain conditions, to subscribe for the Notes

United States

Each of the Managers understand that the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Each Manager has represented and agreed that it has not offered or sold any Notes, and will not offer or sell any Notes within the United States or to, or for the account or benefit of, U.S. persons. Each Manager has also agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

> "The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act"**), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Terms used above have the meanings given to them by Regulation S."

In addition in respect of Notes issued subsequent to regulations being promulgated under Section 4701(b)(1)(B) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), each Manager has represented that it will comply with the requirement for such notes to qualify as "foreign targeted obligations" that are exempt from the excise tax under Section 4702(b)(1)(B) of the Code.

In addition in respect of Notes issued prior to regulations being promulgated and effective under Section 4701(b)(1)(B) of the Code:

(i) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the "**D Rules**"), each Manager (A) has represented that it has not offered or sold, and has agreed that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (B) has represented that it has not delivered and has agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) each Manager has represented that it has and has agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(iii) if it is a United States person, each Manager has represented that it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6);

(iv) with respect to each affiliate that acquires Notes from a Manager for the purpose of offering or selling such Notes during the restricted period, such Manager has repeated and confirmed the representations and agreements contained in subparagraphs (i), (ii) and (iii) on such affiliate's behalf; and

(v) each Manager has agreed that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any Notes from it pursuant to a written contract with such Manager (except a distributor that is one of its affiliates or is another Manager), for the benefit of the Issuer and each other Manager, the representations contained in, and such distributor's agreement to

comply with, the provisions of subclauses (i), (ii), (iii) and (iv) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Manager hereunder.

Terms used in above have the meanings given to them by the U.S. Internal Revenue Code the regulations thereunder, including the D Rules and Notice 2012-20 and Regulation S.

United Kingdom

Each Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA"**)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21 (1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

General Information

1. The Issuer is a public limited company, incorporated in and organized under the laws of Ireland, with its registered office at AIB International Centre, International Financial Services Centre, Dublin 1, and registered as Cloverie Public Limited Company under no. 374618. The Issuer has a share capital in the total amount of EUR 40,000, divided into 40,000 ordinary shares with a par value of EUR 1 each. The Issuer does not have any preference shares or profit sharing certificates outstanding and the Issuer does not dispose of authorized or conditional share capital. The Issuer did not pay any dividends during the last five years.

2. The total nominal value of the debt securities issued by the Issuer and outstanding as at 30 June 2012 was €2,556,976,154.72. The total nominal value of the collateral securities purchased and held by the Issuer as at 30 June 2012 was €1,879,359,642.56 .

3. From the date of this Series Prospectus and for so long as the Notes remain outstanding, the following documents will be available for inspection in physical format during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the office of the Issuing and Paying Agent and at the office of the Issuer. Copies of the documents referred to below may be obtained free of charge from the specified office of the Issuing and Paying Agent:

   (a) this Series Prospectus (including the Collateral Information Memorandum);

   (b) the Supplemental Trust Deed and the Supplemental Agency Agreement in relation to the Notes;and

   (c) audited financial statements of the Issuer for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010 and any subsequent financial years for which audited financial statements of the Issuer are available.

4. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 3 July 2012.

5. The Issuer does not intend to provide any post issuance transactional information on either the Notes (as described in the Conditions above) or the Collateral Notes.

6. Save as described herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2010 (such date being the date of the Issuer's last audited financial statements) which is material or significant.

7. The Issuer has not been involved in any litigation, arbitration or governmental proceedings (including such proceedings which are pending or threatened or of which the Issuer is aware during the 12 months preceding the date of the Series Prospectus) which may have or have had in the recent past, significant effects on the financial position or profitability of the Issuer.

8. So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

9. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and it is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its Global Exchange Market.

10. No web addresses mentioned herein form part of this Series Prospectus for the purposes of application for listing of the Notes and approval of this Series Prospectus.

Glossary of Defined Terms

Appendix A –
Collateral Information Memorandum

Information Memorandum

Swiss Re

Swiss Reinsurance Company Ltd

€500,000,000

Subordinated Fixed-to-Floating Rate Callable Loan Notes with a scheduled maturity in 2042

Issue Price: 99.129%

The €500,000,000 Subordinated Fixed-to-Floating Rate Callable Loan Notes with a scheduled maturity in 2042 (the "**Loan Notes**") will be issued by Swiss Reinsurance Company Ltd ("**SRZ"** or the "**Issuer**") on or about July 9, 2012 (the "**Issue Date**"). Initially, only one Loan Note will be issued by the Issuer.

The Loan Notes will mature on the Final Maturity Date (as defined in the Conditions), unless previously redeemed or purchased and cancelled in accordance with the Conditions. The Issuer may redeem the Loan Notes, in whole but not in part, at their principal amount, together with any accrued and unpaid interest and any outstanding Deferred Interest (as defined in the Conditions), on September 1, 2022 (the "**First Optional Redemption Date**") and on each subsequent Interest Payment Date (as defined in the Conditions) thereafter. The Issuer may also redeem the Loan Notes, in whole but not in part, upon the occurrence of a Recalculation of Interest Event or a Special Tax Event that is continuing, an Accounting Event, a Ratings Methodology Event or a Regulatory Event (each, as defined in the Conditions, and collectively referred to as a "**Par Redemption Event**"). A redemption upon the occurrence of a Par Redemption Event will be at the principal amount of the Loan Notes, together with any accrued and unpaid interest and any outstanding Deferred Interest. In the case of any redemption, the Issuer may redeem the Loan Notes only if no Solvency Event (as defined in the Conditions) has occurred that is continuing and the Swiss Financial Market Supervisory Authority FINMA, or any successor authority (collectively, "**FINMA**"), has given such consent, approval or non-objection (if any) as is required under the relevant rules and regulations of FINMA, all as more fully described in the Conditions.

The Loan Notes will bear interest at (i) a fixed rate of 6.625% per annum from (and including) the Issue Date until (but excluding) the First Optional Redemption Date payable annually in arrear on September 1 in each year, commencing on September 1, 2012, and (ii) a floating rate of 5.789% per annum over the rate for six-month deposits in euro from (and including) the First Optional Redemption Date payable semi-annually in arrear on each March 1 and September 1 thereafter. Under certain circumstances described in the Conditions, the Issuer may elect, or be required, to defer interest payments on the Loan Notes.

The Issuer's obligations under the Loan Notes constitute unsecured and subordinated obligations ranking junior to the Issuer's obligations under the Senior Securities, *pari passu* among themselves and with the Issuer's obligations under the Parity Securities, and senior to the Issuer's obligations under the Junior Securities (all as defined in the Conditions). In the event of the liquidation, dissolution, insolvency or other proceeding for the avoidance of insolvency of, or against, the Issuer, the claims in respect of the Loan Notes will be subordinated to the claims of all holders of Senior Securities, so that in any such event no amounts shall be payable in respect of the Loan Notes unless the claims of all holders of Senior Securities shall have first been satisfied in full.

The Loan Notes initially will be represented by a single definitive certificate in registered form representing €500,000,000 in principal amount of the Loan Notes. The Loan Notes will not be listed on any securities exchange.

See "Risk Factors" beginning on page A-12 of this Information Memorandum for a discussion of certain factors that should be considered by prospective investors.

The Loan Notes have not been, or will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States. The Loan Notes may not be offered, sold or resold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. The Loan Notes are not being offered in the United States or to U.S. persons. In addition, each holder of Loan Notes (a "**Loan Noteholder**") must be a Qualifying Bank (as defined in the Conditions or, subject to the Issuer having consented thereto in writing, a Permitted Non-Qualifying Lender (as defined in the Conditions); *provided* that there shall at any time be no more than five Qualifying Banks that are Holders. The Loan Notes are subject to significant restrictions on transfer. See "Transfer Restrictions."

Each investor contemplating purchasing the Loan Notes should make its own independent investigation of our financial condition and affairs, and its own appraisal of our creditworthiness.

The date of this Information Memorandum is July 5, 2012

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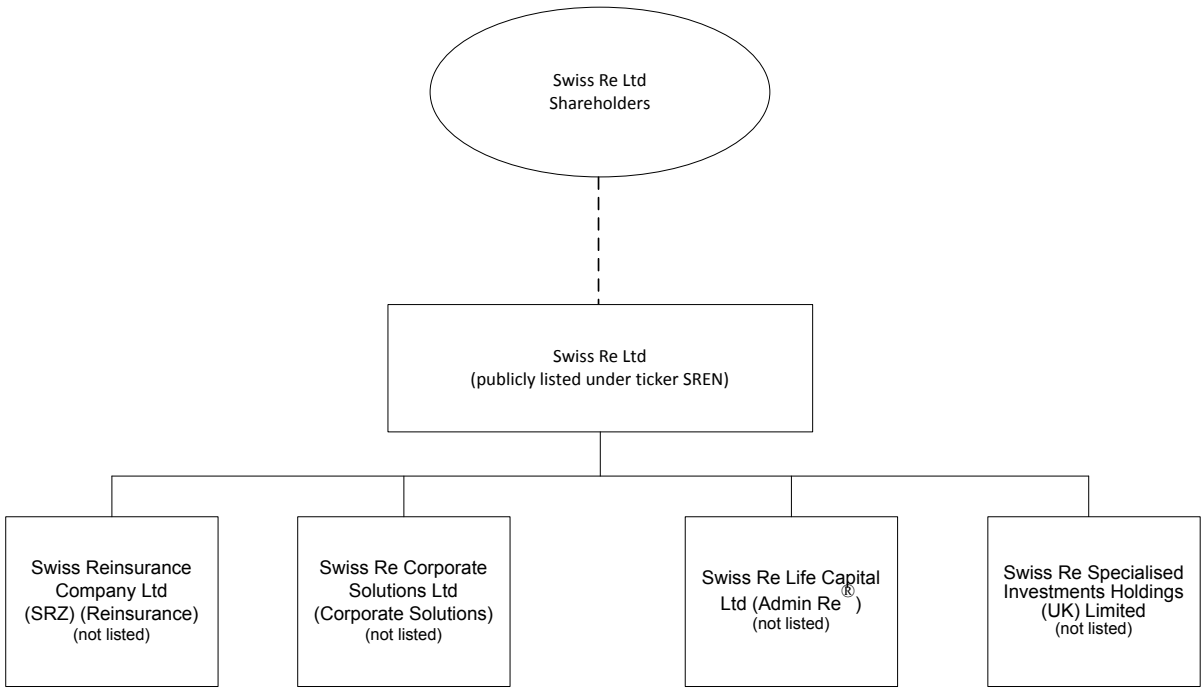
No person is or has been authorised to give any information or to make any representation other than those contained in this Information Memorandum in connection with the offering of the Loan Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer. This Information Memorandum does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful. See “Transfer Restrictions.”

Introductory Note

On May 23, 2011, following the first settlement of an exchange offer (the "Exchange Offer") to exchange shares of SRZ ("SRZ Shares") for shares of Swiss Re Ltd ("SRL Shares") and as part of the Alignment of the Corporate Structure (as defined in "Our Business – Alignment of the Corporate Structure of the Swiss Re Group"), SRL became the holding company for the Swiss Re Group. Following the second settlement of the Exchange Offer, SRL held 98.1% of the outstanding SRZ Shares. Following required court approval, the SRZ Shares not held by SRL were invalidated and the SRZ Shares were delisted from the SIX Swiss Exchange in December 2011. SRZ is a wholly owned subsidiary of SRL.

Beginning in the summer of 2011, Swiss Re undertook a series of transactions that resulted in the legal separation of its three business units (the "Business Units"). To accomplish this, the business and operations, and related assets and liabilities, of the Corporate Solutions Business Unit (Swiss Re Corporate Solutions Ltd and its subsidiaries) and the Admin Re® Business Unit (Swiss Re Life Capital Ltd and its subsidiaries) were restructured under SRZ (which, together with its remaining subsidiaries, operates as the Reinsurance Business Unit). As a final step, the Corporate Solutions Business Unit and the Admin Re® Business Unit were transferred by SRZ to, and have become subsidiaries of, SRL (the "Carve-out Transactions"). For U.S. GAAP financial reporting purposes, these transfers were effective as of January 1, 2012. See "Our Business – Alignment of the Corporate Structure of the Swiss Re Group" and "Unaudited Pro Forma Financial Information for the SRZ Group."

The corporate structure of the Swiss Re Group is as follows:



The Loan Notes are being issued by SRZ. Neither SRL nor any other person is providing a guarantee in respect of the Loan Notes. Loan Noteholders will not have any recourse against SRL; instead, Loan Noteholders will have recourse only against SRZ (which, following the Carve-out Transactions, is comprised only of the Reinsurance Business Unit).

References in this Information Memorandum, unless the context otherwise requires, to:

- "SRZ" or to the "Issuer" are to Swiss Reinsurance Company Ltd;
- the "SRZ Group," "we," "us" and "our" are to Swiss Reinsurance Company Ltd and its consolidated subsidiaries. In respect of matters prior to January 1, 2012, these references also cover, unless the context otherwise requires, the business and operations of the Corporate Solutions Business Unit and the Admin Re® Business Unit;

- "SRL" are to Swiss Re Ltd;

- "Swiss Re" and "Swiss Re Group" are, in respect of matters following May 23, 2011, to SRL and its consolidated subsidiaries (including SRZ) and, in respect of matters prior to May 23, 2011, to SRZ and its consolidated subsidiaries; and

- "you," a "Loan Noteholder" and "Loan Noteholders" are to a purchaser or purchasers of Loan Notes, as the case may be.

Financial and Other Information Included in this Information Memorandum

This Information Memorandum contains the following financial statements and auditor's reports:

- the unaudited consolidated financial statements of the SRZ Group as of and for the three months ended March 31, 2011 and 2012, which were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP");

- the audited consolidated financial statements of the SRZ Group as of and for the years ended December 31, 2010 and 2011, which were prepared in accordance with U.S. GAAP and which were audited by the SRZ Group's independent auditors, and including the auditor's report on the audited consolidated financial statements of the SRZ Group for the year ended December 31, 2011;

- the audited statutory accounts of SRZ as of and for the years ended December 31, 2010 and 2011, which were prepared in accordance with the requirements of Swiss law and SRZ's Articles of Association, and including the auditor's report on the audited statutory accounts of SRZ for the year ended December 31, 2011;

- the audited consolidated financial statements of the SRZ Group as of and for the years ended December 31, 2009 and 2010, which were prepared in accordance with U.S. GAAP and which were audited by the SRZ Group's independent auditors, and including the auditor's report on the audited consolidated financial statements of the SRZ Group for the year ended December 31, 2010; and

- the audited statutory accounts of SRZ as of and for the years ended December 31, 2009 and 2010, which were prepared in accordance with the requirements of Swiss law and SRZ's Articles of Association, and including the auditor's report on the audited statutory accounts of SRZ for the year ended December 31, 2010.

The 2012 consolidated financial statements for the SRZ Group have been and will be impacted by the completion of the Carve-out Transactions, as a result of which the SRZ Group's consolidated financial statements principally reflect, as of January 1, 2012, the results of the Reinsurance Business Unit, while the results of the Corporate Solutions and Admin Re® Business Units are no longer included in the SRZ Group's consolidated result. See "Unaudited Pro Forma Financial Information for the SRZ Group" for information relating to the quantitative impacts of the Carve-out Transactions on the SRZ Group.

We use non-GAAP financial measures in our external financial reporting. These measures are not prepared in accordance with U.S. GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as a substitute for measures prepared in accordance with U.S. GAAP. Moreover, these may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

References in this Information Memorandum to "U.S. dollars," "USD" and "$" are to the lawful currency of the United States, references to "Swiss francs" and "CHF" are to the lawful currency of Switzerland and references to "€," "euro" and "euros" are to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union (EMU) of the Treaty Establishing the European Community, as amended from time to time. For your convenience, unless otherwise indicated, this Information Memorandum contains translations of U.S. dollar amounts into euros at a rate of $1.2961 = €1.00, the Bloomberg Rate on December 30, 2011, and at a rate of $1.3343 = €1.00, the Bloomberg Rate on March 30, 2012. On June 29, 2012, the Bloomberg Rate was $1.2666 = €1.00. You should not construe these translations

as representations that the amounts referred to actually represent translated amounts or that you could convert these amounts into Swiss francs at the rate indicated.

Sources of Information

Except where we otherwise attribute market or market share data to another source, all market and market share data included in this Information Memorandum are our own estimates. These estimates are based upon our experience in the (re)insurance industry and our familiarity with the global (re)insurance market.

The information provided under "Risk Factors – Risks Relating to our Reinsurance Operations – Catastrophic events expose us to the risk of unexpected large losses" is derived from our Sigma reports, which in turn include information from third party sources. Information that has been sourced from third parties has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Cautionary Note on Forward-Looking Statements

Certain statements contained in this Information Memorandum are forward-looking. These statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. Forward-looking statements typically are identified by words or phrases such as "anticipate," "assume," "believe," "continue," "estimate," "expect," "foresee," "intend," "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will," "should," "would" and "could." These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Information Memorandum. Among the key factors that have a direct bearing on our results of operations, financial condition, solvency ratios, liquidity position or prospects are:

- further instability affecting the global financial system and developments related thereto, including as a result of concerns over, or adverse developments relating to, sovereign debt of eurozone countries;
- further deterioration in global economic conditions;
- our ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of our financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on our investment assets;
- changes in our investment result as a result of changes in our investment policy or the changed composition of our investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realize amounts on sales of securities on our balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realize tax loss carryforwards and the ability to realize deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that our hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting our ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;

- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting our clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting us or our ceding companies;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition;
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks; and
- challenges in implementation, adverse responses of counterparties, regulators or rating agencies, or other issues arising from, or otherwise relating to, the changes in Swiss Re's corporate structure, including in particular as a result of the Carve-out Transactions.

See "Risk Factors" for additional details.

These factors are not exhaustive. Because these factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date of this Information Memorandum. Except as may be required by applicable law, stock exchange rules or regulations, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. New factors emerge from time to time, and it is not possible to predict which will arise. In addition, we cannot assess the effect of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statement.

Summary

The following summary is qualified in its entirety by the remainder of this Information Memorandum.

Overview of the SRZ Group

We are a leading and diversified global reinsurer with offices in more than 20 countries, providing expertise and services to clients throughout the world. We have been engaged in the reinsurance business since our foundation in Zurich, Switzerland in 1863. We offer a comprehensive range of reinsurance and insurance-based solutions to manage risk and capital. We are focused on accessing, transferring and transforming insurable risks. Our traditional reinsurance products and related services for property and casualty, together with our life and health business, are complemented by insurance risk-based capital markets solutions and supplementary services for comprehensive risk management.

At and for the year ended December 31, 2011, we reported:

- premiums written of $22.9 billion;
- premiums earned of $21.3 billion;
- total assets of $228.1 billion;
- total equity of $31.2 billion; and
- investments of $164.6 billion.

At and for the three months ended March 31, 2012, we reported:

- premiums written of $7.7 billion;
- premiums earned of $5.2 billion;
- total assets of $170.7 billion;
- total equity of $21.3 billion; and
- investments of $106.7 billion.

Recent Developments

On April 17, 2012, Swiss Re announced, among other things, the quantitative impacts of the Carve-out Transactions on the SRZ Group. See "Unaudited Pro Forma Financial Information for the SRZ Group."

On April 27, 2012, in connection with the Carve-out Transactions, SRZ paid dividends-in-kind to SRL in the form of shares of Swiss Re Corporate Solutions and Swiss Re Life Capital Ltd (with a book value in SRZ's statutory accounts for the year ended December 31, 2011 of CHF 5.8 billion).

On May 23, 2012, Swiss Re Europe Holdings S.A. paid a dividend to SRZ of €1.0 billion, following which on June 27, 2012, SRZ paid an extraordinary dividend to SRL of $1.5 billion ($1.3 billion of which was paid in Swiss francs and the balance of which was paid in U.S. dollars) and the Swiss franc equivalent of $1.3 billion, in turn, was loaned back to SRZ on a demand basis.

Terms of the Loan Notes

Terms defined in the Conditions and used in this summary but not defined in this summary have the meanings set forth in the Conditions. This summary should be read together with the full Conditions set forth in "Terms and Conditions of the Loan Notes."

Issuer	Swiss Reinsurance Company Ltd.
Loan Notes.....	€500,000,000 Subordinated Fixed-to-Floating Rate Callable Loan Notes with a scheduled maturity in 2042.
Status of the Loan Notes.....	The Issuer's obligations under the Loan Notes constitute unsecured and subordinated obligations ranking junior to the Issuer's obligations under the Senior Securities, *pari passu* among themselves and with the Issuer's obligations under the Parity Securities, and senior to the Issuer's obligations under the Junior Securities. In the event of the liquidation, dissolution, insolvency or other proceeding for the avoidance of insolvency of, or against, the Issuer, the claims of the Loan Noteholders in respect of the Loan Notes will be subordinated to the claims of all holders of Senior Securities, so that in any such event no amounts shall be payable in respect of the Loan Notes until the claims of all holders of Senior Securities shall have first been satisfied in full. Where: "**Junior Securities**" means all classes of share capital of the Issuer, all future obligations expressed to rank junior to the Loan Notes and, for so long as they are outstanding, the obligations under the subordinated guarantee issued by the Issuer in relation to the 6.854% perpetual subordinated step-up preferred securities issued by Swiss Re Capital I LP, and under the 5.252% perpetual subordinated step-up loan notes issued by the Issuer, the 7.635% perpetual subordinated step-up preferred securities of the Issuer, the AUD450,000,000 floating rate perpetual subordinated step-up loan notes of the Issuer, the 6.3024% perpetual subordinated step-up loan notes of the Issuer, the 7.25% perpetual subordinated notes with stock settlement of the Issuer and the 8.25% perpetual subordinated capital instruments with stock settlement of the Issuer. "**Parity Securities**" means any securities or other relevant obligations, ranking or expressed to rank *pari passu* with the Loan Notes including a guarantee or support (or any similar) agreement issued or entered into by the Issuer which ranks or is expressed to rank *pari passu* with the Loan Notes. "**Senior Securities**" means (i) any securities or other relevant obligations, except those ranking or expressed to rank junior to or *pari passu* with the Loan Notes, including a guarantee or support (or any similar) agreement issued or entered into by the Issuer which ranks or is expressed to rank junior to or *pari passu* with the Loan

Notes; and

(ii) for the avoidance of doubt but without limitation, obligations in respect of policies of insurance or reinsurance, trade accounts payable, any liability for income, franchise, real estate or other taxes owed or owing, unsubordinated creditors.

Form of the Loan Notes..... The Loan Notes initially will be represented by a single definitive certificate in registered form.

Aggregate Principal Amount of the Loan Notes and Denomination..... €500,000,000, consisting of Loan Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Issue Price..... 99.129%.

Issue Date ..... On or about July 9, 2012 (the "**Issue Date**").

Redemption at Maturity..... Unless previously redeemed or purchased and cancelled in accordance with the Conditions, the Issuer will redeem the Loan Notes at their principal amount together with any accrued but unpaid interest up to (but excluding) the Final Maturity Date and any Deferred Interest outstanding on the Final Maturity Date.

Where:

"**Final Maturity Date**" means

(i) if, on or prior to the Scheduled Maturity Date, none of the circumstances described in paragraph (ii) below has occurred, the Scheduled Maturity Date; or

(ii) if, on or prior to the Scheduled Maturity Date, a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) or FINMA has not given its Consent to the redemption of the Loan Notes, the Floating Interest Payment Date which is immediately following the day on which the Solvency Event has lapsed and FINMA has given its Consent to the redemption of the Loan Notes.

"**Floating Interest Payment Dates**" mean March 1 and September 1 in each year commencing on September 1, 2022, subject to adjustments as described in Condition 3.2(b).

"**Scheduled Maturity Date**" means the Floating Interest Payment Date falling in or nearest to September 2042.

Issuer Call..... The Issuer may redeem the Loan Notes, in whole but not in part, at their principal amount, together with any accrued and unpaid interest, if any, and any outstanding Deferred Interest (as defined in the Conditions) as of the date on which the Loan Notes are redeemed (but excluding such date), on September 1, 2022 (the "**First Optional Redemption Date**") and on each subsequent

Floating Interest Payment Date thereafter (each, an "**Optional Redemption Date**"). In any case, the Issuer may redeem the Loan Notes only if no Solvency Event has occurred that is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) and if FINMA has given such consent, approval or non-objection (if any) as is required under the relevant rules and regulations of FINMA ("**Consent of FINMA**"), all as more fully described in the Conditions.

Early Redemption Events ..... The Issuer may also redeem the Loan Notes, in whole but not in part, upon the occurrence of a Par Redemption Event, subject to certain conditions being met.

A "**Par Redemption Event**" means a redemption by the Issuer of the Loan Notes at their principal amount together with any accrued and unpaid interest, if any, and any outstanding Deferred Interest as of the date on which the Loan Notes are redeemed (but excluding such date) at any time after the issue of the Loan Notes, following an Accounting Event, a Recalculation of Interest Event or a Special Tax Event that is continuing, a Ratings Methodology Event or a Regulatory Event.

Where:

"**Accounting Event**" means that an opinion of a recognized accounting firm has been delivered to the Issuer, stating that the Loan Notes must not or must no longer be recorded as a liability on the Issuer's consolidated balance sheet prepared in accordance with the accounting standards applied to such published consolidated accounts at the relevant dates and for the relevant periods (the "**Applicable Accounting Standards**") and this cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate.

"**Special Tax Event**" means that an opinion of a recognized independent tax counsel has been delivered to the Issuer stating that, due to a change in law, ruling or interpretation, the Issuer is, or there is more than an insubstantial risk that the Issuer will be, no longer able to obtain a tax deduction for the purposes of Swiss corporation tax for any payment of interest on the Loan Notes and this cannot be avoided by the Issuer taking such reasonable measures as it (acting in good faith) deems appropriate.

"**Ratings Methodology Event**" means a change by a nationally recognized statistical rating organization to its equity credit criteria, or the interpretation or application thereof, for securities such as the Loan Notes, which change results in a lower equity credit being given to the Loan Notes as of the date of such change than the equity credit assigned to the Loan Notes at or around the Issue Date.

"**Recalculation of Interest Event**" means that an opinion of a recognized independent tax counsel has been delivered to the Issuer confirming (i) the occurrence of a Recalculation of Interest (as defined in the Conditions) or (ii) that the Issuer is required pursuant to the Conditions to pay Additional Amounts (as defined in the Conditions) in respect of the Loan Notes and this cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting

in good faith) deems appropriate.

"**Regulatory Event**" means the occurrence of any of the following events, which occurrence cannot be avoided by the Issuer taking such reasonable measures as it (acting in good faith) deems appropriate:

(i) prior to the implementation of Future Regulations, FINMA notifies the Issuer or otherwise states that the Loan Notes are not, or will no longer be, eligible to qualify as lower additional capital ("*unteres ergänzendes Kapital*") pursuant to article 49 in connection with article 39 of the SPICO, and no longer, or will no longer, fulfill the requirements for such category, or equivalent thereof, for group or solo solvency purposes (other than through the Loan Notes exceeding the then applicable quantitative limits on such capital issuance); or

(ii) FINMA issues further guidance under article 39 of the SPICO or in any Future Regulations in relation to qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and following which FINMA notifies the Issuer or otherwise states that the Loan Notes do not, or will not, fulfill the requirements of at least Tier 2 Capital in the context of such Future Regulations; or

(iii) FINMA issues further guidance in relation to qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and FINMA affords the Loan Notes recognition as at least Tier 2 Capital for group or solo solvency purposes, and at a subsequent time FINMA notifies the Issuer or otherwise states that the Loan Notes no longer, or will no longer, fulfill the requirements of at least Tier 2 Capital in the context of such Future Regulations.

Where:

"**Future Regulations**" means solvency margins, regulatory capital or capital adequacy regulations as the same may be introduced in Switzerland from time to time and which are applicable to the Issuer and which set out the requirements for financial instruments to satisfy in order to qualify for eligible inclusion in the definition of Tier 1 Capital or Tier 2 Capital.

"**Tier 1 Capital**" means all items classified as tier one capital ("*Kernkapital*") of the Issuer as defined in the rules and regulations of FINMA.

"**Tier 2 Capital**" means all items classified as tier two capital ("*Ergänzendes Kapital*") of the Issuer as defined in the rules and regulations of FINMA at the time of issuance comprising upper additional capital ("*oberes ergänzendes Kapital*") and lower additional capital ("*unteres ergänzendes Kapital*").

"**SPICO**" means the Ordinance on the Supervision of Private Insurance Companies *(Verordnung über die Beaufsichtigung von privaten Versicherungsunternehmen – AVO)* of November 9, 2005, as amended.

Substitution..... The Issuer (or any previous substitute of the Issuer under Condition 9) may, without the consent of the Loan Noteholders, and provided that no Accounting Event, Special Tax Event, Recalculation of Interest Event, Ratings Methodology Event or Regulatory Event would be triggered by such substitution, be substituted in respect of all rights and obligations arising under or in connection with the Loan Notes by any company all of whose shares carrying voting rights are directly or indirectly held by the Issuer (the "**New Issuer**"), provided that:

(i) SRZ has issued its irrevocable and unconditional subordinated guarantee as per article 111 of the Swiss Federal Code of Obligations in respect of the obligations of the New Issuer under the Loan Notes which guarantee ranks, on a winding up of the Issuer, *pari passu* with the obligations of the Issuer under the Loan Notes; and

(ii) if the New Issuer is a Non-Swiss Company (as defined in the Conditions), certain other requirements set forth in the Conditions are also met.

In addition, any substitution is subject to (a) if required, the Issuer giving prior written notice to, and receiving no objection from, FINMA, (b) the Issuer having confirmed with the relevant rating agencies that the proposed substitution will not give rise to a change in any published rating of the Loan Notes in effect at such time and (c) certification being provided by two duly authorized officers of the Issuer that the foregoing conditions precedent have been complied with.

In the event of a substitution, any reference in the Conditions to the Issuer shall be a reference to the New Issuer.

Interest..... Subject to the interest deferral provisions described below, the Loan Notes will bear interest at:

(i) a fixed rate of 6.625% per annum from (and including) the Issue Date until (but excluding) the First Optional Redemption Date; and

(ii) for each Floating Rate Interest Period, a floating rate consisting (i) of the Screen Rate plus the Margin or, (ii) if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, of the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Agent Bank (as defined in the Conditions) of such rates, plus the Margin or, (iii) if fewer than two of the Reference Banks provide such rates, as otherwise provided for in Condition 3.2, in each case, from (and including) the First Optional Redemption Date to (but excluding) the Final Maturity Date.

Where:

"**Floating Interest Period**" means each period from and including the First Optional Redemption Date to, but excluding, the first Floating Interest Payment Date and each successive period from and including a Floating Interest Payment Date to but excluding the next

succeeding Floating Interest Payment Date.

"**Margin**" means 5.789 per cent. per annum.

"**Reference Banks**" means the principal Euro-zone office of each of four major banks engaged in the Euro-zone interbank market selected by the Agent Bank, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such.

"**Screen Rate**" means the rate for six month deposits in euro which appears on Reuters EURIBOR01 (or such replacement page on that service which displays the information).

Recalculation of Interest ..... If a tax deduction or withholding (collectively, a "**Tax Deduction**") is required by law to be made by the Issuer in respect of any Interest Amount payable in respect of the Loan Notes and should paragraph (a) of Condition 6 (or, in the event of a substitution, to paragraph (d)(ii) of Condition 9) be unlawful for any reason, the applicable interest rate in relation to the Interest Amounts payable for the Interest Period on the relevant Interest Payment Date will, subject to the exceptions in paragraph (b) of Condition 6 (or, in the event of a substitution pursuant to Condition 9, paragraph (d)(iii) of Condition 9), be the interest rate which would have otherwise been payable for the Interest Period on the relevant Interest Payment Date divided by 1 minus the rate (as a fraction of l) at which the relevant Tax Deduction is required to be made and the Issuer will (i) be obligated to pay the relevant Interest Amount on the relevant Interest Payment Date at the adjusted rate in accordance with Condition 3.4 and (ii) make the Tax Deduction on the recalculated Interest Amount.

Interest Payment Dates ..... Subject to the interest deferral provisions described below:

(i) interest from (and including) the Issue Date to (but excluding) the First Optional Redemption Date will be payable annually in arrear on September 1 in each year (each a "**Fixed Interest Payment Date**"); and

(ii) interest from (and including) the First Optional Redemption Date to (but excluding) the Final Maturity Date will be payable semi-annually in arrears on each Floating Interest Payment Date.

The first payment (for the period from and including the Issue Date to but excluding September 1, 2012 and amounting to €9.77 per €1,000 in principal amount of each Loan Note (the "**Calculation Amount**") will be made on September 1, 2012.

Interest Accrual..... The Loan Notes will cease to bear interest from the day on which they become due for redemption in accordance with the Conditions. If the Issuer fails to redeem the Loan Notes when due in accordance with the Conditions, interest will continue to accrue (both before and after judgment) on their outstanding principal amount beyond the due date up to and including the day of the actual redemption of the Loan Notes. The applicable rate of interest will be (i) if such failure to redeem the Loan Notes occurs before the First Optional

Redemption Date, a fixed rate of 6.625 per cent. per annum, or (ii) if such failure to redeem the Loan Notes occurs after the First Optional Redemption Date, the rate of interest that was in effect for the last preceding Floating Interest Period, or, in the case of the first Floating Interest Period, the rate of interest in effect for such first Floating Interest Period.

Optional Deferral Trigger ..... Save to the extent that a Required Deferral Event has occurred, the Issuer may, with respect to any Interest Payment Date, elect in its sole discretion to defer all or a portion of the payments of interest which accrued during the interest period to (but excluding) such Interest Payment Date (such deferred interest constituting "**Optionally Deferred Interest**") if during the six months preceding the Reference Date:

(i) no dividend, other distribution or payment was declared or made in respect of any class of share capital of SRL or any Junior Securities (except (x) dividends, other distributions or payments made between or among the Issuer and its subsidiaries or (y) where such payment was required under the terms of those Junior Securities);

(ii) (provided this condition does not cause the Loan Notes to become Non-Compliant Securities) (A) no dividend, other distribution or payment was declared or made in respect of any Parity Securities (except where such payment was required under the terms of those Parity Securities) and (B) no repurchase or acquisition of any Parity Securities has been made by the Group either directly or indirectly; and

(iii) no repurchase or acquisition of any class of share capital of SRL (except where such repurchase or acquisition is made in respect of any share-based compensation plan or where such repurchase or acquisition is made by the Group on the open market in the ordinary course of its routine capital management) or any Junior Securities has been made by the Group, either directly or indirectly.

Where:

"**Non-Compliant Securities**" means securities which, after the implementation of any Future Regulations, would no longer be eligible for regulatory capital treatment as at least Tier 2 Capital.

"**Group**" means SRL and its consolidated subsidiaries.

"**Reference Date**" means the 10th Business Day preceding the relevant Interest Payment Date.

Required Deferral Event ..... The Issuer will be required to defer payment of (i) any Interest Amount or Solvency Shortfall, as applicable, if, in respect of an Interest Payment Date, a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) or would occur as a result of such payment unless FINMA authorizes the relevant payment notwithstanding the occurrence and/or continuation of a

Solvency Event or that a Solvency Event would occur as a result of such payment, or (ii) any Interest Amount or Solvency Shortfall, as applicable, or other amount notified to the Issuer, and/or SRL, where FINMA has required such deferral (collectively referred to herein as a "**Required Deferral Event**").

In the case where a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) or would occur as a result of payment of the relevant Interest Amount, the Issuer will be required, save as stated above, to defer payment of that Interest Amount; provided that in the case where the payment of such Interest Amount would itself cause a Solvency Event to occur, the Issuer will only be required to defer the Solvency Shortfall.

Solvency Event

A Solvency Event shall have occurred if:

(i) the Issuer does not have appropriate funds to cover the required minimum solvency margin (or a comparable term in case of a change in applicable rules) in accordance with the provisions of mandatorily applicable regulatory capital requirements (including but not limited to Swiss reinsurance regulatory law (for single solvency purposes) or a generally recognized administrative practice, if any, of FINMA or otherwise, mandatorily applicable at that time), or the amount of such funds would, as a result of a full or partial interest payment or redemption payment, respectively, that would otherwise be due on an Interest Payment Date or date of redemption, respectively, be or become less than the required minimum solvency margin, all as shown in the most recent solvency report submitted by the Issuer to FINMA, or

(ii) the Issuer is unable to pay its debts owed to its Senior Creditors as they fall due, or

(iii) the Issuer's Assets do not exceed the Issuer's Liabilities (other than liabilities to persons who are not Senior Creditors),

as determined, for the purposes of Condition 3 only, up to the end of the Reference Date.

Where:

"**Assets**" means the Issuer's unconsolidated total assets, as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Issuer or, if a liquidation procedure has been initiated, by the liquidator.

"**Interest Amount**" means, with respect to any Interest Payment Date, the amount of interest that would be payable on the aggregate principal amount of the Loan Notes outstanding on such Interest Payment Date (but excluding such date).

"**Liabilities**" means the Issuer's unconsolidated total liabilities, as shown in the latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Issuer, or if a

liquidation procedure has been initiated, by the liquidator.

"**Senior Creditors**" means creditors in respect of Senior Securities.

"**Solvency Shortfall**" means the portion of the Interest Amount that, if paid, would cause a Solvency Event to occur or be continuing.

Deferred Interest Payments..... Any amount of deferred interest following a Required Deferral Event together with any Optionally Deferred Interest are referred to herein as "**Deferred Interest**" and will not themselves bear interest.

The Issuer is entitled to pay Deferred Interest (in whole or in part) at any time on giving 10 Business Days' notice to the Loan Noteholders, which notice will specify the amount of Deferred Interest to be paid and the date fixed for such payment (the "**Optional Deferred Interest Payment Date**") provided that (A) no Solvency Event has previously occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) and (B) FINMA has given its Consent. Upon such notice being given, the amount of Deferred Interest specified therein will become due and payable, and the Issuer will be obliged to pay such amount of Deferred Interest on the specified Optional Deferred Interest Payment Date, provided that no Solvency Event has occurred or would occur due to the payment of the Deferred Interest on or prior to the Optional Deferred Interest Payment Date and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) on the Optional Deferred Interest Payment Date.

Deferred Interest shall become due and payable (in whole but not in part) on the first to occur of the following dates:

(i) the calendar day which is the due date for redemption of the Loan Notes;

(ii) the calendar day on which an order is made for the winding-up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer); or

(iii) the next Compulsory Interest Payment Date.

Where:

"**Compulsory Interest Payment Date**" means any Interest Payment Date on which (i) the Issuer does not elect to, or is not permitted to, defer payment of interest pursuant to Condition 3.5(b) and (ii) no Required Deferral Event has occurred or is continuing.

Enforcement ..... (i) If default is made in the payment of any principal or interest due and payable in respect of the Loan Notes and such default continues for a period of (a) in the case principal, 10 days after the due date for the same and (b) in the case of interest 30 days after the due date for the same, each Loan Noteholder may, subject as provided below, at its discretion and without further

notice, institute proceedings for the winding up of the Issuer in Switzerland (but not elsewhere) but may take no further action in respect of such payment.

(ii) If, otherwise than for the purposes of a reconstruction, amalgamation, merger or other similar transaction on terms previously approved in writing by an Extraordinary Resolution of the Loan Noteholders, an order is made or an effective resolution is passed for the winding up of the Issuer in Switzerland (but not elsewhere), each Loan Noteholder may, subject as provided below, at its discretion, give notice to the Issuer that such Loan Note is, and it shall accordingly thereby forthwith become, immediately due and repayable at its principal amount, plus accrued but unpaid interest and any Deferred Interest outstanding but may take no further action in respect of such payment.

(iii) No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to Loan Noteholders to enforce any payment obligation in respect of the Loan Notes.

(iv) Without prejudice to paragraphs (i) and (ii) above, each Loan Noteholder may institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Loan Notes (other than any payment obligation in respect of the Loan Notes), provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it pursuant to the Conditions or any damages.

Where:

"**Extraordinary Resolution**" means a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority of at least 75 per cent. of the votes cast.

Governing Law/Jurisdiction ..... The Agency Agreement and the Loan Notes (except for the subordination provisions, which are governed by the laws of Switzerland) and any non-contractual obligations arising out of or in connection with the Agency Agreement and the Loan Notes are governed by, and shall be construed in accordance with, English law.

Risk Factors

An investment in the Loan Notes involves risks. You should carefully consider the following risk factors and the other information in this Information Memorandum before making an investment decision. Any of the risk factors could impact our business, financial conditions or operating results. The market prices of the Loan Notes could decline if one or more of these risks and uncertainties develop into actual events. You may lose all or part of your investment. Some of the statements in "Risk Factors" are forward-looking statements. For more information about forward-looking statements see "Cautionary Note on Forward-Looking Statements."

This Information Memorandum also contains forward-looking statements that involve risks and uncertainties that could cause our actual results or outcomes to differ materially from those expressed in any such forward-looking statements, as a result of any factor or combination of factors, including but not limited to the risks we face as described below and elsewhere in the Information Memorandum.

Risks Relating to the Global Financial Markets and Current Economic Conditions

Our business, financial condition and results of operations could be adversely impacted by further deterioration in global financial markets and economic conditions.

Continued concerns relating to the euro area sovereign debt situation, coupled with weak demand and mild fiscal contraction in the United States, has slowed global growth. Various European economies are again in recession, and emerging markets, while continuing to expand, are doing so at a slower pace than last year, or than expected. Economic developments, in the form of adverse growth trends, and the political environment, in the form of fiscal tightening, accommodative monetary policy and governance challenges, have resulted in low interest rates, threats to holders of sovereign debt and holders of debt of financial institutions with exposure to sovereign debt, and adverse trends in emerging markets.

Following the recent electoral results in Europe, and the ongoing debate about the efficacy of the austerity measures implemented by European governments, concerns continue to be raised about sovereign debt burdens, possible sovereign defaults, exits of one or more countries from the euro and the future of the euro, which in turn could affect economic growth rates, interest rates and inflation. Despite developments during 2012, including the increase in the lending capacity of the euro area bailout mechanisms, the debt restructuring and the election of a pro-euro coalition government in Greece, the recent agreement among the leaders of the eurozone economies to channel bailout funds directly into banks rather than through governments and the recent agreement among the leaders of the European Union to work towards a long-term framework toward tighter budgetary and political union, uncertainty over the euro area sovereign debt crisis, and the stability of the euro and the European Monetary Union, continues.

This uncertainty, and related market volatility, could increase the severity and duration of economic recession, cause more economic turmoil in the near term, cause further disruptions in the global financial markets, including bailouts of financial institutions, and impact foreign currency exchange rates. These developments in turn could have an adverse impact on our investment results, our ability to access the capital markets and the bank funding market, the ability of counterparties to meet their obligations to us and the short-term outlook for the life insurance industry, particularly in North America and Europe, with a corresponding negative impact on our Life & Health business. Concerns over the stability of the euro could also have a broad effect on contractual arrangements denominated in, or otherwise tied to, the euro.

The foregoing developments could have material adverse effects on our industry and on us.

Risks Relating to our Reinsurance Operations

Our reserves may not adequately cover future claims and benefits.

Our results depend in large part upon the extent to which actual claims experience is consistent with the assumptions that we use in setting the prices for our products and in establishing our reserves, and we face risks that our reserves may prove to be inadequate to cover our actual claims and benefits experience.

We maintain reserves in our Property & Casualty lines to cover our estimated ultimate liability for claims and claim adjustment expenses for reported and unreported claims incurred as of the end of each accounting period. We also maintain reserves for future policy benefits for our Life & Health lines. Reserves do not

represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. These estimates are based on actuarial and statistical projections of facts and circumstances known at a given time and estimates of trends in claims severity and other variable factors, including new bases of liability and general economic conditions. The process of estimating reserves and future policy benefits involves a high degree of judgment and is subject to a number of variables. These variables can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, foreign currency movements, legal trends and legislative changes, among others. The impact of many of these items on ultimate costs for claims is difficult to estimate.

Changes in trends or other variable factors underlying our reserve estimates could result in claims in excess of reserves. For example, our assumptions concerning future claims cost inflation could prove to be too low, resulting in higher claims. For some types of claims, most significantly asbestos-related, environmental pollution and health hazard claims and certain liability claims, it has been necessary, and may over time continue to be necessary, to revise estimated potential claims exposure and, therefore, the related claims reserves. Consequently, actual claims, benefits and related expenses paid may differ from estimates reflected in the reserves in our consolidated financial statements. Premium levels in our Life & Health business are often guaranteed for the life of a contract, which could be 30 years or more. If premium levels prove to be inadequate, we would make provision for the shortfall for the remaining lifetime of the contract. In addition, morbidity benefits are often payable over many years and there is uncertainty involved in estimating the number of years over which benefits will be paid. In general, mortality and morbidity-related products give rise to risks if mortality or morbidity increases above assumed levels, while longevity products give rise to risks if mortality decreases below assumed levels.

Additional claims may emerge, including claims arising from changes in the legal and regulatory environment, the type or magnitude of which we cannot foresee. Additional claims could also arise from changes in general economic conditions (which in the current environment may be more pronounced) that impact companies whose obligations are backed by credit insurance or reinsurance or financial guarantees. In particular, the values of the life-related benefits under certain products and life contracts, most notably variable annuity ("VA") business, are tied to financial market values. These contracts have specific guarantees. As markets fall, the value of these guarantees increase, and, while we hedge part of this risk, there is a significant risk that market fluctuations could have a negative financial impact. As part of our de-risking activities, we discontinued writing new VA business and have an extensive hedging program covering our existing VA business.

There can be no assurance that going forward we will not experience adverse development. To the extent reserves (after giving effect to the adverse loss development reinsurance agreement ("ADC") with National Indemnity Company ("National Indemnity")) are insufficient to cover actual claims, claim adjustment expenses or future policy benefits, we would have to add to these reserves and incur a charge to our earnings. In addition, as a result of the post-credit crisis reforms, there may be regulatory and/or legislative changes that impact our required reserve levels that we cannot anticipate and that may render our reserves insufficient. These insufficiencies in reserves could have a material adverse effect on our financial condition, results of operations and cash flow.

Catastrophic events expose us to the risk of unexpected large losses.

A catastrophic event or multiple catastrophic events may cause unexpected large losses and could have a material adverse effect on our financial condition, results of operations and cash flow. Catastrophic events, such as hurricanes, windstorms, floods, earthquakes, explosions, industrial accidents, fires and pandemics, are inherently unpredictable in terms of both their frequency and severity. We have generally believed, and continue to believe, that one or more catastrophic events that produce significant losses eventually will occur and there can be no assurances that our efforts to protect ourselves against catastrophic losses, such as the diversification of business written, the use of selective underwriting practices, the use of quantitative models, prudent reserving, the monitoring of risk accumulations and risk protection arrangements, will prove to be adequate.

The ultimate impact of a catastrophic event or multiple catastrophic events on our financial condition, results of operations and cash flow is difficult to predict and will be affected by a number of factors, including: the frequency of loss events; the severity of each event; the total amount of insured exposure in the area affected by each event; changes in the value of the insured property; the effects of inflation; and the extent of unemployment and other economic conditions caused by each event. Moreover, we may from time to time issue preliminary estimates of the impact of catastrophic events that because of uncertainties in estimating certain losses, need to be updated as more information becomes available, which updates may be significant.

We set forth below some of our more significant catastrophe exposures.

Natural catastrophes. Generally, over the past decade, insured losses for catastrophes have shown a rising trend, due principally to weather-related catastrophes. The increasing concentration of economic activities and people living and working in areas exposed to natural catastrophes has resulted in increased financial risk and complexity. Increasing insurance penetration and higher property values has further compounded the financial risk. The occurrence of high severity events in recent years such as Hurricane Katrina, which devastated the Gulf Coast of the southern United States in September 2005; winter storm Kyrill in Germany, a series of floods in the UK and severe storms in Australia in 2007; Hurricanes Ike and Gustav and the earthquake in China in 2008; winter storm Klaus in 2009; and the earthquakes in Chile, New Zealand and Haiti, winter storm Xynthia in Western Europe and the floods in Australia in 2010 and Thailand in 2011 are an integral part of our business, and providing cover for these natural catastrophes will remain fundamental to our value proposition.

More recently, 2011 experienced natural catastrophe events – including the cyclones in Australia, the earthquake in New Zealand and the earthquake and tsunami in Japan in the first quarter of 2011, as well as the tornadoes and hurricanes in the United States in the second quarter of 2011 and the more recent flooding in Thailand – in such a volume and severity that 2011 ranks as the second costliest year for insured losses from catastrophes (behind the record $123 billion in insured losses experienced in 2005). Earthquake insured losses alone in 2011 are estimated to be $49 billion, the most expensive in history, with the earthquakes in New Zealand and Japan representing two of the costliest in history. Based on current estimates, claims from natural catastrophes alone have reached $110 billion for 2011 and claims from natural catastrophes and man-made disasters in 2011 have collectively cost insurers $116 billion, compared to $48 billion in 2010. Total economic losses (insured and uninsured losses) for 2011 are estimated to be $370 billion (up from $226 billion in 2010), with insured losses lower in absolute and relative terms in 2011 as Japan and Thailand were both underinsured in respect of the earthquake, tsunami and floods economic losses, respectively.

Overall, it is estimated that approximately 35,000 people lost their lives due to catastrophes during 2011, the majority in Japan. The intense rainfall and severe flooding in Thailand between July and November caused hundreds of deaths and flooded approximately 4,000 homes, businesses and large industrial facilities, and our claims cost from the severe flooding in this region was estimated at $600 million, net of retrocession and before tax, with the total insured market loss estimated to be $12 billion. When combined, the extreme flooding in Thailand and in Australia is estimated to have triggered more than $14 billion in insurance claims. In addition, while there were fewer hurricanes in the United States in 2011, two severe tornado outbreaks in the United States caused over $14 billion in claims and losses of more than 400 lives, and Hurricane Irene cost the industry more than $5 billion in property damage.

As the recent extreme experience shows, there can be no assurance to the volume and scope of high severity events in any particular year. In addition, changing climate has created additional uncertainty as to the future trends of, and exposure to, natural catastrophes in certain parts of the world. For example, a large number of tropical cyclones and tsunamis, and the earthquakes in the Sichuan province (in China), Port-au-Prince, Haiti, Santiago, Chile, Christchurch, New Zealand and Japan have contributed to one of the more devastating periods on record – with a significant increase in the number of victims and losses. Even natural catastrophes that occur in relatively sparsely populated areas, such as the volcanic eruption in Iceland in April 2010, which led to economic losses due to the closure of air space across Europe, can have severe and wide-reaching economic impact.

The possible effects of natural catastrophes are compounded by the correlation between climate change and severe storms, floods and drought as well as adverse agricultural yields. The effects of global warming and climate change cannot be predicted and are likely to aggravate potential loss scenarios, risk modelling and financial performance. Furthermore, climate change could lead to severe weather events spreading to parts of the world that have not previously experienced extreme weather conditions. A key challenge will be emerging markets' ability to adapt to more severe and frequent natural catastrophes expected as a result of climate change.

Man-made disasters. Complex technology intersecting with increased population density, infrastructure and higher rates of utilization of natural resources increase the likelihood and the magnitude of catastrophic man-made events. Man-made disasters involving chemical, biological or nuclear hazards in particular bear high potential for losses. Due to the uncertainty of the occurrence and the level of loss of man-made disasters, unexpected large losses could have a material adverse effect on our financial condition, results of operations and cash flow.

Terrorism. Terrorist attacks could, beyond the immediate target of the attack (whether individuals, property or infrastructure), have a significant impact on economic, political and market conditions. The prospect of future substantial terrorist attacks (including those that are intended to cause maximum strain on financial infrastructures), as well as the prospect of an increasing frequency of smaller attacks, poses a challenge for risk managers and underwriters alike, and highlights the need for innovative solutions, including joint approaches involving the private sector and governments. Our exposure to terrorism arises from all lines of business to varying degrees. While we have established some basic limits frameworks and we use quantitative modelling, there can be no assurances that our efforts to mitigate the impact of a terrorist attack will be successful. Due to the uncertainty surrounding terrorism events, as well as the likelihood that one or a series of events would have multiple impacts, unexpected large losses could have a material adverse effect on our financial condition, results of operations and cash flow.

Extreme mortality and morbidity. We have significant exposure to mortality and morbidity risk through our Life & Health business covers. Consequently an influenza pandemic is a material risk as it has the potential to impact all markets across the world. In the past one hundred years, there have been three influenza pandemics, with greatly varying mortality rates, typically among the more vulnerable and concentrated in the very young and old. We believe that a pandemic has the potential to affect a significant percentage of the world's population, causing a high level of sickness and an increase in mortality. The worst of these three pandemics caused an estimated 20-50 million deaths in 1918-1919.

Global mitigation. Rare, but potentially disastrous, risks have the potential to cause major systemic disruptions due to the interconnectedness of risks in a globalized economy reflecting the potential real time response of securities, property and foreign currency markets to natural catastrophes, terrorist attacks and the like and the disconnect between the risks and the ability to mitigate them. These risks include climate change, energy supply interruptions and oil price shocks, severe foreign exchange movements, fiscal crises caused by demographic changes, proliferation of weapons of mass destruction, geopolitical instability and civil wars, and breakdowns of critical information infrastructures, as well as other risks that the occurrence of one or more of these risks could trigger. The potential impact of these global risks will be a function of the extent to which mitigation strategies, emergency plans and education of risk awareness can be implemented on a systemic, global basis. There can be no assurance that such strategies can be effectively implemented.

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either requiring us to extend coverage beyond our underwriting intent or by increasing the number or size of claims. Examples of emerging claims and coverage issues include:

- adverse changes in loss cost trends, including inflationary pressures;
- judicial expansion of policy coverage and the impact of new theories of liability;
- legislative or judicial action that affects policy coverage or pricing (such as the recent decision of the European Court of Justice removing the exemption for use of gender as a risk factor for insurance contracts);
- a growing trend of plaintiffs targeting property and casualty insurers in purported class action litigation relating to claim-handling and other practices;
- claims in respect of directors' and officers' coverage, professional indemnity and other liability covers arising from the turmoil in the financial markets; and
- climate change-related litigation.

The effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict, but could increase in either or both number and magnitude, and therefore could harm our business and have a material adverse effect on our financial condition, results of operations and cash flow.

Cyclicality of the reinsurance industry has caused, and can be expected to continue to cause, fluctuations in our results.

The supply of reinsurance is related to prevailing prices, the level of insured losses and the level of industry surplus, which may fluctuate in response to changes in premium rates and rates of return on investments being earned in the reinsurance industry. As a result, the reinsurance business has historically been cyclical, particularly the property and casualty market, which is characterized by periods of intense competition on price and policy terms due to excessive underwriting capacity as well as periods when shortages of capacity permit favorable premium rates and policy terms and conditions. Typically no two cycles are the same.

Historically, operating results of reinsurers have fluctuated significantly because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of reinsurers. These developments include:

- changes in general economic conditions and the political environment;
- price competition;
- frequency of occurrence and/or severity of catastrophic events;
- capital markets volatility;
- changes in underwriting capacity;
- increased funding costs due to market illiquidity;
- decreased demand for reinsurance products and services and lower revenues as a result of an economic downturn; and
- reduced earnings because of the inability or unwillingness of counterparties to perform their obligations.

We expect to continue to experience the effects of this cyclicality, including changes in premium rates, which could have a material adverse effect on our results of operations. The two principal segments of the reinsurance business – life and health, and property and casualty – in effect operate in their own cycles. The effects of this cyclicality can also be exacerbated by changes in business mix within the two segments. The casualty market is currently viewed as still in a "soft" cycle, with certain improvements due to prior year positive development rather than current results and more moderate premium growth than expected, and life and health, while continuing to recover from the effects of the financial crisis, remains on a trajectory of low growth for 2012.

We are impacted by changes in the insurance industry that affect ceding companies.

Some of our ceding company clients now have greater market capitalizations than we and our reinsurance company peers. Among other effects of changes affecting the primary market, ceding companies are retaining an increasing portion of their business, relying less on reinsurance to mitigate their risk exposure and rationalizing reinsurance procurement policies (particularly for recurring ("flow") business obtained in the open market) through central purchasing platforms. In addition, ceding companies are demonstrating in respect of their reinsurers, a greater sensitivity to counterparty risk, particularly in the property and casualty market, and are limiting where possible that risk through concentration limitations, which in turn may impact our market shares. These trends are likely to continue in light of Solvency II requirements (which favor diversification and also can lead to greater retention) and greater focus on risk management at ceding companies.

Competitive conditions in the reinsurance industry could impact our results.

Competition in the types of reinsurance we provide is based on many factors, including the overall financial strength of the reinsurer, expertise, local presence, reputation, experience and qualifications of employees, client relationships, geographic scope of business, products and services offered, premiums charged, contract terms and conditions and speed of claims payment.

We compete for reinsurance business in the U.S. reinsurance market, the European (particularly, the U.K) reinsurance markets and other international reinsurance markets (particularly Australia) with numerous reinsurance and insurance companies, some of which also have substantial financial resources and are highly rated. Opportunities in emerging markets (particularly the BRIC countries – Brazil, Russia, India and China) have led to increased competitive pressures in such markets from international players, and we also compete with state-owned reinsurers in three of these markets, Brazil, India and China. We also face competition in our efforts to offer risk transfer products to the capital markets, as other market participants also are developing and

offering insurance-linked securities ("ILS") and derivatives and other non-traditional risk transfer mechanisms and vehicles. The increasing role of brokers, particularly in the property and casualty sector, also can have an impact on competition.

The nature of the competition we face may be affected by disruption and deterioration in global financial markets and economic downturns, as well as by governmental responses thereto. Government intervention might result in capital or other support for our competitors. Furthermore, competition in the reinsurance industry may be indirectly impacted by regulatory capital requirements in Europe as primary insurance companies look for ways to relieve their capital requirements – for example with structured reinsurance. The reinsurance sector could also be impacted if the new capital requirements being imposed on banks will result in the divestiture of their insurance operations. We cannot predict whether different competitors could emerge from the financial crisis or whether current competitors could improve their position relative to us as a result of their eligibility for government support or other intervention.

The occurrence of future risks that our risk management procedures fail to identify or anticipate could have a material adverse effect on our business, financial condition, results of operations and liquidity.

We continually review our risk management policies and procedures and will continue to do so in the future. Many of our methods of managing risk and exposures are based upon observed historical market behavior and statistic-based historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, clients, catastrophe occurrence, or other matters that are publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. Our risk management methods reflect certain assumptions about the degrees of correlation or lack thereof among prices of various asset classes or other market indicators. In times of market turmoil or other unforeseen circumstances, similar to those that occurred during 2008 and 2009, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These types of market movements may limit the effectiveness of our risk management methods.

Failure (or the perception that we have failed) to develop, implement, monitor and when necessary preemptively upgrade, to address evolving risks, our risk management policies and procedures could, at the very least, give rise to reputational issues and have an adverse impact on our ratings (to the extent that any future unexpected loss does not fit within our stated tolerance for risk or is not considered by the rating agencies to be manageable compared to underlying earnings). Risks that we fail to anticipate, and/or adequately address, could have a material adverse effect on our business model, financial condition, results of operations and liquidity.

For our reinsurance business, we depend on the policies, procedures and expertise of ceding companies; these companies may fail to accurately assess the risks they underwrite, which may lead us to inaccurately assess the risks we assume.

Because we participate in reinsurance markets, the success of our reinsurance underwriting efforts depends, in part, on the policies, procedures and expertise of the ceding companies making the original underwriting decisions. We may not have adequate visibility as to the assumptions, modelling and other techniques that ceding companies use and can offer no assurance that their techniques are appropriate or will be successful. Underwriting is a matter of judgment, involving important assumptions about matters that are inherently unpredictable and beyond the ceding companies' control and for which historical experience and statistical analysis may not provide sufficient guidance. If ceding companies fail to accurately assess the risks they underwrite, we may inaccurately assess the risks we reinsure and the premiums that are ceded to us may not adequately compensate us. As a result, we could face significant losses on these reinsurance contracts.

Investments in operations in emerging markets may be volatile.

Investments in operations in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory and legal systems and disclosure standards may be less stringent than those of developed markets. Moreover, as compared to more developed markets, emerging markets tend to exhibit higher risks of inflationary pressures, exchange rate fluctuations, imposition of exchange controls, civil unrest, expropriation, nationalization, renegotiation or nullification of existing contracts and changes in law or tax policy. Consequently there is a greater risk of not recovering on all or any investments in those markets, which could negatively impact our financial condition and results of operations.

A failure in our operational systems or infrastructure, or those of third parties, or cyber attacks directed at our computer systems or networks, could disrupt our businesses, result in the disclosure of confidential information, damage our reputation and cause losses.

Our businesses are dependent on our ability to process and monitor multiple client relationships, contacts, agreements and transactions, many of which are highly complex, across numerous and diverse markets in many currencies. Our agreements and transactions with our clients typically will be tailored to client-specific requirements and preferences, as well as legal and regulatory standards. As our client base and our geographical reach is global and ever expanding, developing and maintaining our operational systems and infrastructure is an ongoing challenge. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as increased transaction volume, and any such failure, termination or constraint could adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses or result in financial loss or liability to our clients, impairment of our liquidity, disruption of our businesses, regulatory intervention or reputational damage.

Despite the resiliency plans and facilities we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, communications, internet, transportation or other services used by us or third parties with which we conduct business. These disruptions may occur as a result of events that affect only our buildings or the buildings of such third parties or, as a result of events with a broader impact globally, regionally or in the cities where those buildings are located. Notwithstanding our efforts to maintain business continuity, depending on the intensity and longevity of the event, a catastrophic event impacting any of our area offices could negatively impact our business. If a disruption occurs in one location and our employees in that location are unable to occupy our offices or communicate with or travel to other locations, our ability to service and interact with our clients may suffer, and we may not be able to successfully implement contingency plans that depend on communication or travel.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access (from within our organization or by third parties), computer viruses or other malicious code and other cyber threats that could have a security impact. If one or more of such events occur, this potentially could jeopardize our or our clients' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients' or third parties' operations, which could result in significant losses or reputational damage. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. Furthermore, we routinely transmit and receive personal, confidential and proprietary information by email and other electronic means. We have discussed and worked with clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities, but we do not have, and may be unable to put in place, secure capabilities with all of our clients, vendors, service providers, counterparties and other third parties and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

We have outsourced credit and securitized portfolios to a variety of asset management companies and are dependent on their systems and controls in respect of the portfolios they manage for us.

We may have difficulty in executing acquisitions, which could have a material adverse effect on our business, financial condition and results of operations.

We have in the past and may in the future engage in discussions with third parties regarding possible acquisitions, which discussions may or may not result in acquisition transactions. There are significant risks and uncertainties associated with acquisitions. Acquisitions present a range of risks, including the risk that integration difficulties or a significant decline in asset valuations or cash flows may cause us not to realize expected benefits from the transactions, which may affect our results, including adversely impacting the carrying value of the acquisition premium or goodwill. These integration matters could have an adverse effect on us for an undetermined period after consummation of an acquisition.

Market Risks

We are exposed to significant financial and capital markets risks, including changes in interest rates, credit spreads, equity prices and foreign exchange rates, which may adversely impact our financial condition, results of operations, cash flow, liquidity and capital position.

As a global reinsurance company, our business is materially affected by conditions in the financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. Our exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. Our exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. With respect to equity prices, we are exposed to changes in the level and volatility of equity prices, as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. Our exposure to foreign exchange risk arises from exposures to changes in spot prices, forward prices and volatilities of currency rates.

These risks can have a significant effect on our investment returns and market values of securities positions, which in turn affects both our results of operations and financial condition. Investment income is an important part of our overall profitability, particularly during periods when underwriting results come under pressure, and, in addition to premiums from our reinsurance operations, represents a principal source of income. Fluctuations in the fixed income or equity markets have had, and could continue to have, an adverse effect on our financial condition, results of operations and cash flow. Our investment returns are also susceptible to changes in general economic conditions, including changes that impact the general creditworthiness of the issuers of debt securities held in our portfolio or the value of equity securities held in our portfolio, and to changes that impact the value of structured products.

Fluctuations in interest rates may affect our future returns on fixed income investments, as well as the market values of, and corresponding levels of capital gains or losses on, the fixed income securities in our investment portfolio. Interest rates typically are subject to factors beyond our control such as governmental monetary and fiscal policies, global economic conditions and many other factors, all of which have been exacerbated by the financial crisis and its aftermath. Generally, an increase in interest rates would increase the net unrealized loss position of our fixed income portfolio, offset by the ability to earn higher rates of return on funds invested. Conversely, a decline in interest rates would decrease the net unrealized loss position, offset by lower rates of return on funds invested. Given current levels of interest rates, we are likely to be subject to the significant potential effects of rising rates.

Widening of credit spreads or other events that adversely affect the issuers or guarantors of fixed income securities we hold could cause the value of our fixed income portfolio and our net income to decline and the default rate of the fixed income securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of particular securities, or similar trends that could worsen the credit quality of issuers, could also have a similar effect.

Although we have reduced our exposure to traded equities, we are subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably guaranteed minimum life benefit VA business, are tied to financial market values. To the extent market values fall, the financial exposure on guarantees related to these contracts would increase, to the extent our exposure is not hedged. While we have an extensive hedging program covering existing VA business, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. We also have exposure to alternative investments, such as private equity, real estate and hedge fund investments. Market volatility has impacted both the level of net investment income from these types of investments and our ability to dispose of such investments on favorable terms or at all, and we may continue to experience reduced net investment income due to continued volatility affecting these pools of capital. Moreover, due to the normal delay in the preparation and receipt of financial information from underlying investments, results for late last year may only be reported to us this year.

If significant, market volatility, changes in interest rates, changes in credit spreads and defaults, a lack of pricing transparency, market liquidity, declines in equity prices, and foreign currency movements, alone or in combination, could have a material adverse effect on our results of operations, financial condition or cash flows through realized losses, impairments or changes in unrealized positions. Volatility in the capital markets also impacts costs of hedging, and lower asset values reduce shareholder's equity.

Market volatility continued in 2011, triggered in large part by concerns over the sovereign debt of Greece, Ireland, Spain, Portugal and Italy and the impact of the sovereign debt crises more broadly on the euro and the European Union, the downgrade by Standard & Poor's of the long-term credit rating of U.S. Treasury debt from AAA to AA+, concerns over the general pace of economic recovery and concerns over political stalemates. Capital markets also suffered in the second half of 2011, as did corporate bond spreads reflecting elevated risks of default, and it is unclear when markets might stabilize. In 2012, long-term credit ratings of various countries in the eurozone and banks have been downgraded, and continued widespread dissatisfaction with the results of austerity measures and concerns over the level of rescue efforts in various eurozone countries have added to market volatility. The specter of defaults on sovereign debt poses risks to holders of sovereign debt, as well as holders of debt of financial institutions with their own exposures to sovereign debt.

In addition to market volatility, low interest rates over the past three years and uncertainties around future inflation expectations continue to pose significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless investment returns can be offset by lower combined ratios. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees.

It is difficult to predict what the impact would be on us, from a general business or financial reporting perspective, or from a capital or liquidity perspective, were austerity or stimulus measures adopted by governments in response to budget deficits and adverse economic conditions to be unsuccessful or counterproductive, were there to be further adverse developments by reason of the occurrence, or threat, of write-downs of, or defaults or other credit events relating to, the sovereign debt of one or more countries, were conditions in the financial markets to deteriorate further, or were there to be further adverse developments affecting economies, financial systems or markets.

Our efforts to manage asset risk in our investment portfolio may not be fully successful and may nonetheless expose us to the risk of mismatch between our assets and our liabilities.

We are focused on asset-liability management ("ALM") for our investment portfolio, but pursuing even this strategy has its risks, including a possible mismatch between investments and liability benchmarks. In addition, although we will seek to price our new business consistent with investment returns tied to our liability benchmark, our existing business, particularly the more long-tailed Life & Health business, was priced using historical parameters. As interest rates have dropped significantly, we may be unable to successfully match, or come close to, such historical parameters going forward. Further, unanticipated changes in the correlation between the various factors that we use to manage our investment portfolio may impact its performance.

We also seek to manage the risks inherent in our investment portfolio by repositioning our portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools.

Our ability to manage exposures may be limited by adverse changes in the liquidity of a security or the related hedge instrument and in the correlation of price movements between the two. Sudden declines and volatility make it more difficult to hedge, or to sell or value, assets. The inability to effectively hedge or sell assets reduces our ability to limit losses in such positions. In addition, in the case of private equity investments, hedge fund investments and other securities that are not freely tradable or lack an established and liquid trading market, it may not be possible, or economical, to hedge such exposures. There can be no assurance that our efforts to reduce our exposure to sudden and adverse price movements will be successful, and failure to do so could have a material adverse effect on our financial condition, results of operations and liquidity. Moreover, we may be successful in establishing hedges, but the hedges may be ineffective or may greatly reduce our ability to profit from increases in the values of the underlying securities.

Like other financial institutions, we were adversely impacted by the deterioration in the credit markets in 2008-2009, and further market fluctuations and volatility could have a material adverse effect on our business, financial condition and results of operations.

Assets in our investment portfolio are accounted for at fair value and the declines in these values may have a direct and negative effect on us. Trading assets are subject to mark-to-market adjustments with losses impacting our income statement and balance sheet. There can be no assurance that the state of the credit markets and market fluctuations and volatility will not have a material adverse effect on our results of operations and financial condition.

Also, adverse conditions in the credit markets and related developments can have an adverse impact on the ability of market participants, including ourselves and our counterparties, to value credit default swaps and other credit-related instruments. Differences in opinion as to valuations could result in legal disputes with counterparties as to our and their respective obligations, the outcomes of which are difficult to predict and could be material.

Certain changes in accounting or financial reporting standards, or changes in the interpretation of standards, in respect of fair value accounting or impairments, could have a material effect on our reported financial results.

We prepare our consolidated financial statements in accordance with U.S. GAAP. U.S. GAAP and International Financial Reporting Standards ("IFRS") are complex, continually evolving and potentially subject to differing interpretations by relevant authoritative bodies. New accounting pronouncements, as well as new interpretations of existing accounting pronouncements, may have material adverse effects on our reported results of operations and financial condition.

As part of a general convergence process with IFRS, the Financial Accounting Standards Board, which is the standard setter for U.S. GAAP, and other accounting standard setters have been considering a variety of changes to accounting standards, and we cannot predict what future changes will be adopted or how they will affect us. In addition, we can provide no assurance that any regulatory authorities that oversee our business will not take issue with conclusions that we may reach with respect to accounting matters. Changes in accounting standards could impact future reported results or require restatement of past reported results.

We are subject to risks relating to the preparation of estimates and assumptions that management uses in our risk models as well as those that affect the reported amounts in our financial statements.

We are subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of our risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in our financial statements, including assumed and ceded business. For example, we estimate premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. We could be adversely affected, for example, if premiums turn out to be lower, while claims stay the same.

Moreover, deterioration in market conditions could have an adverse impact on the assumptions we have made for financial reporting, which in turn could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisitions costs or goodwill. For example, in evaluating available-for-sale securities for other-than-temporary impairment, we undertake a quantitative and qualitative process, which is subject to risks and uncertainties and is intended to determine whether a credit or non-credit impairment should be recognized in current period earnings or in other comprehensive income. These risks and uncertainties include changes in economic conditions, the financial condition of the issuer, changes in interest rates or credit spreads, and future recovery prospects. For securitized financial assets with cash flows, we must estimate the cash flows over the life of the asset. We also consider a range of other factors about the issuer in evaluating the cause for decline in estimated fair value and prospects for recovery. To do so, we must make significant assumptions and estimates, and these subjective determinations could materially impact our results.

Liquidity Risks

We could be subject to unexpected needs for liquidity, which potential need could be exacerbated by market conditions.

Our business requires, and our clients expect, that we have sufficient capital and sufficient liquidity to meet our reinsurance obligations, and that this would continue to be the case following the occurrence of any event or series of events, including extreme catastrophes, that would trigger our insurance or reinsurance obligations. In addition to premiums from our reinsurance operations, our principal sources of liquidity traditionally are our investments, as well as the funds we raise from time to time through the issuance of securities, incurrence of debt (including short-term and long-term debt), the issuance of hybrid securities and ordinary course sales or pledges of assets (including through repurchase agreements, securitizations and collateralized loans).

Our uses of funds include our obligations arising in our reinsurance business (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitizations and

commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. We also enter into contracts or trading arrangements that could give rise to significant short-term funding obligations and, in connection with our trading operations, we could be subject to unexpected calls to deliver collateral or unwind trading positions at a net cost to us. We have unfunded capital commitments in our private equity and hedge fund investments, which could result in funding obligations at a time when we are subject to liquidity constraints. We also have potential collateral requirements in connection with a number of our reinsurance arrangements.

We manage liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events, or combinations of the two. Generally, our ability to meet liquidity needs could be adversely impacted by factors that we cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit, changes in interest rates and credit spreads, and foreign currency movements, or by perceptions among market participants of the extent of our liquidity needs. We also anticipate the overall availability of bank financing might contract as a consequence of the implementation of the stricter regulatory capital requirements for banks. In addition, going forward, liquidity for the Swiss Re Group, which historically was allocated within the SRZ Group, will be managed and adjusted across the Swiss Re Group, which may impact the liquidity position of the SRZ Group. See "– Risks Relating to the Carve-out Transactions."

Market conditions can impact liquidity needs in a variety of ways. For example, our need for liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements or collateral calls under derivative contracts could be triggered by a deterioration in our financial strength or the perception by counterparties that we may be subject to such deterioration. Similarly, contingent collateral requirements could be tied to ratings or our ability to meet certain regulatory capital tests. Obligations under derivative instruments to maintain high quality collateral could trigger funding requirements were the collateral we maintain to be downgraded or otherwise impaired. Certain of our debt underlying structured transactions may be due on demand, and payment undertaking agreements may be accelerated on ratings downgrades or unwinds of the related structured transaction. Market conditions could also trigger changes in collateral requirements under securities lending arrangements. Any of the foregoing could be material.

The availability and cost of collateral, including letters of credit, could adversely affect our operations and financial condition.

In connection with our reinsurance obligations, we may be, or may become, subject to requirements to post collateral, which amounts could be material and, furthermore, requirements to post collateral could require us to liquidate cash equivalents or other securities to fund collateral requirements. For example, in order to reduce the effects of regulatory reserves and capital that ceding companies are required to maintain in certain jurisdictions, ceding companies retrocede business to affiliated and unaffiliated entities. In connection with such retrocessions, the affiliated or unaffiliated reinsurer must provide an equal amount of collateral. Such collateral may be provided in the forms of letters of credit or through the placement of assets in trust. We may be required to provide collateral as part of these types of retrocession arrangements for the benefit of unaffiliated ceding companies or for the benefit of affiliated entities, and a significant part of our reinsurance collateral requirements are currently being met through bank letters of credit obtained through multi-bank and bilateral letter of credit facilities. These letters of credit are irrevocable and unconditional, and could be drawn upon by ceding company beneficiaries, triggering a reimbursement obligation on our part to the issuer or issuers of such letters of credit.

Our credit facilities place various constraints on us, and our use of credit facilities, particularly letter of credit facilities, subjects us to various risks.

Our funding arrangements, including our letter of credit facilities, contain covenants that could place constraints on our ability to undertake various activities or transactions. Any failure to comply with such covenants or covenants in other debt instruments could result in a default. A default could lead to acceleration of the underlying obligations, trigger collateralization requirements (in the case of letter of credit facilities supporting reinsurance-related obligations) and/or trigger cross-defaults in other credit facilities or debt instruments. The need to refinance or replace these facilities on less favorable terms could adversely affect our business and our financial condition.

Our access to funds from bank counterparties and commitments of banks to issue letters of credit could be adversely impacted if one or more bank counterparties were to face liquidity or other credit-related issues, and continued effectiveness of letters of credit could be adversely impacted if the issuing banks were to face resolution. Moreover, failure of a bank to satisfy minimum criteria (such as inclusion on the "Bank List" of the National Association of Insurance Commissioners) could require us to find replacement issuers of letters of credit. We might not be able to replace issuers on favorable terms on a timely basis or otherwise.

Our access to funding markets could be limited, particularly in distressed market conditions.

Should we require liquidity at a time when access to funding markets is limited, we may not be able to secure new sources of liquidity. In addition, our ability to meet liquidity needs may be further constrained by regulations that require our regulated entities to maintain or increase regulatory capital or that restrict the flow of intra-group funds, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. Thus, we may have adequate capital on a consolidated group basis, but a need for liquidity (cash or liquid assets that can be converted to cash, to meet financial obligations) could arise in a particular legal entity and our ability to access group liquidity for that entity may be limited by legal, tax or regulatory constraints on the flow of intra-group funds. Moreover, such constraints may become tighter in the future as a result of regulatory action taken in response to the financial crisis.

Finally, any adverse ratings action against us could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which we are a party) at a time when our ability to obtain liquidity is limited.

Counterparty Risks

Our business, profitability and liquidity may be adversely affected by the deterioration in the creditworthiness of, or defaults by, third parties that owe us money, securities or other assets.

Trading counterparties, counterparties under swaps and other derivative contracts and financial intermediaries may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operations failure, fraud or other reasons, which could also have a material adverse effect on our financial condition and results of operations.

The inter-relationship among financial services institutions has increased significantly as a result of trading, clearing, counterparty and other relationships. Defaults by, or even rumors or questions about, one or more financial services institutions or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon disposal or liquidation or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. There is no assurance that any such losses would not have a material adverse effect on our financial condition and results of operations.

Our business, profitability and liquidity may be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in our reinsurance operations.

We retrocede a portion of our reinsurance risks to third parties. Where we enter into quota share or other retrocession arrangements with third parties to transfer a portion of our reinsurance risk, we remain primarily liable on the underlying obligations, and any deterioration in creditworthiness or other development that affects the ability of such third parties to perform their obligations to us would have an adverse effect on us, and that effect could be material. Any such risk would be exacerbated to the extent the risk is concentrated.

Our most significant single counterparty risk is in respect of Berkshire Hathaway Inc. ("Berkshire Hathaway"), with which we have a quota share arrangement under which it has assumed a 20% share of our new and renewed Property & Casualty business (excluding credit business and run-off of prior underwriting years) from 2008 through the end of 2012. In addition, we have the ADC with National Indemnity, an indirect wholly owned subsidiary of Berkshire Hathaway, which covers our Property & Casualty reserves for accident years prior to and including 2008 (subject to certain exclusions). Furthermore, in January 2010, we transferred risk from a closed block of pre-2004 U.S. individual life business to Berkshire Hathaway, in a retrocession transaction. A deterioration in the creditworthiness of Berkshire Hathaway and/or National Indemnity could have a material adverse effect on the ability of Berkshire Hathaway or National Indemnity to satisfy its obligations to us under the quota share arrangement, the ADC or the retrocession transaction.

We could also be adversely impacted by the insolvency of, or the occurrence of other credit events affecting, key ceding companies.

Risks Relating to Downgrades of Credit Ratings

A decline in the financial strength or a downgrade in the credit ratings assigned to SRZ and its businesses by various rating agencies could have a material adverse impact on us, including on our ability to write new business or borrow money.

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

The rating agencies, with whom we maintain an interactive rating relationship, continuously evaluate us to confirm that we continue to meet the criteria of the rating assigned to us. Our ratings may be revised downward or revoked at the sole discretion of the rating agencies. The financial strength ratings assigned by rating agencies to reinsurance or insurance companies are based upon factors relevant to cedents, which includes factors not entirely within our control, including factors impacting the financial services, insurance and reinsurance industries generally. Financial strength ratings by rating agencies are not ratings of securities or recommendations to buy, hold or sell any security.

SRZ and its businesses are currently rated "AA-" (stable outlook) by Standard & Poor's Financial Services LLC ("S&P"), "A1" (positive outlook) by Moody's Investors Service, Inc. ("Moody's") and "A+" (stable outlook) by A.M. Best Company ("A.M. Best").

These ratings reflect the current opinions of S&P, Moody's and A.M. Best, respectively. One or more of these ratings could be downgraded or withdrawn in the future. As a result of economic and financial market downturns, and in particular the impact of those conditions on our industry, ratings agencies may increase the frequency of and scope of ratings reviews, revise their standards or take other actions that may negatively impact our ratings, which we cannot predict. For example, the treatment of hybrid securities is agreed upon with rating agencies on a security-by-security basis, and rating agencies may modify the treatment they accord such securities. Moreover, the actions of ratings agencies have come under close scrutiny as a result of the financial crisis, and the standards applied, as well as the procedures undertaken, by rating agencies may shift significantly as a result of regulatory action or voluntary action to avoid more severe regulatory action. We cannot predict what actions the rating agencies will take, or what actions we may need to take in response to negative ratings action.

As claims paying and financial strength ratings are a key factor in establishing the competitive position of reinsurers, a decline in ratings of the SRZ Group alone could make reinsurance provided by it less attractive to clients relative to reinsurance from its competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurers with certain ratings, or whose confidence in the SRZ Group is otherwise diminished. Furthermore, ratings directly impact the terms, including availability of unsecured financing (potentially impacting both our ability to roll over facilities and obtain new facilities), and any decline in the Issuer's or its subsidiaries' ratings could also obligate us to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements. Any rating downgrades could also have a material adverse effect on costs of borrowing and limit access to the capital markets. Finally, the factors that contribute to adverse ratings action, such as the concerns in respect of asset write-downs and capital position, have in the past contributed, and could in the future contribute, to concerns generally about the risks the SRZ Group poses to ceding companies in terms of counterparty risk to them.

For a discussion of the impact of a ratings downgrade on our funding requirements, see "– Liquidity Risks – Our access to funding markets could be limited, particularly in distressed market conditions." Any of the foregoing, or a combination of the foregoing, could have a material adverse effect on our business.

Negative ratings action could impact our reinsurance contracts.

It is common for larger reinsurance contracts to contain terms that would allow the ceding companies to cancel the contract for the portion of our obligations if our ratings or those of our subsidiaries are downgraded. Whether a ceding company would exercise this cancellation right would depend, among other factors, on the

reason for such downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage. Furthermore, any downgrade of our ratings or those of our subsidiaries may dissuade a ceding company from reinsuring with us or our subsidiaries in favor of a competitor that has a higher rating. Therefore, we cannot predict the extent to which any such cancellation right would be exercised, if at all, or what effect any such cancellation would have on our financial condition or future operations. However, such effect on our financial condition and results of operations could be material.

Risks Relating to Foreign Currency Movements

Changes in foreign currency exchange rates may impact our results.

Our exposure to foreign exchange risk results from exposure to changes in spot prices, forward prices and volatility of currency rates. Effective January 1, 2010, we adopted the U.S. dollar as our reporting currency in place of the Swiss franc. Therefore, our financial condition, results of operations and cash flow have been and will continue to be affected by fluctuations in the values of other currencies (in which we transact business or in which our assets or liabilities are denominated) against the U.S. dollar, which could be material.

Legal, Tax and Regulatory Risks

Regulatory or legal changes, as well as other government or judicial action or trends, could have an adverse impact on our financial condition and results of operations.

We are subject to applicable regulation in each of the jurisdictions in which we conduct business, particularly Switzerland, the United States, the United Kingdom and Germany. Following the credit crisis, there has been a trend towards a more coordinated, centralized and stricter approach to insurance regulation in both the European Union and the United States. There have also been a number of legislative initiatives, notably the introduction of risk-based prudential regimes in Switzerland (the Swiss Solvency Test ("SST"), which Swiss Re is subject to as of January 2011) and in the European Union (Solvency II, which currently is expected to be transposed into law in January 2013, but will not be binding on insurers until a year later, in January 2014). In the United States, as a possible step towards federal oversight of insurance, the U.S. Congress ("Congress") created the Federal Insurance Office ("FIO") within the Department of Treasury. See "Regulation."

More broadly, the turmoil in the financial markets has resulted in significant regulatory changes affecting financial institutions, including insurance and reinsurance companies. Additionally, adverse publicity regarding financial institutions may add further impetus for more stringent regulation. New regulatory initiatives include, among others, further changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, enhanced governmental authority to take control over operations of financial institutions, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way the creditworthiness or financial strength of financial institutions is rated. For example, the Swiss Federal Act of December 17, 2004 on the Supervision of Insurance Companies (Insurance Supervision Act, ISA) (the "Insurance Supervision Act") was recently amended to clarify that FINMA may impose a moratorium or mandate deferment of payment obligations if there is a "likelihood of insolvency." This is in addition to other intervention rights in respect of regulated Swiss entities such as ourselves to protect the interests of the insured. Furthermore, the regulatory schemes and requirements that are being proposed by various regulators around the world may be inconsistent or may conflict with each other, thereby subjecting us to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs.

Changes are particularly likely to impact financial institutions designated as "systemically important" or "too big to fail," which designation is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms. These reforms are designed to allow regulators to deal with systemically important national and, particularly, global financial institutions without major disruptions to the financial system or taxpayer-funded bail-outs, to impose greater loss absorption capacity on the part of these institutions, to reduce the likelihood of failure and to enhance the capacity of regulators to respond through resolution authority should failure be likely.

Although primarily focused on banking institutions, some of these proposals could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on us. Separately, we could be designated as a global systemically important financial institution under the framework for systemically important financial institutions being

developed by the Financial Stability Board (the "FSB"), or as a systemically important non-bank financial company by the Financial Stability Oversight Council (the "FSOC") in the United States. See "Regulation – General."

If changes are made to existing legislation or if new legislation is adopted or new regulations are promulgated covering our operations and other activities, they could increase the cost of doing business, reduce access to funding, limit the scope of permissible activities or affect the competitive balance. In addition, we could be adversely impacted by changes in interpretations by regulators of existing or new regulations or by the imposition of new requirements by regulators based on discretionary authority or otherwise. For example, in April 2012, FINMA imposed on us a notification and approval requirement in respect of future incurrences of debt (excluding subordinated debt and mandatory convertible instruments from debt for such purpose) in the event certain pre-determined thresholds are exceeded.

Moreover, changes could arise in areas that target financial services as well as more general areas, such as competition policy, tax laws or policy or enforcement of sanctions legislation. Regulatory changes aimed at primary insurers may also have an impact on us to the extent they result in reinsurance becoming a less attractive option for ceding companies. We cannot predict whether and, if so, which changes will be forthcoming or the effect of any such changes on our reinsurance or investment activities, financial condition, results of operations, liquidity and capital and access to funding. Moreover, it is difficult to predict whether any such changes would impact only new business or have a broader effect. For example, we typically price reinsurance, including our long tail business, on current capital requirements and any increase in capital requirements could impair that pricing, leading to lower profit.

We may be subject to future regulatory changes that could impact the calculations and processes behind the solvency ratios that apply to us on both a Group and Issuer level.

We are subject to the SST and must meet the applicable ratio under the SST as a regulatory matter. In addition, we have incorporated the SST ratio into covenants in certain of our funding arrangements. The SST can change over time and in particular could change in light of FINMA's stated aim to ensure that SST is equivalent to Solvency II.

In the European Union, Solvency II is expected to be transposed into law in January 2013, but will not be binding on insurers until a year later in January 2014. The implementation measures that will complement the Solvency II directive are being drafted. In November 2011, the EIOPA launched a new consultation with insurance and reinsurance stakeholders on guidelines for the Own Risk and Solvency Assessment ("ORSA") for Solvency II, as well as other draft proposals with regards to the Supervisory Reporting & Public Disclosure in the Solvency II framework, for which the consultation period ended in January 2012; consequently there remains significant uncertainty regarding the final guidelines and implementation process for Solvency II. The process of testing the equivalence of SST to Solvency II has been initiated, but is not expected to be completed by the European Commission until the first half of 2013. Any corresponding changes to the SST could result in additional regulatory capital requirements on an entity (solo) or group basis, and could also affect compliance with SST measures incorporated in funding arrangements.

Changes in tax legislation and other circumstances that affect tax calculations could adversely affect us.

We are subject to taxation in a number of jurisdictions. Changes in tax laws, or the interpretation of tax laws or tax regulations, in jurisdictions in which we do business could increase the level of taxes we pay and changes in tax laws, or the interpretation of tax laws or tax regulations in jurisdictions relevant to our clients could adversely affect the attractiveness of certain of our products for such clients. There are ongoing discussions in the European Union regarding the imposition of financial transaction tax on financial institutions transacting business in the European Union, and it is unclear whether such a tax will be imposed and, if so, what the scope of the tax could be. While such a tax might not impact insurance or reinsurance contracts, it could impact other activities conducted by us, including our investment activities. Changes in corporate tax rates can also affect the value of deferred tax assets and deferred tax liabilities, and the value of deferred tax assets could be impacted by future earnings levels as well as other factors that impact underlying assumptions. Any of the foregoing could adversely impact our net income.

Regulatory scrutiny may have an adverse impact on the industry in general and on our business, financial condition and results of operations in particular.

In recent years, the insurance and reinsurance industries have been the focus of increased regulatory scrutiny as regulators in a number of jurisdictions in which we operate have conducted inquiries and investigations into the products and practices of the financial services industries. In some cases, regulatory scrutiny of industry participants has led to penalties, settlements and litigation as well as calls for new regulations and reforms of certain business practices. Certain industry participants restated their financial statements to reflect reassessments of accounting for certain products and practices. Furthermore, new investigations into the financial services industry were undertaken in a number of jurisdictions as a result of various aspects of the financial crisis. It is difficult to predict what products, practices or parties could come under future regulatory review. In addition to increases in the level of regulatory investigations and proceedings in respect of laws, rules and regulations applicable specifically to the financial services industry, there has been an increase in civil and criminal investigations and proceedings law in connection with broader business conduct rules such as market abuse regulations, anti-bribery legislation, anti-money laundering legislation and trade sanctions legislation. We could be subject to risks arising from alleged or actual violations of any of the foregoing.

The consequences of future investigations could include, for example, criminal or civil actions by regulators or lawsuits arising from practices under review, changes in the scope and nature of regulatory oversight of the insurance and reinsurance industries, changes to applicable accounting rules, adoption of new reporting rules, restatement of financial statements, changes to the range of products that are available and a reduction in the use of certain products, changes in the criteria used by ratings agencies and changes to practices in respect of a range of products by both providers and users of products. Investigations can also adversely impact the levels of business, and the stock prices, of industry participants or our counterparties. Any of the foregoing could adversely impact our business, financial condition and results of operations.

The financial services industry faces substantial litigation, and we may face damage to our reputation or legal liability.

We have been named, from time to time, as a defendant in various legal actions in connection with our operations. Like others, we could also be subject to risks arising from potential employee misconduct, including noncompliance with internal policies and procedures. Substantial legal liability could materially adversely affect our business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm our business.

A number of lawsuits were filed against financial service firms raising claims tied to the financial market turmoil, and we cannot predict whether we could be subject to further claims arising out of the market turmoil. See “Our Business – Governmental, Legal and Arbitration Proceedings.”

Risks Relating to the Carve-out Transactions

We have undergone various structural changes in connection with the Carve-out Transactions and the asset base, liquidity position, capital profile and/or other characteristics of the SRZ Group of relevance to its counterparties have changed.

The Alignment of the Corporate Structure, including the Carve-out Transactions (namely the transfer of Corporate Solutions and Admin Re® from SRZ to SRL), has had a significant impact on the SRZ Group. For example, as a result of the creation of separate Business Units, capital, funding, reserve and cost allocations, which historically were allocated within the SRZ Group, are now being, and will going forward be, adjusted across the Business Units to reflect the new structure. Liquidity and capital profiles of the SRZ Group therefore have changed. On a pro forma basis as of December 31, 2011, the Carve-out Transactions have resulted in reductions in the SRZ Group’s gross premiums written, total assets, reinsurance liabilities and shareholder’s equity. See “Business of Swiss Reinsurance Company Ltd – Alignment of the Corporate Structure of the Swiss Re Group” and “Unaudited Pro Forma Financial Information for the SRZ Group.”

Risks Relating to the Loan Notes

The Loan Notes contain a range of features any or all of which could prove to be materially disadvantageous to the Loan Noteholders.

The Loan Notes:

- are long-dated instruments, with a 30-year maturity;
- are subordinated to Senior Securities, which means that, upon an insolvency of the Issuer, Loan Noteholders will not receive any payment on the Loan Notes unless and until the holders of all prior ranking debt have been repaid in full. See "– Loan Noteholders' right to receive payment on the Loan Notes is subordinated in right of payment to holders of existing and future Senior Securities;" and
- may not, in certain circumstances, carry any right to interest and the Issuer has the right, in its absolute discretion and without assigning any reason, to defer payment of interest on the Loan Notes save in circumstances where it is required to pay interest and subject to provisions in the Conditions relating to Deferred Interest. See "– Interest payments on the Loan Notes must be deferred in certain circumstances and may be deferred at any time by the Issuer, save in certain circumstances."

The Loan Notes may not be a suitable investment for Loan Noteholders as a potential investor.

Loan Noteholders must determine the suitability of an investment in the Loan Notes in light of their own circumstances. In particular, Loan Noteholders should:

- be willing to hold their investment in the Loan Notes for the long term and not need to liquidate their investment in the short term;
- have sufficient knowledge and experience to make a meaningful evaluation of the Loan Notes and the merits and risks of investing in the Loan Notes, including without limitation an understanding of the implications of the deferral of interest features;
- have access to and knowledge of appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the Loan Notes and the impact that such an investment may have on their overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the potential risks of an investment in the Loan Notes;
- understand thoroughly the Conditions;
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect an investment in the Loan Notes and their ability to bear the applicable risks; and
- be aware that there are a variety of hybrid and contingent capital instruments being issued in the market, including both dated and undated instruments, and that there are significant differences among them as to their respective terms and conditions.

Legal investment considerations may restrict certain purchasers from investing in the Loan Notes.

The investment activities of certain investors may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Loan Noteholders should consult their legal advisers to determine whether and to what extent the Loan Notes are legal investments for them; the Loan Notes can be used as collateral for various types of borrowing; and other restrictions apply to a purchase of the Loan Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Loan Notes under any applicable risk-based capital or similar rules.

Loan Noteholders may be required to bear the financial risks of an investment in the Loan Notes for a significant period of time.

Loan Noteholders should be aware that they may be required to bear the financial risks of an investment in the Loan Notes until their Scheduled Maturity Date, or for longer if the principal amount of the Loan Notes is not due and payable on the Scheduled Maturity Date because (a) a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) or (b) we have not received the Consent of FINMA. See "Terms and Conditions of the Loan Notes – Redemption."

If the payment of the principal amount of the Loan Notes is not due and payable on the Scheduled Maturity Date because of the foregoing, Loan Noteholders will only have an opportunity to receive the principal amount and other amounts that would have been due on the Scheduled Maturity Date when the Solvency Event ceases (if applicable) or in the event of the Issuer's insolvent winding-up or administration, subject to the priority rights of the holders of Senior Securities to receive payments owed to them by us or when we have received the Consent of FINMA. FINMA is not obligated to give approval for a redemption and, depending on the facts and circumstances at the time, may not give such approval. If the Loan Notes are not redeemed on the Scheduled Maturity Date due to the reasons set out above, Loan Noteholders will, subject to any required or optional deferral, continue to receive interest but will not receive any additional compensation for the postponement of the redemption.

Loan Noteholders will have no right to call, or require the Issuer to call, for the redemption of the Loan Notes. Although the Loan Notes may be redeemed in certain circumstances described below under "– The Issuer may redeem the Loan Notes under certain circumstances and such redemption might occur when the current market value of the Loan Notes and/or the prevailing interest rates are low," the Issuer may redeem the Loan Notes only if no Solvency Event has occurred that is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) and if FINMA has given Consent, all as more fully described in the Conditions), and any of these circumstances may cause a delay in our payment to Loan Noteholders.

The Issuer may redeem the Loan Notes under certain circumstances and such redemption might occur when the prevailing interest rates are low.

The Issuer may redeem the Loan Notes, in whole but not in part, at its option at their principal amount together with any accrued and unpaid interest on the First Optional Redemption Date and on each subsequent Floating Interest Payment Date thereafter.

The Loan Notes are also redeemable, in whole but not in part, at any time on the occurrence of a Par Redemption Event. A Par Redemption Event will occur if at any time after the issue of the Loan Notes, a Recalculation of Interest Event or a Special Tax Event occurs and is continuing, or an Accounting Event, a Ratings Methodology Event or a Regulatory Event occurs. A redemption upon the occurrence of a Par Redemption Event will be at the principal amount of the Loan Notes, together with any accrued and unpaid interest and any outstanding Deferred Interest. As the events discussed above could occur at any time after the Issue Date, it is possible that the Issuer would be able to redeem the Loan Notes at any time after such Issue Date. In any such case, Loan Noteholders will not receive a make-whole amount or any other compensation in light of the early redemption of the Loan Notes.

In any case, the Issuer may redeem the Loan Notes only if no Solvency Event has occurred that is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) and if FINMA has given Consent, all as more fully described in the Conditions. In determining whether or not to give its Consent to any proposed redemption FINMA will not have regard to the interests of the Loan Noteholders. If the Issuer redeems the Loan Notes in any of the circumstances mentioned above, there is a risk that the Loan Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Loan Notes or when prevailing interest rates may be relatively low, in which latter case Loan Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield.

In addition, the optional redemption feature of the Loan Notes is likely to limit their market value. During any period when the Issuer has the right to elect to redeem the Loan Notes, the market value of the Loan Notes generally will not rise substantially above the price at which they can be redeemed.

Interest payments on the Loan Notes must be deferred in certain circumstances and may be deferred at any time by the Issuer, save in certain circumstances.

The Issuer must, with respect to any Interest Payment Date, defer (in whole or in part) the payment of interest on the Loan Notes if (a) a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) or would occur as a result of the payment of the relevant Interest Amount (unless FINMA authorizes the relevant payment notwithstanding the occurrence and/or continuation of a Solvency Event or that a Solvency Event would occur as a result of such payment) or (b) it is required to do so by FINMA. The Issuer also may, under certain circumstances, with respect to any Interest Payment Date, elect in its sole discretion to defer, in whole or in part, the payment of interest on the Loan Notes.

If payment of interest on the Loan Notes is deferred, such payment must only be made if the requirements set out in Condition 3.5(d) relating to Deferred Interest are fulfilled. Any Deferred Interest will not itself accrue interest. While the deferral of interest payments continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Loan Notes. In such event, the Loan Noteholders are not entitled to claim immediate payment of the Deferred Interest.

See "Terms and Conditions of the Loan Notes – Interest."

The Issuer is not subject to limits on the issuance of securities or other obligations, which may reduce the amount recoverable by Loan Noteholders in certain circumstances.

There is no restriction on the amount of securities that the Issuer or its subsidiaries may issue or guarantee that rank senior to the Loan Notes or on the amount of securities that the Issuer may issue or guarantee that rank *pari passu* with the Loan Notes. The issuance of such securities may reduce the amount recoverable by Loan Noteholders on liquidation, dissolution, insolvency or other proceeding for the avoidance of insolvency of, or against, the Issuer or may increase the likelihood that the Issuer may elect or be required to defer interest payments under the Loan Notes.

Loan Noteholders' right to receive payment on the Loan Notes is subordinated in right of payment to holders of existing and future Senior Securities.

The Loan Notes will constitute unsecured and subordinated obligations of the Issuer. Loan Noteholders' rights and claims are subordinate to the claims of holders of existing and future Senior Securities. In the event of the liquidation, dissolution, insolvency or other proceedings for the avoidance of insolvency of, or against, the Issuer, the claims of Loan Noteholders in respect of the Loan Notes will be subordinated to the claims of holders of existing and future Senior Securities, so that in any such event no amounts shall be payable in respect of the Loan Notes unless the claims of all holders of existing and future Senior Securities shall have first been satisfied in full. In such liquidation, dissolution, insolvency or other proceeding for the avoidance of insolvency of, or against, the Issuer, Loan Noteholders may recover proportionately less than the holders of existing and future Senior Securities or Loan Noteholders may not recover any amounts in respect of their Loan Notes. Moreover, the Loan Notes are not guaranteed by any subsidiary of the Issuer or any other person, and as a result Loan Noteholders' claims in respect of the Loan Notes will be structurally subordinated to the claims of creditors of the Issuer's subsidiaries.

Investors are exposed to risks associated with fixed interest rate securities.

A holder of securities with a fixed interest rate is exposed to the risk that the price of such securities falls as a result of increasing market interest rates. While the interest rate of the Loan Notes is fixed until September 1, 2022, the interest rates in the capital markets (market interest rates) typically change on a daily basis. As the market interest rate changes, the price of the Loan Notes changes typically in the opposite direction. If the market interest rate increases, the price of the Loan Notes would typically fall and if the market interest rate falls, the price of the Loan Notes would typically increase. Therefore, Loan Noteholders should be aware that movements of the market interest rate can adversely affect the price of the Loan Notes and can lead to losses if Loan Noteholders sell their Loan Notes during the period in which the compensation rate of the Loan Notes is fixed, i.e. prior to September 1, 2022.

Investors are exposed to risks associated with floating interest rate bonds.

A holder of a security with a floating interest rate (as will be the case for the Loan Notes after September 1, 2022 if not previously redeemed) is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels of a security make it impossible to determine the yield of such security in advance.

In certain instances the Issuer could substitute or vary the terms of the Loan Notes and Loan Noteholders may be bound by certain other amendments to the Loan Notes to which they did not consent.

The Conditions contain provisions for calling meetings of Loan Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Loan Noteholders, including Loan Noteholders who do not attend and vote at the relevant meeting and Loan Noteholders who vote in a manner contrary to the majority.

Further, the Issuer and the Agent may without the consent or approval of the Loan Noteholders make such amendments to the terms of the Loan Notes as they consider necessary or desirable to give effect to certain provisions of the Conditions, including in relation to the substitution of the Issuer and such other changes that in their opinion are of a formal, minor or technical nature or made to correct a manifest or proven error, or that in their opinion are not materially prejudicial to the interests of the Loan Noteholders.

Credit ratings assigned to the Loan Notes may not reflect all risks and may be lowered.

The ratings of the Loan Notes may not reflect the potential impact of all risks that may affect the value of the Loan Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Rating agencies may also change their methodologies for rating securities with features similar to the Loan Notes in the future. If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Loan Notes were to be subsequently lowered, this may have a negative impact on the market price of the Loan Notes.

Loan Noteholders may be subject to exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Loan Notes in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease the Investor's Currency-equivalent yield on the Loan Notes, the Investor's Currency equivalent value of the principal payable on the Loan Notes and the Investor's Currency equivalent market value of the Loan Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The market value of the Loan Notes may be influenced by unpredictable factors and may be volatile.

Many factors, most of which are beyond the Issuer's control, will influence the value of the Loan Notes and the price, if any, at which securities dealers may be willing to purchase or sell the Loan Notes in the secondary market, including:

- variations in the periodic operating results of the Issuer;
- changes in investor perceptions of the Issuer;
- the creditworthiness of the Issuer and, in particular, the level of the Issuer's solvency margin from time to time;
- the Issuer's SST ratio from time to time;
- supply and demand for the Loan Notes; and
- economic, financial, political or regulatory events or developments that affect the Issuer or the financial markets generally.

Accordingly, if a Loan Noteholder sells its Loan Notes in the secondary market, it may not be able to obtain a price equal to the principal amount of the Loan Notes or a price equal to the price that it paid for the Loan Notes.

The Loan Notes contain no restrictive financial covenants or covenants governing the Issuer's operations or limiting the Issuer's ability to incur substantially more debt, merge, effect asset sales or otherwise effect significant transactions, which may affect the Issuer's ability to satisfy its obligations under the Loan Notes or may have other adverse effects on the Loan Notes.

The Loan Notes do not contain any maintenance covenants (that would require the Issuer to meet financial ratios or minimum financial requirements) or negative covenants that restrict its ability to incur more indebtedness (either secured or unsecured), pay dividends or make other distributions, incur liens, repurchase any of its securities or undertake other similar actions. The Loan Notes also do not contain covenants governing the Issuer's operations and do not limit its ability to enter into a merger, asset sale, related party transaction or other significant transaction that could materially alter its existence, jurisdiction of organization or regulatory regime and/or the composition and business of the Issuer or the Swiss Re Group. Moreover, the Loan Notes do not contain any covenant or event of default triggered by a change of control of the Issuer or SRL. In the event the Issuer were to enter into, or be subject to, any such transaction, Loan Noteholders could be materially and adversely affected.

Potential changes in Swiss withholding tax legislation could impact Loan Noteholders.

On August 24, 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35% on any payment of interest in respect of a Loan Note to an individual resident in Switzerland or to any person (not only individual) resident outside Switzerland. If this legislation or similar legislation were enacted and an amount of Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor any paying agent nor any other person would, pursuant to the Conditions, be obliged to pay additional amounts with respect to any Loan Note as a result of the deduction or imposition of such withholding tax. However, the Issuer will, to the extent permitted by law, at any time after laws shall have been enacted by Switzerland providing for the taxation of payments according to principles similar to those set forth (a) in the EU Savings Tax Directive or (b) in the draft legislation proposed by the Swiss Federal Council on August 24, 2011 (in particular the principle to have a person other than the Issuer withhold or deduct the tax, such as, without limitation, any paying agent), appoint an additional paying agent in a jurisdiction within Europe other than Switzerland that will not be required to withhold or deduct tax pursuant to such Swiss laws.

There is a possibility of U.S. withholding tax on payments under the Loan Notes.

On March 18, 2010, the United States enacted sections 1471 through 1474 of the U.S. Internal Revenue Code ("FATCA"). Under FATCA, a non-U.S. financial institution generally will be required to enter into an agreement (an "FFI Agreement") with the U.S. Internal Revenue Service (the "IRS") to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. For these purposes, the term financial institution includes, among others, banks, insurance companies and entities that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests. If a participating financial institution makes a relevant payment to an accountholder that has not provided information requested to establish that the accountholder is exempt from reporting under the rules, or if the recipient of the payment is a non-participating financial institution (that is not otherwise exempt), the payor may be required to withhold 30% on a portion of the payment.

A Loan Noteholder may become subject to U.S. withholding at a rate of 30% on all, or a portion, of certain payments in respect of the Loan Notes made after December 31, 2016, in the case of so-called "passthru payments" if the Loan Notes are treated as equity for U.S. federal tax purposes or, if the Loan Notes are treated as debt for U.S. federal tax purposes and are significantly modified after December 31, 2012. Recently released proposed regulations contain an exception that provides that the new withholding tax rules will not apply to debt instruments that are outstanding on January 1, 2013 (provided that they are not significantly modified on or after that date). The IRS guidance in this regard is only preliminary, and the scope of these rules remains unclear and potentially subject to material changes. The IRS has indicated an intention to treat, for example, interest and principal paid by a participating financial institution as being subject to this 30% withholding, but only in proportion to the value of the financial institution's direct and indirect U.S. assets as compared to its total assets. The IRS is further considering the treatment of these passthru payments and it is not clear how this rule will

ultimately apply to the Issuer or the Loan Notes. It is unclear whether the Issuer will be a Foreign Financial Institution and, if it were, whether the Loan Notes would be instruments on which passthru payment withholding would be required.

The relevant rules have not yet been fully developed and the future application of FATCA to the Issuer and the Loan Noteholders is uncertain. If the Issuer determines that it must comply with FATCA in order to receive certain payments free of U.S. withholding tax, Loan Noteholders may be required to provide certain information or be subject to withholding on certain payments (including payments upon redemption of Loan Notes) made to them. The withholding obligation in respect of a non-participating financial institution may apply whether the financial institution is receiving payments for its own account or on behalf of another person. If a Loan Noteholder is subject to withholding on account of FATCA, there will be no additional amount payable by way of compensation to the Loan Noteholder for the deducted amount. An investor that is able to claim the benefits of an income tax treaty between its own jurisdiction and the United States may be entitled to a refund of amounts withheld pursuant to the FATCA rules, though the investor would have to file a U.S. tax return to claim this refund and would not be entitled to interest from the IRS for the period prior to the refund.

The FATCA provisions are particularly complex and their application to the Issuer is uncertain at this time. Each Loan Noteholder should consult its own tax advisor to obtain a more detailed explanation of the FATCA provisions and to learn how this legislation might affect each Loan Noteholder in its particular circumstance.

There are limited remedies available under the Conditions.

As more particularly described in "Terms and Conditions of the Loan Notes – Enforcement," the Loan Notes contain limited events of default, confined to non-payment of sums due on the Loan Notes for specified periods and the commencement of proceedings for the winding up, dissolution or liquidation of the Issuer. Upon the occurrence of such events under the Loan Notes, Loan Noteholders have only limited enforcement remedies consisting of, in the case of enforcing payment of sums due, instituting proceedings for, and/or proving in, the winding-up, dissolution or liquidation of the Issuer.

In certain instances the Issuer could substitute the obligor under the Loan Notes without the consent or approval of the Loan Noteholders.

The Issuer has an option, without the need for any consent of the Loan Noteholders, to substitute itself in respect of all rights and obligations arising under or in connection with the Loan Notes with a New Issuer provided, among other things that no Par Redemption Event would exist after substitution. While, among other conditions, the interests of the Loan Noteholders must not be materially prejudiced in the opinion of the parties to the Agency Agreement, the substitution of the Issuer under the Loan Notes could have an adverse effect on Loan Noteholders.

Among other things, the New Issuer could be a Non-Swiss Issuer. If Loan Noteholders are, for whatever reason, precluded from owning securities issued by a non-Swiss legal entity, they may have to sell the Loan Notes in the open market.

Change of law could impact the rights of Loan Noteholders.

The Agency Agreement and the Loan Notes and any non-contractual obligations arising out of or in connection with the Agency Agreement and the Loan Notes are governed by, and shall be construed in accordance with, English law in effect as of the date of this Information Memorandum. The subordination provisions in the Loan Notes are governed by the laws of Switzerland in effect as of the date of this Information Memorandum. We cannot predict the impact of any possible judicial decision or change to English or Swiss law or administrative practice that applies after the date of this Information Memorandum.

Terms and Conditions of the Loan Notes

The €500,000,000 Subordinated Fixed-to-Floating Rate Callable Loan Notes with a scheduled maturity in 2042 (each a **Loan Note**, and together, the **Loan Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further securities issued pursuant to Condition 13 and forming a single series with the Loan Notes) of Swiss Reinsurance Company Ltd (the **Issuer**) will be issued subject to and with the benefit of an Agency Agreement dated 9 July 2012 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer and the agents named therein.

1. FORM, DENOMINATION AND TRANSFER

(a) The Loan Notes will be issued in the aggregate principal amount of €500,000,000 in denominations of €100,000 and integral multiples of €1,000 in excess thereof on or about 9 July 2012 (the **Issue Date**). Initially, only one Loan Note will be issued.

(b) The Loan Notes will be represented by definitive certificates in registered form. The Loan Notes shall each bear the manual or facsimile signatures of two of the Issuer's duly authorised officers as well as the manual signature of an authentication officer of the Registrar. Citibank, N.A. (the **Registrar**, which definition shall include any duly appointed successor registrar) will maintain a register (the **Register**) of Loan Noteholders reflecting the ownership of the Loan Notes.

(c) Transfers of Loan Notes shall be made in accordance with the provisions of this Condition 1. A Loan Note may only be assigned or transferred (a **Transfer** and **Transferred** shall be construed accordingly), in whole or in part, but only if the Transfer is:

(i) subject to the Issuer being notified of the intended Transfer and the Issuer not having objected thereto in writing within 10 Business Days after receipt of such notice of the intended Transfer based on reasonable grounds, to a Qualifying Bank or,

(ii) subject to the Issuer having consented thereto in writing, to the Permitted Non-Qualifying Lender,

provided that there shall at any time be no more than five (5) Qualifying Banks that are Loan Noteholders. Title to the relevant Loan Note passes only on due registration on the Register. The Loan Note will bear a legend setting forth the applicable transfer restrictions.

(d) A Loan Noteholder may at any time require that the Issuer replace such Loan Noteholder's certificate(s) representing the Loan Notes with certificates in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Registrar shall accordingly authenticate such replacement certificates and amend the Register.

(e) Loan Notes may be Transferred in amounts of €100,000 and integral multiples of €1,000 in excess thereof in accordance with the terms of this Condition 1.

(f) Any Transfer of a Loan Note shall be recorded by the Registrar in the Register on production by the transferee at the registered office of the Registrar of:

(i) the relevant certificate representing the Loan Note with the form of transfer endorsed thereon duly executed by the transferor and the transferee and such form of transfer shall include a representation by the transferee that it is a Qualifying Bank or the Permitted Non-Qualifying Lender; and

(ii) such other evidence as the Issuer may require to prove the authority of the person signing the form of transfer endorsed on the relevant certificate representing the Loan Note or the transferee's status as a Qualifying Bank or the Permitted Non-Qualifying Lender.

(g) Subject to this Condition 1(g), no Loan Noteholder shall at any time enter into any arrangement with any third party under which such Loan Noteholder in a transaction that does not constitute a Transfer,

while retaining title to Loan Notes, transfers all or part of its interest in such Loan Notes to that third party, unless under, and throughout the term of, such arrangement:

(i) the relationship between the Loan Noteholder and the third party is that of debtor and creditor (including during the bankruptcy or similar event affecting that Loan Noteholder or the Issuer);

(ii) the third party has no proprietary interest in the benefit of the Loan Notes or in any monies received by the Loan Noteholder under or in relation to the Loan Notes held by that Loan Noteholder; and

(iii) the third party under no circumstances will be subrogated to, or substituted in respect of, the Loan Noteholder's claims under its Loan Notes, or will otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to the Loan Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 1(h) shall not be subject to the limitations of this Condition 1(g).

(h) Any Loan Noteholder may, without the consent of the Issuer, at any time charge or create a security interest in all or any portion of its rights under any Loan Notes to secure obligations of such Loan Noteholder; provided that:

(i) no such charge or creation of a security interest shall:

(A) substitute any such chargee or holder of the benefit of such security interest for such Loan Noteholder as Loan Noteholder except in accordance with the provisions of Condition 1(c); or

(B) require any payments to be made by the Issuer other than as required by the Loan Notes. A copy of any notice of charge or creation of security interest as envisaged in this Condition 1(h) shall be delivered to the Agent, and the Agent shall not be obliged to take any action in regard to such notice;

(ii) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Loan Notes or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 1(c); and

(iii) the Loan Noteholder promptly notifies the Registrar of any such charge or security interest and the identity of the chargee or holder of the benefit of such security interest and status by delivering to the Registrar a notification to such effect.

(i) At the date hereof and for so long as the Loan Notes are outstanding, the Issuer shall ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach of this Condition 1(i) if either of the Non-Bank Rules are exceeded solely by reason of a failure by one or more Loan Noteholders to comply with their respective obligations under this Condition 1.

2. STATUS

2.1 Status

The Issuer's obligations under the Loan Notes constitute unsecured and subordinated obligations ranking junior to the Issuer's obligations under the Senior Securities, *pari passu* among themselves and with the Issuer's obligations under the Parity Securities, and senior to the Issuer's obligations under the Junior Securities. In the event of the liquidation, dissolution, insolvency or other proceeding for the avoidance of insolvency of, or against, the Issuer, the claims of the Loan Noteholders in respect of the Loan Notes will be subordinated to the claims of all holders of Senior Securities, so that in any such event no amounts shall be payable in respect of the Loan Notes until the claims of all holders of the Senior Securities shall have first been satisfied in full.

The subordination provisions of this Condition 2 are governed by the laws of Switzerland and such provisions are irrevocable.

2.2 No Security

No security of whatever kind is, or will at any time be, provided by the Issuer or any other member of the Group to secure the rights of the Loan Noteholders.

2.3 No Change to Subordination

No subsequent agreement may limit the subordination of the Loan Notes pursuant to the provisions set out in this Condition 2.

2.4 No Right to Set-off

No Loan Noteholder may set off any claims arising under the Loan Notes in respect of any amount owed to it by the Issuer in respect of, or arising from, the Loan Notes and each Loan Noteholder shall, by virtue of holding the Loan Note, be deemed to have waived all such rights of set-off.

The Issuer may not set off any claims arising under the Loan Notes in respect of any amount owed to it by a Loan Noteholder.

3. INTEREST

3.1 Fixed Interest Payments

(a) Unless previously redeemed in accordance with these Conditions and subject to the provisions of this Condition 3, the aggregate principal of the outstanding Loan Notes shall bear interest at a fixed rate of 6.625 per cent. per annum from (and including) the Issue Date to (but excluding) 1 September 2022 (the **First Optional Redemption Date**) payable annually in arrear on 1 September in each year (each a **Fixed Interest Payment Date**). The first payment (for the period from and including the Issue Date to but excluding 1 September 2012 and amounting to €9.77 per €1,000 in principal amount of each Loan Note (the **Calculation Amount**) shall be made on 1 September 2012.

(b) When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the fixed rate of 6.625 per cent. per annum to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the specified denomination of such Loan Note divided by the Calculation Amount.

3.2 Floating Interest Payments

Unless previously redeemed or purchased and cancelled in accordance with these Conditions and subject to the provisions of this Condition 3, interest from (and including) the First Optional Redemption Date to (but excluding) the Final Maturity Date, shall be paid as follows:

(a) The aggregate principal of the outstanding Loan Notes shall bear interest at a rate determined pursuant to Condition 3.2(c) below, payable semi-annually in arrear on each Floating Interest Payment Date.

(b) If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event the Floating Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(c) On each Interest Determination Date the Agent or its duly appointed successor (in such capacity, the **Agent Bank**) will determine the Screen Rate at approximately 11.00 a.m. (Central European Time (**C.E.T.**)) on that Interest Determination Date. If the Screen Rate is unavailable, the Agent Bank will request the principal Euro-zone office of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in Euro are offered by it to prime banks in the Euro-zone interbank market

for six months at approximately 11.00 a.m. (C.E.T.) on the Interest Determination Date in question and for a Representative Amount.

The rate of interest payable in respect of the Loan Notes (the **Rate of Interest**) for each Floating Interest Period shall be the Screen Rate plus the Margin or, if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Agent Bank of such rates, plus the Margin.

If fewer than two rates are provided as requested, the Rate of Interest for that Floating Interest Period will be the arithmetic mean of the rates quoted by major banks in the Euro-zone, selected by the Agent Bank, at approximately 11.00 a.m. (C.E.T.) on the first day of such Floating Interest Period for loans in Euro to leading European banks for a period of six months commencing on the first day of such Floating Interest Period and for a Representative Amount, plus the Margin. If the Rate of Interest cannot be determined in accordance with the above provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date, or, in the case of the first Floating Interest Period, the Rate of Interest shall be determined by the Agent Bank acting in good faith and in a commercially reasonable manner.

(d) The Agent Bank shall, as soon as practicable after 11.00 a.m. (C.E.T.) on each Interest Determination Date, but in no event later than the third Business Day thereafter, determine the Euro amount (the **Floating Interest Amount**) payable in respect of interest on the Calculation Amount for the relevant Floating Interest Period. The Floating Interest Amount shall be determined by applying the Rate of Interest to such principal amount, multiplying the sum by the actual number of days in the Floating Interest Period concerned divided by 360, rounding the resultant figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the specified denomination of such Loan Note divided by the Calculation Amount.

(e) The Agent Bank shall cause the Rate of Interest and the Floating Interest Amount per Calculation Amount for each Floating Interest Period and the relative Floating Interest Payment Date to be notified to the Issuer, the Fiscal Agent and to any stock exchange or other relevant authority on which the Loan Notes are at the relevant time listed (by no later than the first day of each Floating Interest Period) and to be published in accordance with Condition 12 as soon as possible after their determination, and in no event later than the second Business Day thereafter. The Floating Interest Amount and Floating Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Interest Period.

(f) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and the Loan Noteholders and (subject as aforesaid) no liability to the Issuer or the Loan Noteholders shall attach to the Reference Banks (or any of them) or the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

3.3 Interest Accrual

The Loan Notes shall cease to bear interest from the day on which they become due for redemption in accordance with these Conditions. If the Issuer fails to redeem the Loan Notes when due in accordance with these Conditions, interest shall continue to accrue (both before and after judgment) on their outstanding principal amount beyond the due date up to and including the day of the actual redemption of the Loan Notes. The applicable rate of interest will be (i) if such failure to redeem the Loan Notes occurs before the First Optional Redemption Date, a fixed rate of 6.625 per cent. per annum, or (ii) if such failure to redeem the Loan Notes occurs after the First Optional Redemption Date, the rate of interest that was in effect for the last preceding Floating Interest Period, or, in the case of the first Floating Interest Period, the rate of interest in effect for such first Floating Interest Period.

3.4 Recalculation of Interest

If a tax deduction or withholding (collectively, a **Tax Deduction**) is required by law to be made by the Issuer in respect of any Interest Amount payable in respect of the Loan Notes and should paragraph (a) of Condition 6 (or, in the event of a substitution pursuant to Condition 9, paragraph (d)(ii) of Condition 9) be unlawful for any reason, the applicable interest rate in relation to the Interest Amounts payable for the Interest Period ending on the relevant Interest Payment Date will, subject to the exceptions in paragraph (b) of Condition 6 (or, in the event of a substitution pursuant to Condition 9, paragraph (d)(iii) of Condition 9), be the interest rate which would have otherwise been payable for the Interest Period ending on the relevant Interest Payment Date divided by 1 minus the rate (as a fraction of l) at which the relevant Tax Deduction is required to be made and the Issuer will (i) be obliged to pay the relevant Interest Amount on that Interest Payment Date at the adjusted rate in accordance with this Condition 3.4 and (ii) make the Tax Deduction on the recalculated Interest Amount. Without prejudice to the foregoing, all references to a rate of interest in the Conditions shall be construed accordingly and all provisions in Condition 6 (other than Condition 6(a), or, in the event of a substitution pursuant to Condition 9, other than paragraph (d)(ii) of Condition 9) shall apply to the Tax Deduction on the recalculated interest payment (such recalculation is referred to herein as a **Recalculation of Interest**).

3.5 Payment of Interest and Deferral of Interest Payments

(a) *Interest payments*

On any Interest Payment Date:

(i) if an optional deferral of interest has been elected pursuant to Condition 3.5(b), the provisions of Condition 3.5(b) and Condition 3.5(d) shall apply; or

(ii) if a Required Deferral Event has occurred, the provisions of Condition 3.5(c) and Condition 3.5(d) shall apply.

(b) *Optional deferral of interest payments*

Save to the extent that a Required Deferral Event has occurred, with respect to any Interest Payment Date, as long as, during the six months preceding the Reference Date:

(i) no dividend, other distribution or payment was declared or made in respect of any class of share capital of Swiss Re Ltd or any Junior Securities (except (x) dividends, other distributions or payments made between or among the Issuer and its subsidiaries or (y) where such payments were required under the terms of those Junior Securities);

(ii) provided that at the relevant time the existence of this Condition 3.5(b)(ii) does not cause the Loan Notes to become Non-Compliant Securities: (A) no dividend, other distribution or payment was declared or made in respect of any Parity Securities (except where such payment was required under the terms of those Parity Securities) and (B) no repurchase or acquisition of any Parity Securities has been made by the Group either directly or indirectly; and

(iii) no repurchase or acquisition of any class of share capital of Swiss Re Ltd (except where such repurchase or acquisition is made in respect of any share-based compensation plan or where such repurchase or acquisition is made by the Group on the open market in the ordinary course of its routine capital management) or any Junior Securities has been made by the Group, either directly or indirectly,

the Issuer may elect, in its sole discretion to defer all or a portion of the payments of interest which accrued during the interest period to (but excluding) such Interest Payment Date by giving notice in accordance with Condition 12 not less than three Business Days prior to the relevant Interest Payment Date of the amount of the relevant interest payment that shall be deferred (which notice will be irrevocable); in this case, such deferred interest will constitute **Optionally Deferred Interest**.

(c) *Required deferral of interest payments*

The Issuer will be required to defer payment of (i) any Interest Amount or Solvency Shortfall, as applicable, if, in respect of an Interest Payment Date, a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) or would occur as a result of such payment unless FINMA authorises the relevant payment notwithstanding the occurrence and/or continuation of a Solvency Event or that a Solvency Event would occur as a result of such payment, or (ii) any Interest Amount or Solvency Shortfall, as applicable, or other amount which is notified to the Issuer, and/or Swiss Re Ltd, where FINMA has required such deferral ((i) and (ii) are each referred to herein as a **Required Deferral Event**).

For the avoidance of doubt, if on an Interest Payment Date a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) or would occur as a result of payment of the relevant Interest Amount, the Issuer will be required, save as stated above, to defer payment of that Interest Amount; provided that in the case where the payment of such Interest Amount would itself cause a Solvency Event to occur, the Issuer will only be required to defer the Solvency Shortfall.

In case of a Required Deferral Event the Issuer will give notice to the Loan Noteholders (which notice will be irrevocable) in accordance with Condition 12 not less than three Business Days prior to such Interest Payment Date of the amount of the relevant interest payment that shall be deferred (any such amount of deferred interest together with any Optionally Deferred Interest shall be referred to herein as **Deferred Interest**).

(d) *Deferred Interest payments*

To the extent that an interest payment is deferred pursuant to Conditions 3.5(b) or 3.5(c), the Issuer will not have any obligation to make such interest payment on the relevant Interest Payment Date and the failure to pay such interest shall not constitute a default by the Issuer or any other breach of its obligations under the Loan Notes or for any other purpose.

Deferred Interest will not itself bear interest.

The Issuer is entitled to pay Deferred Interest (in whole or in part) at any time on giving 10 Business Days' notice to the Loan Noteholders in accordance with Condition 12 which notice shall specify the amount of Deferred Interest to be paid and the date fixed for such payment (the **Optional Deferred Interest Payment Date**) provided that (i) no Solvency Event has previously occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) and (ii) FINMA has given its Consent. Upon such notice being given, the amount of Deferred Interest specified therein will become due and payable, and the Issuer will be obliged to pay such amount of Deferred Interest on the specified Optional Deferred Interest Payment Date; provided that no Solvency Event has occurred or would occur due to the payment of the Deferred Interest on or prior to the Optional Deferred Interest Payment Date and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) on the Optional Deferred Interest Payment Date.

Deferred Interest shall become due and payable (in whole but not in part) on the first to occur of the following dates:

(i) the calendar day which is the due date for redemption of the Loan Notes; or

(ii) the calendar day on which an order is made for the winding-up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer); or

(iii) the next Compulsory Interest Payment Date.

4. REDEMPTION

4.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled in accordance with the Conditions, the Issuer will redeem the Loan Notes at their principal amount together with any accrued but unpaid interest up to (but excluding) the Final Maturity Date and any Deferred Interest outstanding on the Final Maturity Date.

4.2 Early Redemption Events

Any redemption by the Issuer pursuant to this Condition 4.2 shall be referred to as a **Par Redemption Event**.

(a) If at any time after the issue of the Loan Notes a Special Tax Event or a Recalculation of Interest Event occurs and is continuing, the Issuer may (subject to Condition 4.6 and no Solvency Event having occurred which is continuing at the time of delivery of notice (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured)) redeem the Loan Notes (in whole but not in part) at the Redemption Amount at any time upon delivering (via the Agent) not less than 30 nor more than 60 days' irrevocable notice to the Loan Noteholders in accordance with Condition 12, *provided* that:

(i) no such notice of redemption may be delivered earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts or to pay an amount in respect of which there has been a Recalculation of Interest or, as applicable, the date on which the Special Tax Event or the Recalculation of Interest Event becomes effective; and

(ii) by no later than five Business Days prior to the delivery of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect that redemption and setting out a statement of facts showing that the conditions precedent to the Issuer's right so to redeem have been satisfied.

(b) If at any time after the issue of the Loan Notes an Accounting Event, a Ratings Methodology Event or a Regulatory Event occurs, the Issuer may (subject to Condition 4.6 and no Solvency Event having occurred which is continuing at the time of delivery of notice (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured)) redeem the Loan Notes (in whole but not in part) at the Redemption Amount at any time upon delivering (via the Agent) not less than 30 nor more than 60 days' irrevocable notice to the Loan Noteholders in accordance with Condition 12; *provided* that:

(i) no such notice of redemption may be delivered earlier than 90 days prior to:

(A) in respect of a Regulatory Event, the date from which the Loan Notes do not or will no longer fulfil the requirements referred to in the definition of "Regulatory Event";

(B) in respect of an Accounting Event, the date from which the Loan Notes must not be recorded as a liability on the Issuer's consolidated balance sheet as described in the definition of "Accounting Event"; and

(C) in respect of a Ratings Methodology Event, the date from which the lower equity credit referred to in the definition of "Ratings Methodology Event" is given to the Loan Notes;

(ii) Condition 4.2(b) will not apply in respect of a Ratings Methodology Event, an Accounting Event or a Regulatory Event at any time if such application would cause the Loan Notes to become Non-Compliant Securities; and

(iii) by no later than five Business Days prior to the delivery of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect that redemption and setting out a statement of facts showing that the conditions precedent to the Issuer's right so to redeem have been satisfied.

4.3 Early redemption at the option of the Issuer

Subject to Condition 4.6 and subject to no Solvency Event having occurred which is continuing at the time of delivery of notice (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured), the Issuer may redeem the Loan Notes (in whole but not in part) at the Redemption Amount on the First Optional Redemption Date and on each subsequent Floating Interest Payment Date thereafter (each, an **Optional Redemption Date**), upon causing the Agent to deliver not less than 30 nor more than 60 days' irrevocable notice to the Loan Noteholders in accordance with Condition 12.

4.4 No early redemption at the option of the Loan Noteholders

The Loan Noteholders shall not be entitled to require the Loan Notes to be redeemed by the Issuer at any time.

4.5 Purchase of Loan Notes

The Issuer or any other member of the Group may at any time (subject to Condition 4.6, to no Solvency Event having occurred which is continuing at the time of purchase (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) and to mandatory provisions of law) purchase any Loan Notes in the open market or otherwise and at any price. Such acquired Loan Notes may be cancelled (by surrendering the Loan Notes to the Agent), held or resold. All Loan Notes so cancelled cannot be reissued or resold.

4.6 Limitation of redemption rights and purchase

The Issuer may redeem the Loan Notes in accordance with Condition 4.2 or Condition 4.3, or purchase Loan Notes in accordance with Condition 4.5, only if FINMA has given its Consent to the redemption or purchase.

4.7 Notices to the Agent

Where the provisions of this Condition 4 provide for the giving of notice by the Issuer to the Agent, such notice shall be deemed to be validly given to the Agent if provided in writing and delivered with all required information to the Agent within the prescribed time limits of this Condition 4.

5. PAYMENTS

(a) The Issuer undertakes to pay, as and when due, principal and interest on the Loan Notes in Euro. Payment of principal and interest on the Loan Notes shall be made to the Agent or to its order for credit to the relevant Loan Noteholders as of the relevant Record Date.

(b) Any reference in these Conditions to principal or interest will be deemed to include any Additional Amounts in respect of principal or interest (as the case may be) which may be payable under Condition 6.

(c) If the due date for payment of any amount in respect of the Loan Notes is not a Business Day, then the Loan Noteholder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

6. TAXATION

(a) All payments of principal and interest in respect of the Loan Notes will be made free and clear of, and without Tax Deduction for, any taxes, duties, assessments or governmental

charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by or on behalf of Switzerland or any political subdivision thereof or any authority thereof having the power to tax, unless the Issuer is compelled by law to make such Tax Deduction. In the event of such Tax Deduction, the Issuer will pay such additional amounts (the **Additional Amounts**) as will result (after such Tax Deduction) in receipt by the Loan Noteholders of such sums as the Loan Noteholders would have received if no Tax Deduction had been required.

(b) Notwithstanding Condition 6(a), no Additional Amounts or interest recalculated pursuant to Condition 3.4 shall be payable on account of any Taxes which:

(i) are payable if payment under the Loan Note is claimed by or on behalf of a Loan Noteholder which is liable to such Taxes in respect of that Loan Note by reason of it having some connection with Switzerland other than the mere holding of that Loan Note;

(ii) are payable or required to be withheld or deducted where such withholding or deduction is imposed on a payment to an individual or a residual entity and (i) is required to be made pursuant to the European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income (the **EU Savings Tax Directive**) or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such EU Savings Tax Directive, or (ii) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those set forth in the EU Savings Tax Directive, including, but not limited to, the agreement between the European Union and Switzerland of 26 October 2004, providing for measures equivalent to those laid down in such Directive or any law or regulation implementing this agreement, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;

(iii) are required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those set forth (y) in the EU Savings Tax Directive or (z) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, such as, without limitation, any paying agent;

(iv) are payable or required to be withheld or deducted pursuant to any United States federal withholding tax that is imposed or collected by reason of Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "FATCA") (or any regulations promulgated thereunder or administrative interpretations thereof or agreements entered into);

(v) are payable if payment under the Loan Note is claimed by or on behalf of a Loan Noteholder which would have been able to avoid such Tax Deduction by claiming payment under the Loan Note from an Agent in another Member State of the European Union;

(vi) are payable by reason of a change in law that becomes effective more than thirty (30) days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with Condition 12, whichever occurs later;

(vii) are payable if the payment could have been made to the relevant Loan Noteholder without a Tax Deduction if it was a Qualifying Lender, but on that date that Loan Noteholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Loan Noteholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or

(viii) are payable if the payment could have been made without a Tax Deduction if the Loan Noteholders had complied with Condition 1.

(c) Within 30 days of making either a Tax Deduction or a payment required in connection with a Tax Deduction, the Issuer shall deliver to the relevant Loan Noteholder evidence satisfactory to that Loan Noteholder (acting reasonably) that the Tax Deduction has been made or (as applicable) the appropriate payment has been paid to the relevant taxing authority.

(d) If the Issuer has to make a Tax Deduction and the relevant Loan Noteholder (acting in good faith) determines that (i) a Tax refund for such Tax Deduction is available to it and it has retained that Tax refund, that Loan Noteholder shall pay within 10 Business Days after such Tax refund an amount to the Issuer which that Loan Noteholder determines (in its sole discretion) will leave it (after that payment) in the same after-tax position as it would have been if the payment of the Additional Amount or a payment at an interest rate recalculated in accordance with Condition 3.4 had not been required to be made by the Issuer.

7. PRESCRIPTION

Claims against the Issuer for payment in respect of the Loan Notes will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) from the date on which the relevant payment first became due.

8. AGENTS

(a) The initial Agent for the Loan Notes will be Citibank, N.A. with specified office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

(b) The Issuer reserves the right at any time to vary or terminate the appointment of the Agent and/or to appoint other Agents provided that it will at all times maintain: (i) an Agent; (ii) so long as the Loan Notes are listed on a stock exchange, an Agent with a specified office in such city as may be required by the rules of the relevant stock exchange; (iii) an Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the EU Savings Tax Directive or any law implementing or complying with, or introduced in order to conform to, such EU Savings Tax Directive; and (iv)) to the extent permitted by law, at any time after laws shall have been enacted by Switzerland providing for the taxation of payments according to principles similar to those set forth (y) in the EU Savings Tax Directive or (z) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011 (in particular the principle to have a person other than the Issuer withhold or deduct the tax, such as, without limitation, any paying agent), an additional paying agent in a jurisdiction within Europe other than Switzerland that will not be required to withhold or deduct tax pursuant to such Swiss laws.

(c) The Agent reserves the right at any time to change its specified office to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Agent will be delivered promptly by the Issuer to the Loan Noteholders in accordance with Condition 12.

(d) If, at any time during the life of the Loan Notes, the Agent shall resign or become incapable of acting as Agent or shall be adjudged bankrupt or insolvent, the Agent may be substituted by a duly licensed major European bank chosen by the Issuer. In the event of such a replacement of the Agent all references to the Agent shall be deemed to refer to such replacement. Notice of such a replacement shall be delivered to the Loan Noteholders in accordance with Condition 12.

(e) The Agent acts solely as the Issuer's agent and does not assume any obligations towards or relationship of agency or trust for the Loan Noteholders.

9. SUBSTITUTION

(a) The Issuer (or any previous substitute of the Issuer under this Condition 9) may, without the consent of the Loan Noteholders, and provided that no Accounting Event, Recalculation of Interest Event, Special Tax Event, Ratings Methodology Event or Regulatory Event would be triggered by such substitution, be substituted in respect of all rights and obligations arising under or in connection with the Loan Notes by any company all of whose shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), *provided* that:

(i) Swiss Reinsurance Company Ltd has issued its irrevocable and unconditional subordinated guarantee as per article 111 of the Swiss Federal Code of Obligations in respect of the obligations of the New Issuer under the Loan Notes which guarantee ranks, on a winding up of the Issuer, *pari passu* with the obligations of the Issuer under the Loan Notes; and

(ii) if the New Issuer is a Non-Swiss Company (as defined in paragraph (c) below), the conditions set forth in clause (c) below are also met.

(b) In addition, any substitution is subject to:

(i) if required, the Issuer giving its prior written notice to, and receiving no objection from, FINMA;

(ii) the Issuer having confirmed with the relevant rating agencies that the proposed substitution will not give rise to a change in any published rating of the Loan Notes in effect at such time; and

(iii) certification being provided by two duly authorised officers of the Issuer stating that the conditions precedent in this Condition 9 have been complied with.

(c) If the New Issuer is not considered under all relevant jurisdictions a Swiss resident company for Swiss withholding tax purposes (a **Non-Swiss Company**), the following conditions shall also be met:

(i) the Loan Notes would constitute legal, valid and binding obligations in the jurisdiction of domicile of such New Issuer;

(ii) under the applicable laws and regulations in effect at the date of the substitution, the New Issuer would not be obliged to make any withholding or deduction on any payments in respect of the Loan Notes beyond any withholding or deduction already applicable to payments made by the Issuer in respect of the Loan Notes prior to the substitution (in case such withholding or deduction is introduced after a substitution, clause (d) will apply); and

(iii) the guarantee to be provided by the Swiss Reinsurance Company Ltd according to this Condition 9(a)(i) explicitly also guarantees the payment to the Loan Noteholders of any amounts required to be withheld or deducted by the New Issuer at any time after substitution.

(d) If the New Issuer is a Non-Swiss Company:

(i) the provisions of Condition 6 shall not apply, and

(ii) instead, all payments by or on behalf of such a New Issuer in respect of the Loan Notes shall be made free and clear of, and without withholding or deduction for, any Taxes imposed, levied, collected, withheld or assessed by or within the jurisdiction in which the New Issuer is domiciled, or any political sub-division thereof or any authority therein or thereof having power to tax, unless such withholding or deduction (introduced after a substitution has been made) is required by law. In the event that any payments by or on behalf of the New Issuer shall be made subject to withholding, deduction or payment for any such relevant Taxes so required by law, such Additional Amounts shall be payable by the New Issuer as may be necessary in order that the net amounts received by the Agent on behalf of the Loan Noteholders after such withholding, deduction or payment shall equal the respective amounts which would otherwise have been received by the Agent in respect of the relevant Loan Notes in the absence of such withholding, deduction or payment.

(iii) However, no such Additional Amounts or interest recalculated pursuant to Condition 3.4 shall be payable by the New Issuer on account of any Taxes which:

(A) are payable by reason of a Loan Noteholder having, or having had, some personal or business connection with the jurisdiction in which the New Issuer is domiciled other than the mere holding of the Loan Notes; or

(B) are payable or required to be withheld or deducted where such withholding or deduction is imposed on a payment to an individual or a residual entity and (i) is required to be made pursuant to the EU Savings Tax Directive or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such Directive, or (ii) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those set forth in the EU Savings Tax Directive, including, but not limited to, the agreement between the European Union and Switzerland of 26 October 2004, providing for measures equivalent to those laid down in such EU Savings Tax Directive or any law or regulation implementing this agreement, or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements; or

(C) are required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those set forth (y) in the EU Savings Tax Directive or (z) in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, such as, without limitation, any paying agent; or

(D) are payable or required to be withheld or deducted pursuant to any United States federal withholding tax that is imposed or collected by reason of Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "FATCA") (or any regulations promulgated thereunder or administrative interpretations thereof or agreements entered into);

(E) are payable by or on behalf of a Loan Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(F) are payable by reason of a change in law that becomes effective more than thirty (30) days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with Condition 12, whichever occurs later.

(e) In the event of a substitution pursuant to this Condition 9, any reference in these Conditions to the Issuer shall be a reference to the New Issuer.

(f) Notice of any substitution shall be irrevocably given by the Issuer causing the Agent to deliver a notice to Loan Noteholders in accordance with Condition 12. Upon such delivery of notice to Loan Noteholders, the substitution shall become effective, and the Issuer, and in the event of a repeated application of this Condition 9 any previous New Issuer, shall be discharged from any and all obligations under the Loan Notes.

10. ENFORCEMENT

(a) If default is made in the payment of any principal or interest due and payable in respect of the Loan Notes and such default continues for a period of (i) in the case of principal, 10 days after the due date for the same and (ii) in the case of interest 30 days after the due date for the same, each Loan Noteholder may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer in Switzerland (but not elsewhere) but may take no further action in respect of such default.

(b) If, otherwise than for the purposes of a reconstruction, amalgamation, merger or other similar transaction on terms previously approved in writing by an Extraordinary Resolution of the Loan Noteholders, an order is made or an effective resolution is passed for the winding up of the Issuer in Switzerland (but not elsewhere), each Loan Noteholder may, subject as provided below, at its discretion, give notice to the Issuer that its Loan Note is, and it shall accordingly thereby forthwith become, immediately due and repayable at its principal amount, plus accrued but unpaid interest and any Deferred Interest outstanding.

(c) No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to Loan Noteholders to enforce any payment obligations in respect of the Loan Notes.

(d) Without prejudice to paragraphs (a) and (b) above, each Loan Noteholder may institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Loan Notes (other than any payment obligations in respect of the Loan Notes), provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it pursuant to these Conditions or any damages.

11. MODIFICATIONS

11.1 Single Loan Noteholder

For so long as there is no more than one Loan Noteholder registered in the Register (x) no amendment, waiver, variation of these Conditions or the Agency Agreement may be made without the prior written consent of such Loan Noteholder and (y) the meeting, quorum and voting provisions of Conditions 11.2 and 11.3 shall not apply.

11.2 Meetings of Loan Noteholders

The Agency Agreement contains provisions for convening meetings of Loan Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Agency Agreement. Such a meeting may be convened by Loan Noteholders holding not less than 10 per cent., in principal amount of the Loan Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Loan Notes for the time being outstanding, or at any adjourned meeting, two or more persons being or representing Loan Noteholders whatever the principal amount of the Loan Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Loan Notes or the dates on which interest is payable in respect of the Loan Notes, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on or to vary the method of calculating the rate of interest on the Loan Notes, (iii) to change the currency of payment of the Loan Notes unless provided by applicable law, (iv) to vary, amend or grant a waiver in relation to Condition 2 or 3 or (v) to modify the provisions concerning the quorum required at any meeting of Loan Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Loan Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Loan Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Loan Noteholders.

11.3 Modification and Waiver

The parties to the Agency Agreement may agree, without the consent of the Loan Noteholders, to (i) any modification of any of the provisions of the Loan Notes or the Agency Agreement which is of a formal, minor or technical nature or which is made to correct a manifest error and (ii) any other modification and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agency Agreement which is in the opinion of such parties not materially prejudicial to the interests of the Loan Noteholders. Any such modification, authorisation or waiver shall be binding on the Loan Noteholders and such modification shall be notified to the Loan Noteholders as soon as practicable.

12. NOTICES

(a) If the Loan Notes are listed notices to the Loan Noteholders will be valid if published in a national newspaper designated for exchange notices, or by such other method as permitted, by the relevant stock exchange where the Loan Notes are then listed. Such notice will be deemed to have been validly given on the date of the publication.

(b) If the Loan Notes are unlisted notice will be validly given by the Issuer delivering such notice to the Registrar for communication by the Registrar to the relevant Loan Noteholders specified in the Register. Such notice will be deemed to have been validly given to the Loan Noteholders on the day after which the said notice was given to the Registrar.

13. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Loan Noteholders, issue additional securities with identical terms and conditions as the Loan Notes in all respects (or in all respects except for the Issue Date, the first payment of interest, if any, and the issue price) so as to be consolidated and form a single series with such Loan Notes.

14. GOVERNING LAW, JURISDICTION AND PROCESS AGENT

14.1 Governing Law

The Agency Agreement and the Loan Notes (except for the subordination provisions (Condition 2) which are governed by the laws of Switzerland) and any non-contractual obligations arising out of or in connection with the Agency Agreement and the Loan Notes are governed by, and shall be construed in accordance with, English law.

14.2 Jurisdiction

The Issuer has irrevocably agreed for the benefit of the Loan Noteholders that the High Courts of England and Wales are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Loan Notes and accordingly has submitted to the exclusive jurisdiction of such courts. The Issuer waives any objection to such courts on the grounds that they are an inconvenient or inappropriate forum.

Nothing in this Condition 14.2 shall affect the rights of the Loan Noteholders to take any suit, action or proceeding (together referred to as **Proceedings**) arising out of or in connection with the Loan Notes (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Loan Notes) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in Switzerland.

14.3 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints Swiss Re Services Ltd. at 30 St. Mary Axe, London, England, as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

15. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Loan Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16. DEFINITIONS

Accounting Event means that an opinion of a recognised accounting firm has been delivered to the Issuer, stating that the Loan Notes must not or must no longer be recorded as liability on the Issuer's consolidated balance sheet prepared in accordance with the accounting standards applied to such

published consolidated accounts at the relevant dates and for the relevant periods (the **Applicable Accounting Standards**) and this cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate.

Accrual Date has the meaning given to it in Condition 3.1(b).

Additional Amounts has the meaning given to it in Condition 6(a).

Agent means Citibank, N.A. initially, and any replacement agent appointed by the Issuer thereafter.

Agent Bank has the meaning given to it in Condition 3.2(c).

Assets means the Issuer's unconsolidated total assets, as shown in the latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Issuer or, if a liquidation procedure has been instigated, the liquidator.

Business Day means a day which is both (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and (b) a TARGET2 Settlement Day.

Calculation Amount has the meaning given to it in Condition 3.1(a).

C.E.T has the meaning given to it in Condition 3.2(c).

Compulsory Interest Payment Date means any Interest Payment Date on which (i) the Issuer does not elect to, or is not permitted to, defer payment of interest pursuant to Condition 3.5(b) and (ii) no Required Deferral Event has occurred or is continuing.

Conditions means these terms and conditions of the Loan Notes, as amended from time to time.

Consent means such consent, approval or non-objection (if any) as is required under the relevant rules and regulations of FINMA.

Day Count Fraction means the actual number of days in the period from (and including) the date from which interest begins to accrue (the **Accrual Date**) to (but excluding) the date on which it falls due divided by (b) the actual number of days from (and including) the Accrual Date to (but excluding) the next following Fixed Interest Payment Date.

Deferred Interest has the meaning given to it in Condition 3.5(c).

Euro-zone means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March, 1957) as amended;

Extraordinary Resolution means a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority of at least 75 per cent. of the votes cast.

Final Maturity Date means:

(i) if, on or prior to the Scheduled Maturity Date, none of the circumstances described in paragraph (ii) below has occurred, the Scheduled Maturity Date; or

(ii) if, on or prior to the Scheduled Maturity Date, a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) or FINMA has not given its Consent to the redemption of the Loan Notes, the Floating Interest Payment Date which is immediately following the day on which the Solvency Event has lapsed and FINMA has given its Consent to the redemption of the Loan Notes.

FINMA means the Swiss Financial Market Supervisory Authority FINMA or any successor authority.

First Optional Redemption Date has the meaning given to it in Condition 3.1(a).

Fixed Interest Payment Date has the meaning given to it in Condition 3.1(a).

Floating Interest Amount has the meaning given to it in Condition 3.2(d).

Floating Interest Payment Dates mean 1 March and 1 September in each year commencing on 1 September 2022, subject to adjustments as described in Condition 3.2(b).

Floating Interest Period means each period from and including the First Optional Redemption Date to, but excluding, the first Floating Interest Payment Date and each successive period from and including a Floating Interest Payment Date to but excluding the next succeeding Floating Interest Payment Date.

Future Regulations means solvency margins, regulatory capital or capital adequacy regulations as the same may be introduced in Switzerland from time to time which are applicable to the Issuer and which set out the requirements for financial instruments to satisfy in order to qualify for eligible inclusion in the definition of Tier 1 Capital or Tier 2 Capital.

Group means Swiss Re Ltd and its consolidated subsidiaries.

Guidelines means, together, the guideline "Interbank Loans" of 22 September 1986 (S-02.123) (*Merkblatt "Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben*)" *vom 22. September 1986*); the guideline "Bonds" of April 1999 (S 02.122.1) *(Merkblatt "Obligationen" vom April 1999);* the guideline "Syndicated Loans" of January 2000 (S-02.128) (*Merkblatt "Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen" vom Januar 2000);* the circular letter No. 15 (1-015-DVS-2007) of 7 February 2007 in relation to bonds and derivative financial instruments as a subject matter of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 "Obligationen und derivative Finanzinsintmente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben" vom 7. Februar 2007*); and the circular letter "Deposits" of 26 July 2011 (1-034-V-2011-d) (*Kreisschreiben Kundenguthaben vom 26. Juli 2011*); each as issued, and as amended from time to time, by the Swiss federal tax administration.

Interest Amount means, with respect to any Interest Payment Date, the amount of interest which would be payable on the aggregate principal amount of Loan Notes outstanding on such Interest Payment Date (but excluding such date).

Interest Determination Date means the second TARGET2 Settlement Day before the commencement of the Floating Interest Period for which the relevant Rate of Interest will apply.

Interest Payment Date means any Fixed Interest Payment Date and any Floating Interest Payment Date.

Issue Date has the meaning given to it in Condition 1(a).

Issuer means Swiss Reinsurance Company Ltd with registered office at Mythenquai 60, 8002 Zurich, Switzerland.

Junior Securities means all classes of share capital of the Issuer, all future obligations expressed to rank junior to the Loan Notes and, for so long as they are outstanding, the obligations under the subordinated guarantee issued by the Issuer in relation to the 6.854% perpetual subordinated step-up preferred securities issued by Swiss Re Capital I LP, and under the 5.252% perpetual subordinated step-up loan notes issued by the Issuer, the 7.635% perpetual subordinated step-up preferred securities of the Issuer, the AUD450,000,000 floating rate perpetual subordinated step-up loan notes of the Issuer, the 6.3024% perpetual subordinated step-up loan notes of the Issuer, the 7.25% perpetual subordinated notes with stock settlement of the Issuer and the 8.25% perpetual subordinated capital instruments with stock settlement of the Issuer.

Liabilities means the Issuer's unconsolidated total liabilities, as shown in the latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Issuer, or if a liquidation procedure has been instigated, the liquidator.

Loan Note or **Loan Notes** means the €500,000,000 Subordinated Fixed-to-Floating Rate Loan Notes with a scheduled maturity in September 2042 of the Issuer.

Loan Noteholder means a holder or holders of a Loan Note.

Margin means 5.789 per cent. per annum.

Non-Bank Rules means the Ten Non-Bank Rule and the Twenty Non-Bank Rule.

Non-Compliant Securities means securities which, after the implementation of any Future Regulations, would no longer be eligible for regulatory capital treatment as at least Tier 2 Capital.

Optionally Deferred Interest has the meaning given to it in Condition 3.5(b).

Optional Deferred Interest Payment Date has the meaning given to it in Condition 3.5(d).

Optional Redemption Date has the meaning given to it in Condition 4.3.

Par Redemption Event has the meaning given to it in Condition 4.2.

Parity Securities means any securities or other relevant obligations, ranking or expressed to rank *pari passu* with the Loan Notes including a guarantee or support (or any similar) agreement issued or entered into by the Issuer which ranks or is expressed to rank *pari passu* with the Loan Notes.

Permitted Non-Qualifying Lender means initially Cloverie Public Limited Company, and a successor of Cloverie Public Limited Company, or any subsequent successor thereof, by way of Transfer of all but not some only of the Loan Notes held by Cloverie Public Limited Company, or any subsequent successor thereof (for so long as that successor continues to be a Loan Noteholder in accordance with the Conditions), provided that:

(a) within ten (10) Business Days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may, as a condition precedent to such proposed Permitted Non-Qualifying Lender becoming a Loan Noteholder:

    (A) request from that proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one (1) person only for purposes of the Non-Bank Rules; and

    (B) irrespective of whether a request is made in accordance with paragraph (a)(A) above, request from that proposed Permitted Non-Qualifying Lender a tax ruling of the Swiss federal tax administration (at the cost of the proposed Permitted Non-Qualifying Lender), confirming to the Issuer's satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one (1) person only for purposes of the Non-Bank Rules;

(b) the Issuer, acting reasonably, shall confirm within ten (10) Business Days of notification of all facts (if a request in accordance with paragraph (a)(A) above has been made) or receipt of a tax ruling (if a request in accordance with paragraph (a)(B) above has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth (10th) Business Day after receipt hereof or thereof; and

(c) has, simultaneously with becoming a Loan Noteholder, succeeded the existing Permitted Non-Qualifying Lender as "Permitted Non-Qualifying Lender" under all, but not some only, Loan

Notes (except for Loan Notes held by Qualifying Banks at that time), and under any and all other existing or future series of Loan Notes, as the case may be, or similar instruments, between the Issuer and the existing Permitted Non-Qualifying Lender (or any successor thereof).

Proceedings has the meaning given to it in Condition 14.2.

Purchase Agreement has the meaning given to it in the recitals to these Conditions.

Qualifying Bank means any legal entity acting for its own account which is recognised as a bank by the banking laws in force in its jurisdiction of incorporation, and any branch of a legal entity, which is recognised as a bank by the banking laws in force in the jurisdiction where such branch is situated, and which, in each case, exercises as its main purpose a true banking activity, having bank personnel, premises, communication devices of its own and authority of decision making.

Qualifying Lender means a Loan Noteholder which is a Qualifying Bank or the Permitted Non-Qualifying Lender.

Rate of Interest has the meaning given to it in Condition 3.2(c).

A **Ratings Methodology Event** means a change by a nationally recognised statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Loan Notes, which change results in a lower equity credit being given to the Loan Notes as of the date of such change than the equity credit assigned to the Loan Notes at or around the Issue Date.

Recalculation of Interest has the meaning given to it in Condition 3.4.

Recalculation of Interest Event means that an opinion of a recognised independent tax counsel has been delivered to the Issuer confirming (i) the occurrence of a Recalculation of Interest or (ii) that the Issuer is required pursuant to the Conditions to pay Additional Amounts in respect of the Loan Notes and this cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate.

Record Date means the date that is 5 Business Days prior to the relevant Interest Payment Date, Final Maturity Date, Optional Redemption Date or date of early redemption pursuant to Condition 4.2.

Redemption Amount means the principal amount of the outstanding Loan Notes plus accrued and unpaid interest, if any and any outstanding Deferred Interest as at the date on which the Loan Notes are redeemed (but excluding such date).

Reference Banks means the principal Euro-zone office of each of four major banks engaged in the Euro-zone interbank market selected by the Agent Bank, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such**.**

Reference Date means the 10th Business Day preceding the relevant Interest Payment Date or redemption date, as the case may be.

Register has the meaning given to it in Condition 1(b).

Registrar has the meaning given to it in Condition 1(b).

A **Regulatory Event** means the occurrence of any of the following events, which occurrence cannot be avoided by the Issuer taking such reasonable measures as it (acting in good faith) deems appropriate:

(a) prior to the implementation of Future Regulations, FINMA notifies the Issuer or otherwise states that the Loan Notes are not, or will no longer be, eligible to qualify as lower additional capital ("*unteres ergänzendes Kapital*") pursuant to art. 49 in connection with art. 39 SPICO, and no longer, or will no longer, fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes (other than through the Loan Notes exceeding the then applicable quantitative limits on such capital issuance); or

(b) FINMA issues further guidance under art. 39 of the SPICO or in any Future Regulations in relation to qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and following which FINMA notifies the Issuer or otherwise states that the Loan Notes do not, or will not, fulfil the requirements of at least Tier 2 Capital in the context of such Future Regulations; or

(c) FINMA issues further guidance in relation to qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and FINMA affords the Loan Notes recognition as at least Tier 2 Capital for group or solo solvency purposes, and at a subsequent time FINMA notifies the Issuer or otherwise states that the Loan Notes no longer, or will no longer, fulfil the requirements of at least Tier 2 Capital in the context of such Future Regulations.

Representative Amount means, in relation to any quotation of a rate for which a Representative Amount is relevant, an amount that is representative for a single transaction in the relevant market at the relevant time.

Required Deferral Event has the meaning given to it in Condition 3.5(c).

Scheduled Maturity Date means the Floating Interest Payment Date falling in or nearest to September 2042.

Screen Rate means the rate for six month deposits in Euro which appears on Reuters EURIBOR01 (or such replacement page on that service which displays the information).

Senior Creditors means creditors in respect of Senior Securities.

Senior Securities means:

(a) any securities or other relevant obligations, except those ranking or expressed to rank junior to or *pari passu* with the Loan Notes, including a guarantee or support (or any similar) agreement issued or entered into by the Issuer which ranks or is expressed to rank junior to or *pari passu* with the Loan Notes; and

(b) for the avoidance of doubt but without limitation, obligations in respect of policies of insurance or reinsurance, trade accounts payable, any liability for income, franchise, real estate or other taxes owed or owing, unsubordinated creditors.

A **Solvency Event** shall have occurred if:

(a) the Issuer does not have appropriate funds to cover the required minimum solvency margin (or a comparable term in case of a change in applicable rules) in accordance with the provisions of mandatorily applicable regulatory capital requirements (including but not limited to Swiss reinsurance regulatory law (for single solvency purposes) or a generally recognised administrative practice, if any, of FINMA or otherwise, mandatorily applicable at that time), or the amount of such funds would, as a result of a full or partial interest payment or redemption payment, respectively, that would otherwise be due on an Interest Payment Date or date of redemption, respectively, be or become less than the required minimum solvency margin, all as shown in the most recent solvency report submitted by the Issuer to FINMA, or

(b) the Issuer is unable to pay its debts owed to its Senior Creditors as they fall due, or

(c) the Issuer's Assets do not exceed the Issuer's Liabilities (other than liabilities to persons who are not Senior Creditors),

as determined, for the purposes of Condition 3 only, up to the end of the Reference Date.

Solvency Shortfall means the portion of the Interest Amount that, if paid, would cause a Solvency Event to occur or be continuing.

Special Tax Event means that an opinion of a recognised independent tax counsel has been delivered to the Issuer stating that, due to a change in law, ruling or interpretation, the Issuer is, or there is more than an insubstantial risk that the Issuer will be, no longer able to obtain a tax deduction for the purposes of Swiss corporation tax for any payment of interest on the Loan Notes and this cannot be avoided by the Issuer taking such reasonable measures as it (acting in good faith) deems appropriate.

SPICO means the Ordinance on the Supervision of Private Insurance Companies (*Verordnung über die Beaufsichtigung von privaten Versicherungsunternehmen – AVO*) of 9 November 2005, as amended.

TARGET2 Settlement Day means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

Tax Deduction has the meaning given to it in Condition 3.4.

Taxes has the meaning given to it in Condition 6(a).

Ten Non-Bank Rule means the rule that the aggregate number of the Loan Noteholders under the Loan Notes which are not Qualifying Banks must not at any time exceed ten, in each case in accordance with the meaning of the Guidelines.

Tier 1 Capital means all items classified as tier one capital ("*Kernkapital*") of the Issuer as defined in the rules and regulations of FINMA.

Tier 2 Capital means all items classified as tier two capital ("*Ergänzendes Kapital*") of the Issuer as defined in the rules and regulations of FINMA , at the time of issuance comprising upper additional capital ("*oberes ergänzendes Kapital*") and lower additional capital ("*unteres ergänzendes Kapital*").

Transfer has the meaning given to it in Condition 1(c).

Transferred has the meaning given to it in Condition 1(c).

Twenty Non-Bank Rule means the rule that the aggregate number of the Issuer's lenders (including Loan Noteholders), other than Qualifying Banks, under all outstanding debt relevant for the classification of debenture (*Kassenobligation*) (within the meaning of the Guidelines) such as intra-Group loans, facilities and/or private placements (including under the Loan Notes) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

Use of Proceeds

The net proceeds from the issue of the Loan Notes are expected to be approximately €492,000,000. The Issuer expects to use the net proceeds from the issue of the Loan Notes for the SRZ Group's general corporate purposes. The Issuer expects that the proceeds will be used both inside and outside of Switzerland.

Capitalization of the SRZ Group

The following table sets forth the consolidated capitalization of the SRZ Group as of March 31, 2012. You should read this table together with the financial statements of the SRZ Group that are included in this Information Memorandum. See "Financial and Other Information Included in this Information Memorandum."

We have included a translation of the actual data as of March 31, 2012 from U.S. dollars into euros, solely for your convenience. This translation is at the rate of $1.3343 = €1.00, the Bloomberg Rate on March 30, 2012. On June 29, 2012, the Bloomberg Rate was $1.2666 = €1.00.

None of the SRZ Group's long-term financial debt is secured. None of the SRZ Group's long-term debt is guaranteed by third parties; however, except in the case of debt assumed with the acquisition of GE Insurance Solutions Corporation in 2006, all of the long-term debt issued by subsidiaries of SRZ has been guaranteed either directly, or indirectly through guarantees that have been issued in favor of various of its financing or other subsidiaries, by SRZ. No outstanding debt of SRZ is convertible debt, exchangeable debt or debt with attached warrants. Between December 31, 2011 and March 31, 2012, SRZ issued CHF 320,000,000 of 7.25% perpetual subordinated notes with stock settlement and $750,000,000 of 8.25% perpetual subordinated capital instruments with stock settlement.

	As of March 31, 2012	
	USD	*EUR*
	(in millions)	*(unaudited)*
Long-term senior and subordinated financial debt	8,647[(a)]	6,481
Shareholder's equity:		
Contingent capital instruments	1,102[(b)]	826
Common Stock, CHF 0.10 par value (December 31, 2011: 370,706,931; March 31, 2012: 370,706,931 shares authorized and issued)	35	26
Additional paid-in capital	8,845	6,629
Treasury shares, net of tax	(1,181)	(885)
Accumulated other comprehensive income:		
Net unrealized investment gains, net of tax	1,671	1,252
Other-than-temporary impairment, net of tax	(51)	(38)
Cumulative translation adjustments, net of tax	(3,285)	(2,462)
Accumulated adjustment for pension and post-retirement benefits, net of tax	(747)	(560)
Total accumulated other comprehensive income	(2,412)	(1,808)
Retained earnings	13,610	10,200
Total shareholder's equity	19,999	14,988
Non-controlling interests	1,338	1,003
Total equity	21,337	15,991
Total capitalization	28,646	21,469

(a) Represents $4,997 million of senior financial debt and $3,650 million of subordinated financial debt, but does not include $7,868 million of long-term operational debt. Debt used for operational leverage and financial intermediation is treated as operational debt and is currently excluded by the rating agencies from financial leverage calculations.

(b) Consists of CHF 320,000,000 of 7.25% perpetual subordinated notes with stock settlement and $750,000,000 of 8.25% perpetual subordinated capital instruments with stock settlement.

The foregoing table does not reflect the following: on May 23, 2012, Swiss Re Europe Holdings S.A. paid a dividend to SRZ of €1.0 billion, following which on June 27, 2012, SRZ paid an extraordinary dividend to SRL of $1.5 billion ($1.3 billion of which was paid in Swiss francs and the balance of which was paid in U.S. dollars) and the Swiss franc equivalent of $1.3 billion, in turn, was loaned back to SRZ on a demand basis.

Unaudited Pro Forma Financial Information for the SRZ Group

The following unaudited pro forma financial information at and for the year ended December 31, 2011 for the SRZ Group is presented to illustrate the effect of the Carve-out Transactions on the SRZ Group income statement and balance sheet at and for the year ended December 31, 2011.

The unaudited pro forma financial information illustrates the effect of the Carve-out Transactions as if they had occurred on January 1, 2011, in the case of income statement data, and December 31, 2011, in the case of balance sheet data. The pro forma adjustments are based on income statement and balance sheet items allocated to each of the Admin Re® Business Unit and the Corporate Solutions Business Unit in the segment note to the Swiss Re Ltd consolidated accounts, adjusted for the effects of consolidation, and giving effect to the differences between the consolidated financial statements of Swiss Re Ltd and the consolidated financial statements of SRZ.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not reflect actual results of operations or financial position. The unaudited pro forma financial information does not purport to represent what our consolidated results of operations and financial position would have been if the Carve-out Transactions had in fact occurred on the dates indicated, nor does it purport to project the results of operations or our financial position for any future period or as of any date.

		Pro Forma Adjustments					
	SRZ Historical	**Admin Re®[(a)]**	**Corporate Solutions[(b)]**	**Other Adjustments[(c)]**	**Re-insurance Business Unit Pro Forma[(d)]**	**Other Adjustments[(e)]**	**SRZ Pro Forma**
Income Statement Data:	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
				(in millions)			
Premiums earned	21,300	897	1,929	—	18,474	23	18,497
Fee income from policyholders	876	789	—	—	87	—	87
Net investment income	5,469	2,424	104	(61)	3,002	6	3,008
Net realized investment gains/(losses)	409	(986)	214	—	1,181	58	1,239
Other revenues	51	—	6	(66)	111	—	111
Total revenues	28,105	3,124	2,253	(127)	22,855	87	22,942
Expenses							
Claims and claim adjustment expenses	(8,810)	—	(1,461)	—	(7,349)	(18)	(7,367)
Life and health benefits	(8,414)	(2,119)	—	—	(6,295)	—	(6,295)
Return credited to policyholders	(61)	(27)	—	—	(34)	—	(34)
Acquisition costs	(4,021)	(233)	(180)		(3,608)	11	(3,597)
Other expenses	(3,115)	(466)	(442)	66	(2,273)	(19)	(2,292)
Interest expenses	(851)	(61)	(2)	61	(849)	—	(849)
Total expenses	(25,272)	(2,906)	(2,085)	127	(20,408)	(26)	(20,434)
Income before income tax expense	2,833	218	168	0	2,447	61	2,508
Income tax credit/(expense)	(83)	123	(87)	0	(119)	(21)	(140)
Net income before attribution of non-controlling interests	2,750	341	81	0	2,328	40	2,368
Income attributable to non-controlling interests	(172)	(12)	—	—	(160)	—	(160)
Net income after attribution of non-controlling interests	2,578	329	81	0	2,168	40	2,208
Balance Sheet Data (at period end):							
Total investments	164,554	59,440	6,090	0	99,024	188	99,212
Cash and cash equivalents	11,298	1,472	685	0	9,141	19	9,160
Total assets	228,120	68,288	20,063	(16,760)	156,529	410	156,939
Total liabilities	196,929	60,496	17,776	(16,710)	135,367	384	135,751
Total shareholder's equity	29,494	7,378	2,277	(50)	19,889	26	19,915
Total equity	31,191	7,792	2,287	(50)	21,162	26	21,188

(a) Reflects the Admin Re® Business Unit based on the segment reporting within the Swiss Re Ltd consolidated accounts. Segment reporting is based on management's view of the operations of the Business Unit rather than the legal entities within the Swiss Re Capital Ltd consolidated group.

(b) Reflects the Corporate Solutions Business Unit based on the segment reporting within the Swiss Re Ltd consolidated accounts. Segment reporting is based on management's view of the operations of the Business Unit rather than the legal entities within the Swiss Re Corporate Solutions Ltd consolidated group.

(c) Adjustments to reflect consolidation at the Swiss Re Ltd level.

(d) The Reinsurance Business Unit financial information is based on how management views the results of the Business Unit rather than the results of the legal entities within the SRZ consolidated group.

(e) Adjustments to reflect the differences between the segment results of the Reinsurance Business Unit and the consolidated financial statements of SRZ, principally as a result of various operations that are reported as part of the Corporate Solutions Business Unit, for segment reporting purposes, but that are conducted by legal entities within the SRZ consolidated group.

Selected Consolidated Financial Data of the SRZ Group

You should read the following selected consolidated financial data together with the financial statements of the SRZ Group included in this Information Memorandum. The 2012 consolidated financial statements for the SRZ Group have been and will be impacted by the completion of the Carve-out Transactions, as a result of which the SRZ Group's consolidated financial statements principally reflect, as of January 1, 2012, the results of the Reinsurance Business Unit, while the results of the Corporate Solutions and Admin Re® Business Units are no longer included in the SRZ Group's consolidated result. See "Our Business – Alignment of the Corporate Structure of the Swiss Re Group," "Financial and Other Information Included in this Information Memorandum" and "Unaudited Pro Forma Financial Information for the SRZ Group."

We extracted the selected consolidated financial data presented below from (a) the audited consolidated financial statements of the SRZ Group as of and for the years ended December 31, 2009 and 2010, and as of and for the years ended December 31, 2010 and 2011, which have been audited by our independent auditors, and have been prepared and presented in accordance with U.S. GAAP and (b) the unaudited consolidated financial statements of the SRZ Group as of and for the three months ended March 31, 2011 and 2012, which have been prepared and presented in accordance with U.S. GAAP.

Effective January 1, 2010, we changed our financial reporting currency from Swiss francs to U.S. dollars. The results as of and for the year ended December 31, 2009 were therefore converted from Swiss francs to U.S. dollars for comparison purposes. We have included a translation of the data at and for the year ended December 31, 2011 from U.S. dollars into euros, solely for your convenience. This translation is at the rate of $1.2961 = €1.00, the Bloomberg Rate on December 30, 2011. In addition, we have included a translation of the actual data as of March 31, 2012 from U.S. dollars into euros, solely for your convenience. This translation is at the rate of $1.3343 = €1.00, the Bloomberg Rate on March 30, 2012. On June 29, 2012, the Bloomberg Rate was $1.2666 = €1.00.

	Year ended December 31[a],				Three months ended March 31[b],		
	2009	2010	2011	2011	2011	2012	2012
	USD	*USD*	*USD*	*EUR*	*USD*	*USD*	*EUR*
		(audited)			*(unaudited)*		
			(in millions, except ratios)				
Income Statement Data:							
Revenues							
Premiums earned							
Property & Casualty Reinsurance[c]	12,769	10,871	12,046	9,294	2,221	3,070	2,300
Life & Health Reinsurance[c]	9,857	8,759	9.225	7,118	1,995	2,153	1,614
Other[d]	38	22	29	22	666[c]	8	7
Total premiums earned	22,664	19,652	21,300	16,434	4,882	5,231	3,920
Fee income from policyholders	847	918	876	676	221	20	15
Net investment income – non-participating	5,698	4,684	4,626	3,467	1,167	775	581
Net realized investment gains/(losses) – non-participating	(2,746)	553	1,655	1,240	170	53	40
Net investment result – unit-linked and with-profit	4,322	2,968	(403)	(302)	222	126	94
Other revenues	178	60	51	39	11	20	15
Total revenues	30,963	28,835	28,105	21,684	6,673	6,225	4,665
Expenses							
Claims and claim adjustment expenses	(8,336)	(7,254)	(8,810)	(6,797)	(3,520)	(1,732)	(1,298)
Life and health benefits	(8,639)	(8,236)	(8,414)	(6,492)	(2,028)	(1,537)	(1,152)
Return credited to policyholders	(4,597)	(3,371)	(61)	(47)	(363)	(144)	(108)
Acquisition costs	(4,495)	(3,679)	(4,021)	(3,102)	(886)	(994)	(745)
Other expenses	(2,965)	(2,526)	(3,115)	(2,403)	(575)	(499)	(374)
Interest expenses	(1,011)	(1,094)	(851)	(657)	(219)	(194)	(145)
Total expenses	(30,043)	(26,160)	(25,272)	(19,498)	(7,591)	(5,100)	(3,822)
Income/(loss) before income tax expense	920	2,675	2,833	2,186	(918)	1,125	843
Income tax (expense)/benefit	(221)	(541)	(83)	(64)	274	(328)	(246)
Net income/(loss) before attribution of non-controlling interests	699	2,134	2,750	2,122	(644)	797	597
Income attributable to non-controlling interests	—	(154)	(172)	(133)	(21)	(23)	(17)
Net income/(loss) after attribution of non-controlling interests	699	1,980	2,578	1,989	(665)	774	580
Interest on contingent capital instruments	(203)	(1,117)	—	—	—	(3)	(2)
Net income/(loss) attributable to common shareholders	496	863	2,578	1,989	(665)	771	578

	Year ended December 31[a],				Three months ended March 31[b],		
	2009	2010	2011	2011	2011	2012	2012
	USD	*USD*	*USD*	*EUR*	*USD*	*USD*	*EUR*
		(audited)			*(unaudited)*		
			(in millions, except ratios)				
Balance Sheet Data (at period end):							
Total investments	151,341	156,947	164,554	126,961		106,713	79,977
Total assets	232,748	228,403	228,120	176,005		170,732	127,956
Total liabilities	207,404	201,497	196,929	151,940		149,395	111,965
Unpaid claims and claim adjustment expenses	68,412	64,690	64,878	50,056		59,515	44,604
Liabilities for life and health policy benefits	39,944	39,551	39,044	30,124		18,553	13,905
Policyholder account balances	36,692	36,478	34,162	26,358		2,535	1,900
Total shareholder's equity	25,344	25,342	29,494	22,756		19,999	14,988
Total equity	25,344	26,906	31,191	24,065		21,337	15,991

Other Data (unaudited)[c]

	Year ended December 31[a],			Three months ended March 31[b],	
	2009	2010	2011	2011	2012
Property & Casualty Reinsurance operating ratios (traditional business)[f]					
Claims ratio in %[g]	60.5	66.2	73.5	141.0	55.6
Expense ratio in %	27.8	27.7	28.1	30.0	29.4
Property & Casualty Reinsurance combined ratio (including unwind of discount)[f]	88.3	93.9	101.6	171.0	85.0
Life & Health Reinsurance management expense ratio in %[h]	5.9	6.8	8.3	5.9	6.2
Life & Health Reinsurance benefit ratio in %[i]	83.8	88.7	87.9	76.3	74.4

(a) Does not reflect the Carve-out Transactions.

(b) Reflects the Carve-out Transactions.

(c) Prior to January 1, 2012, the results of the Corporate Solutions Business Unit and the Admin Re® Business Unit were reported as part of the Property & Casualty and Life & Health segments within the SRZ Group. As of January 1, 2012, the Corporate Solutions Business Unit and the Admin Re® Business Unit are no longer included in the SRZ Group consolidated results. The 2011 consolidated results of the SRZ Group have not been restated, but the contribution of the Corporate Solutions Business Unit and the Admin Re® Business Unit to the premiums earned by the SRZ Group for the three months ended March 31, 2011 is shown under "Other" to enable comparison of the results of the Property & Casualty Reinsurance and Life & Health Reinsurance segments for the three months ended March 31, 2011 and 2012.

(d) Includes mainly certain costs not allocated to the Reinsurance business segments, certain Treasury activities and certain non-core activities which are in run-off (formerly presented in the business segment Legacy).

(e) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).

(f) Includes the results from our former Credit Solutions business and excludes the non-traditional business of our Property & Casualty business, which encompasses certain large commercial lines and certain structured reinsurance products, and for which we believe the combined ratio is not a suitable measure as the source of profits under applicable contracts typically arises from a combination of investment performance and underwriting performance.

(g) Under purchase GAAP, acquired assets and liabilities are required to be stated at fair value, which means that property and casualty reserves must be adjusted to reflect fair value. The discount (net of capital cost) unwinds over the estimated average duration of the reserves.

(h) Represents annual Life & Health business other operating costs and expenses divided by Life & Health business operating revenues (excluding unit-linked and with-profit business).

(i) The benefit ratio is calculated as claims paid and claim adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of the guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Our Business

Overview

We are a leading and diversified global reinsurer with offices in more than 20 countries, providing expertise and services to clients throughout the world. We have been engaged in the reinsurance business since our foundation in Zurich, Switzerland in 1863. We offer a comprehensive range of reinsurance and insurance-based solutions to manage risk and capital. We are focused on accessing, transferring and transforming insurable risks. Our traditional reinsurance products and related services for property and casualty, together with our life and health business, are complemented by insurance risk-based capital ("RBC") markets solutions and supplementary services for comprehensive risk management. We are recognized as a leading authority in managing capital and risk, based on our core competencies of:

- risk transfer, for which our objective is to identify, evaluate, underwrite and diversify risk to minimize the capital cost of carrying the risk;
- underwriting expertise, based on cycle management and portfolio steering; and
- asset management, which combines analysis of insurance liabilities, reinsurance products and asset-liability management ("ALM") skills.

We provide property & casualty and life & health clients and brokers with reinsurance products, insurance-based capital market instruments and risk management services. Our traditional reinsurance underwriting skills include a wide range of property and casualty and life and health products and related services. In addition, we provide solutions that have insurance risks embedded in capital markets structures, including securitization and trading of insurance risks such as insurance-linked securities ("ILS"), where we have a leading market position. Through our asset management operations we manage, or oversee the management of, the assets generated by our insurance and reinsurance activities. Our global reach enables us to offer our expertise and products to a range of clients throughout the world.

We offer a range of traditional reinsurance products and also focus on promoting innovation and development of new risk transfer solutions through our Property & Specialty (property, credit, natural catastrophe, as well as engineering, aviation and marine), Casualty (liability and motor), Life & Health and Claims & Liability Management divisions. We deploy our underwriting knowledge and expertise to analyze the risks we underwrite and to develop the standard criteria for risk pricing in our life and non-life businesses. We have expertise, which we have built up over many years, in developing solutions for traditional insurance and reinsurance clients that have insurance risks embedded in capital markets structures. We focus on offering solutions in those areas where we have built a competitive advantage, such as ILS.

We use a variety of distribution channels depending on local market characteristics and customer needs. Our European Property & Casualty business is primarily written directly; however, a significant portion of the Property & Casualty business written in the London Market is written through brokers. In the United States, we have established direct and broker business units to broaden the distribution of our products. On an aggregate basis, we obtain approximately 44% of our Property & Casualty business via brokers. Our Life & Health business is generally written directly with clients, with an emphasis on building long-term relationships.

At and for the year ended December 31, 2011, we reported:

- premiums written of $22.9 billion;
- premiums earned of $21.3 billion;
- total assets of $228.1 billion;
- total equity of $31.2 billion; and
- investments of $164.6 billion.

At and for the three months ended March 31, 2012, we reported:

- premiums written of $7.7 billion;
- premiums earned of $5.2 billion;
- total assets of $170.7 billion;
- total equity of $21.3 billion; and
- investments of $106.7 billion.

Of our premiums earned in 2011, $12.1 billion, or 57%, represented Property & Casualty and other non-life premiums earned and $9.2 billion, or 43%, represented Life & Health premiums earned. Of our premiums earned in the three months ended March 31, 2012, $3.1 billion, or 60%, represented Property & Casualty premiums earned and $2.2 billion, or 40%, represented Life & Health premiums earned.

SRZ is currently rated "AA-" (stable outlook) by S&P, "A1" (positive outlook) by Moody's and "A+" (stable outlook) by A.M. Best, which are generally considered to be significant rating agencies with respect to the evaluation of insurance and reinsurance companies.

Alignment of the Corporate Structure of the Swiss Re Group

In early October 2010, we announced that we had established a new leadership structure, thereby broadening the market representation at the Executive Committee level. In February 2011, we announced our intention to undertake the alignment of the corporate structure, pursuant to which we would form a new holding company in Switzerland, SRL. Effective May 2011, SRL became the holding company for the SRZ Group and is listed on the SIX Swiss Exchange. The establishment of this new structure was intended in part to enable the Swiss Re Group to separate various businesses from its reinsurance operations and to operate each such business as a separate operation under SRL.

The Swiss Re Group now operates through the following three distinct Business Units:

- Reinsurance, consisting of all lines of Property & Casualty reinsurance as well as Life and Health reinsurance;
- Corporate Solutions, providing commercial insurance for large corporate clients; and
- Admin Re®, focusing on the acceptance of closed blocks of in-force life and health insurance business, either through acquisition or reinsurance.

These Business Units are supported by the corporate functions – Finance and Risk Management (the "Corporate Functions") – as well as Products, Asset Management and Operations (the "Enabling Units"). The Corporate Functions and the Enabling Units support the Business Units by managing common resources and support operations, as well as the products and assets developed for and generated by the operations of the Swiss Re Group.

The Corporate Functions define the policies, guidelines and standards for the Swiss Re Group's financial and risk management, and ensure compliance with these policies, guidelines and standards through monitoring of Business Unit activities. They serve as the centers of excellence and provide support to the Business Units, while also managing key corporate processes on behalf of the Swiss Re Group.

The Enabling Units define policies, guidelines and standards for the operations of the Business Units. They run or support key processes for the Business Units, serve as a center of expertise for the Swiss Re Group and provide an operating platform for the Swiss Re Group. In particular,

- **Products:** proposes and implements underwriting strategies and ensures compliance with Swiss Re Group underwriting strategies.
- **Asset Management:** prepares and proposes a Strategic Asset Allocation, which is then approved by the Swiss Re Group Executive Committee, and manages invested assets on the basis of the Strategic Asset Allocation.
- **Operations:** provides services and ensures compliance with Swiss Re Group standards.

In sum, the Swiss Re Group continues to oversee the Business Units, define the overall strategy for the entire Swiss Re Group and ensure its implementation, set targets for the Business Units, determine capital allocations among the Business Units, manage the financial profile of the entire Swiss Re Group and approve Business Unit strategies. The Swiss Re Group also continues to define and monitor adherence to group-wide policies, guidelines and standards, including the risk management framework.

To create the standalone Business Units, each owned by SRL, the business and operations, and related assets and liabilities, of Corporate Solutions and Admin Re® were restructured under SRZ (which, together with

its remaining subsidiaries, now operates as the Reinsurance Business Unit). In addition, certain in-force intra-group transactions with the Reinsurance Business Unit, mainly intra-group reinsurance and retrocession agreements, were restructured. As a final step, the Corporate Solutions Business Unit and the Admin Re® Business Unit were transferred via the Carve-out Transactions by SRZ to, and became subsidiaries of, SRL. See "Unaudited Pro Forma Financial Information for the SRZ Group" for information relating to the quantitative impacts of the Carve-out Transactions on the SRZ Group.

We refer to the foregoing initiatives as the "Alignment of the Corporate Structure."

Business Strategy

We continuously seek to maintain and improve our market position as a leader in originating and transforming insurable risks, and to enhance our ability to take advantage of profitable opportunities across the ever-changing risk transfer landscape. Being a leading player in the wholesale re/insurance industry means that we strive to be the preferred partner for clients by winning trust and confidence. Specifically, we seek to be integral to the success of our clients through our significant risk capacity, risk knowledge and expertise, innovation and best-in-class solutions, financial strength and capital efficiency, high counterparty security and targeted client approach. In addition to client services, we also believe being a leading player also means delivering tailored solutions that meet specific needs. Additionally, our longstanding experience with solvency standards based on economic principles benefits clients through our diversification and capital strength as they seek capital relief solutions. At the forefront of new research and product development, we offer expertise and experience as well as insurance capacity. Through innovative solutions we believe we deliver value in a competitive market.

We also seek to be perceived as the partner of choice for clients and brokers, providing a reliable and integrated platform for insurable risks that benefit from our financial strength, our ability to transform insurance risks and a range of products on a scale that only one of the world's largest reinsurance companies can provide.

We focus on large and complex re/insurance transactions with insurance clients, corporate clients and public sector clients as well as with pension funds. We seek to anticipate extreme scenarios and enable the risk taking that is essential to the development of enterprise and progress in society. We believe our expertise and solutions enable our clients to reduce peak risks; reduce earnings volatility; free up capital; and achieve capital management targets for solvency and ratings, by constantly monitoring the risk landscape and developing innovative solutions that address our clients' needs, and applying asset-liability matching techniques, which align the duration and currency of invested assets to the duration and currency of our insurance liabilities. We have the capacity and expertise to undertake large reinsurance transactions, for example, in support of solvency concerns on the part of our clients (more prevalent in weaker economic conditions) or as part of m&a solutions for clients (in markets experiencing improved economic conditions). Furthermore, we believe that we have effective claims management procedures in place that are based on industry best practices and we provide speed of payment when clients need us most.

Through 2011, we outperformed through cycle management, and began 2012 well-capitalized, with a de-risked balance sheet. Looking ahead, in furtherance of our strategic goals, the elements of our strategy include:

- ***Building on our existing core reinsurance capabilities.*** As a global company with a wide product range and geographical reach, we allocate capital by balancing opportunities on a risk-adjusted basis to generate sustainable earnings and growth over the long-term. We have taken measures to sharpen our client focus through our new dedicated client service model, which allows us to offer clients solutions that are tailored to their specific needs, and will continue to emphasize the importance of a client-centric focus.

  In our Property and Casualty business, active cycle management, by reducing our top line in softening phases of the cycle and increasing our top line in hardening phases of the cycle, remains one of our top priorities. We continuously shift capacity to those segments where we expect the most attractive returns on our capital. We believe that we have the capacity and expertise to write more business as market conditions improve, and will position ourselves to capture new business and recapture the diversification of risk and duration, through strategic growth in our property and specialty lines. We are also well-positioned to meet what we believe will be increasing demand for capital relief solutions as new solvency regimes evolve, particularly in China, Europe and Japan. We will also seek to leverage our expertise, capacity and ratings to provide client-tailored solutions with differentiated terms.

In our Life & Health business in the United States, we will continue to focus on business, such as yearly renewable term ("YRT") reinsurance, that plays to our core strengths in mortality coverage. We will still provide some capacity for traditional XXX term coinsurance business (traditional U.S. life business subject to Regulation XXX), but we are increasingly looking to address our clients' XXX reserve funding needs through alternative structures. In Europe, we are helping clients to manage their capital positions under current Solvency I regulations, while working with them to analyze the impact of Solvency II and to create efficient reinsurance structures for the new regime. As Asia and other emerging markets continue to show strong growth potential for health insurance products, including critical illness and medical insurance, we will continue to support emerging markets clients by developing sustainable products that meet the needs of an increasingly affluent population while retaining sound risk management principles. We aim to help our clients close the gap by providing accessible, affordable and sustainable life and health protection products in their markets. More broadly, we will also seek further penetration of the primary value chain on a wholesale basis to gain a larger share of the biometric risk market (risks relating to the range of human life conditions).

Longevity risk protection for life insurance companies and corporate clients continues to be a strategic priority for us. Our 2010 Kortis securitization programme, which was our first longevity/mortality basis risk bond, builds on leadership in ILS innovation, developed first in respect of natural catastrophe and later with extreme mortality risk. We believe we are ideally positioned, because of our large mortality book, our brand reputation in respect of long duration covers, our mortality expertise and our securitization and capital markets expertise, to offer longevity solutions.

- ***Expanding selectively.*** We will seek opportunities to expand in selective areas – by line of business, products and geographic focus. We will also seek opportunities to capitalize on our market position and experience in structuring risk transfer solutions by writing longevity risk covers. Finally, we will seek to capitalize on our active role in emerging markets to establish Swiss Re as a leading reinsurance player in the markets whose premium growth over the coming ten years in relative terms will far outpace, and whose premium growth in absolute terms over the next five years could begin to come close to, growth in the developed economies.

Our Reinsurance Business

We write all major lines of reinsurance with clients throughout the world. Our reinsurance business is diversified by line, geography and type of business. We have a strong reputation for innovative re/insurance and risk management solutions, and provide wholesale re/insurance products, insurance-based capital market instruments, and supplementary risk management services to our clients and brokers around the globe.

In 2011, the Americas, European (including the Middle East and Africa) and Asia-Pacific regions accounted for 42%, 39% and 19%, respectively, of total net premiums earned and fee income, compared to 44%, 41% and 15%, respectively, in 2010.

Property & Casualty Reinsurance

General

Our Property & Casualty portfolio is diversified by line of business, type of reinsurance and geography. We are a leader in insurance based capital market solutions and public sector risk transfer, and we combine our global expertise with local knowledge in order to provide our clients with financially sound reinsurance support in all property and casualty lines of business. For 2011, our Property & Casualty business was split 44% proportional treaty business (versus 45% in the prior year), 33% non-proportional treaty business (versus 30% in the prior year) and 23% facultative reinsurance (versus 25% in the prior year). In 2011, treaty business comprised 88% of gross Property & Casualty premiums written, compared to 85% in 2010.

Reinsurance

Our Property & Casualty reinsurance business consists of the following sub-segments: property traditional business, casualty traditional business, specialty traditional business and non-traditional business, and includes the following principal lines.

Property. Comprises fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines, such as flood, windstorm, hail and earthquake.

Casualty. Comprises accident and health, liability and motor business.

Liability. Includes cover for industrial, commercial, employers', product, professional, directors and officers or private liability to third parties.

Motor. Includes cover for physical own damage, accident and liability losses involving motor vehicles.

Health. Includes indemnification or reimbursement for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.

Accident. Includes cover for individuals or groups against economic risks in the event of death or temporary or permanent disability by accident and reinsurance of employers for their workers' compensation obligations.

Specialty lines include:

- *Marine*. Includes cover for property in transit (cargo), means of transportation (except aircraft and motor vehicles), offshore installations and valuables, as well as liabilities associated with marine risks and professions.

- *Engineering*. Includes cover for construction and erection of objects during the construction or erection period and the insurance of machinery in operating plants.

- *Agriculture*. Includes cover for crops, forestry, greenhouses, livestock, bloodstock and aquaculture against various perils such as drought, wind storm, diseases and loss of revenue.

- *Special Risks*. Includes cover for a range of risks such as theft, fidelity, fraud, burglary, robbery for financial institutions and commercial risks, event cancellation and risks relating to art and antiques.

- *Aviation*. Includes cover for hull, accident and liability losses from the manufacture, use or operation of aircraft and aviation facilities.

- *Space*. Includes cover for property and liability losses from the use or operation of launch vehicles and satellites.

- *Nuclear energy*. Includes property and liability cover for atomic reactors, power stations or any other plant related to the production of atomic energy or its incidental processes.

- *Credit & Surety*. Includes cover for financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them, and insurance covering sureties and guarantees issued to third parties for the fulfillment of contractual liabilities.

Underwriting approach

Our underwriting approach is based on identification of risk and return factors at the individual transaction level, and portfolio monitoring and steering at the aggregate level.

We have developed our own modelling, costing tools and methodologies, which are constantly reviewed and adapted to the business conditions and to incorporate new knowledge. Underwriting metrics are defined and monitored centrally, within our "Underwriting Steering Values" framework, which compare current prices with benchmark risk adjusted profit margins and average price levels over the whole insurance cycle. The price adequacy of segments, and the accuracy of our costing, is reviewed regularly. In order to increase the objectivity of costing and reserving, the costing of our products and transactions is maintained separately from the selling price decision, to increase the objectivity of costing and reserving. While these processes report independently from each other, we continue to maintain annual feedback processes, both locally and globally.

Our underwriting risk appetite is defined on a global basis by the Group Products and Limits Committee (the "GPLC"). Underwriting authority is cascaded to teams throughout the world in a defined manner, within a framework of global guidelines. Transaction sign-off and escalation are defined for all levels of the organization.

Our key risk aggregations are monitored centrally. Aggregate limits for natural catastrophe, longevity and peak mortality are approved by the Group Risk and Capital Committee (the "GRCC").

Europe, the Middle East and Africa

We have operated throughout Europe since our founding in 1863. We conduct our Property & Casualty business in Europe, the Middle East and Africa ("EMEA") directly through SRZ and Swiss Re Europe S.A. and their branches.

We maintain a strong position in our traditional markets in France, Germany, Italy, The Netherlands, Spain, Switzerland and the United Kingdom. In recent years, we have also developed a strong position in the Middle East, Central and Eastern Europe, particularly in Poland and the Czech Republic. We market our traditional reinsurance business to our European clients through offices in London, Madrid, Munich, Paris, Rome and Zurich.

In our traditional business, several of our clients in Europe have been ceding business to us for over 100 years. We write business with all types of insurers, and currently serve over 2,000 clients. During the past few years, the European insurance market, which we believe represents almost 50% of the worldwide Property & Casualty insurance market, has further consolidated. We seek to respond to these developments in Europe by offering an integrated value proposition ranging from traditional commodity products to more complex, tailor-made programs. In our traditional lines, we seek to respond to premium rate pressure by focusing on efficiency in our distribution channels (including developing internet-based initiatives) and in increasing administrative efficiency. We have been altering our business mix, placing greater emphasis on non-proportional treaty and facultative business, though more than half of our business (based on gross premiums written) remains proportional treaty business.

Most of our traditional Property & Casualty business in Europe is written directly. However, a substantial portion of our business written in the London Market is obtained through reinsurance brokers. The "London Market" consists of UK and non-UK ceding companies placing business in London with reinsurers both in the United Kingdom and abroad. The London Market is particularly recognized as a worldwide centre for specialized risk underwriting. We write a significant volume of gross premiums annually in the London Market.

Our African clients range from large multi-line insurers to small niche companies. Our relationships with ceding companies in the region are long-standing but reinsurance brokers have become more important.

Our European Property & Casualty operations compete principally with Munich Re, General Re and its subsidiary General Reinsurance AG (f/k/a Cologne Re), Hannover Re, SCOR and PartnerRe. We also compete in Europe with Bermuda-based reinsurers and Lloyd's of London.

Americas

North America. Swiss Re America, our subsidiary based in Armonk, NY, has conducted reinsurance operations in the United States since 1910. For many years prior to that, reinsurance business in the United States was written through SRZ from Zurich. Swiss Re Canada, our Toronto-based subsidiary, has conducted reinsurance operations in Canada since 1953. Since 2009, all of our Canadian Property & Casualty reinsurance business has been written by SRZ (Canadian Branch), which we expect will continue throughout 2012.

In the United States, we provide reinsurance treaty products through two principal business units – Direct and Broker. We have centralized our divisional underwriting function in Armonk, Calabasas, California and Toronto, Canada to better coordinate with marketing and control our underwriting activity.

The Direct treaty unit located in Armonk addresses the needs of regional companies as well as large U.S. and multinational insurance companies, serving clients regardless of the type of risk or location.

The Broker treaty unit consists principally of Swiss Re Underwriters Agency, formerly Underwriters Re, an underwriting agency that concentrates on products sold through the broker market channel. This business is organized around our offices in Calabasas and Schaumburg, Illinois.

We have a North American network of offices that provide facultative covers to our clients on a regional basis in Atlanta, Georgia, Chicago, Illinois, New York City and Toronto. Our facultative cover market strategy includes using both direct and broker channels.

We write Property & Casualty business in the United States and Canada with all types of insurers. We maintain relationships with several hundred clients in North America and focus on providing these clients with access to all the resources of Swiss Re. Our approach is to create client-focused teams designed to provide value-added products and services, such as claims and accounting operational reviews, client underwriting reviews and technology assessments. We believe there is competitive advantage in providing these services in support of reinsurance programs, rather than performing them on a fee-for-service basis. We also offer risk financing products as well as tailor-made products to meet our clients' needs.

A substantial portion of Swiss Re America's business is sold directly to clients, although a growing portion of our U.S. business is sold through the broker market. A significant portion of our Canadian treaty business comes to us through brokers.

As a direct reinsurer, we compete in North America principally with General Re and Munich Reinsurance America. In the broker market, our principal competitors are Transatlantic Re, Everest Re, XL Re, PartnerRe and Munich Reinsurance America, as well as the newer Bermuda-based reinsurers.

Latin America. We began writing business in Latin America in 1911, and celebrated our 100-year anniversary of servicing clients in Latin America in 2011. We write business primarily in Mexico, Puerto Rico, Colombia, Brazil and Chile and, to a lesser extent, Argentina, Venezuela and Uruguay. We are in the process of applying for a local license in Brazil, and plan to significantly increase our resources and local presence there.

Deregulation of the insurance industry, economic growth due to market reforms and lower inflation have all increased the attractiveness of the Latin American insurance market to foreign insurance and reinsurance companies. This has resulted in overcapacity in the market. We are focusing our Latin American activities on building leading positions in principal markets by strengthening our resources through our local offices, supported by three centralized underwriting offices in Armonk, Miami, Florida, and Mexico City.

Our main competitors in Latin America are other global reinsurance companies such as Munich Re, Hannover Re, PartnerRe, Transatlantic Re and Everest Re.

Asia

We have been one of the market leaders in Asia since 1914. Since early 2002, the headquarters of our Property & Casualty Asia division has been located in Hong Kong. We maintain local offices in the region comprising; subsidiary, branch, service company or representative offices in Australia, China (Hong Kong, Beijing and Shanghai), Singapore, Malaysia, Japan, South Korea and India. We continue to work with regulators in the region to obtain national reinsurance licenses in principal markets, as well as the most appropriate legal structures from which to deliver our capabilities to our local clients. In September 2009, we obtained a composite license to write Family and General Retakaful business in Malaysia, which allows our Retakaful operation in Kuala Lumpur to offer these solutions on a global basis.

Our strategy in the region is to position ourselves as the reinsurer of choice to both mature and developing markets in Asia. Overall insurance and reinsurance growth in the region, excluding Japan and Australia, is expected, in percentage terms, to exceed that of the North American or European markets over the next decade. In the mature markets, such as Australia, New Zealand and Japan, we will continue to build on our strong market position and strengthen our relationships with our global clients. We focus on the rapidly growing emerging markets in the region, particularly China and India. We are particularly active in emerging Asian markets where legal and societal changes have increased liability awareness, creating greater demand for liability insurance products. We believe that in these markets our worldwide experience and financial capabilities can be brought to bear, as Asia's emerging markets move closer to world regulatory best-practices, stronger economic co-operation and greater asset growth. All of our lines of business will continue to be deployed in Asia, and from a growth perspective we anticipate further expansion of our position in property and certain casualty lines, as investment, infrastructure and building commitments increase in the region.

Our competitors in the region include Munich Re, General Re, Hannover Re and the London Market.

Life & Health Reinsurance

General

We provide reinsurance to life and health insurance companies worldwide. With specialist knowledge of mortality, morbidity and longevity trends, we offer clients sustainable, viable solutions to their risk and capital management needs as well as support for product development. The Life & Health business segment is comprised of traditional life and traditional health business.

The traditional life and traditional health segments include reinsurance contracts for individual and group life, disability income, critical illness, medical expenses and annuity products.

Our Life & Health business is comprised of the following principal lines:

Life reinsurance – which typically provides protection against risk exposures, principally mortality risk, on individual and group lives on a proportional basis and is written predominantly through treaty arrangements and, to a lesser extent, on a facultative basis.

Health reinsurance – which predominantly includes the following:

- Disability – insurance against the inability to work and earn an income as a result of a long-term illness or disability.
- Critical illness – which provides a lump sum payment to policyholders upon diagnosis of a specified serious ailment, such as heart attack, stroke or cancer or major organ transplant.
- Medical – insurance against the cost of treatments for sickness or injury.

Mortality risk is the core business of the Life & Health business. Historically, mortality rates have shown significant improvement as medical treatments have substantially raised life expectancy, thereby reducing or delaying claims. Advances in medicine and research conducted by the business suggest that the overall trend is one of continued improvement, but that its extent will vary considerably according to age group and market.

A global trend towards privatizing health and welfare benefits has resulted in a growing recognition of the protection provided by health insurance. We focus our health reinsurance portfolio on markets, primarily outside the United States, and products that allow us to meet policyholder needs while also generating an acceptable return.

As part of our de-risking activities, we discontinued writing new VA business in 2009 and have an extensive hedging program covering our existing VA business.

In terms of new products, we have entered into pure longevity risk covers in the United Kingdom and Australia, and are expanding this offering into other markets, as appropriate opportunities become available. Longevity risk is the risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout patterns. Increasing life expectancy trends among policyholders and pensioners can result in payout levels that are higher than originally accounted for. As a result, as life expectancy increases (resulting in higher-than-expected benefits), strains are placed on such organizations obligated to pay retirement benefits. While demand from pension funds and life insurance companies has grown, private sector longevity risk cover has remained scarce.

We seek to capitalize on our global position, using local initiatives to respond to local market needs. Our goal is to differentiate Swiss Re as a provider of a broad range of risk management services, while controlling our administration costs. We provide support to our clients at every stage of their business cycle, from start-up planning and launch through subsequent growth into mature businesses, to, where appropriate, the cessation of specific product lines or business units. Our purpose is to help clients protect their balance sheets and to help them meet their risk management requirements.

Americas

North America. We conduct our traditional North American Life & Health operations primarily through Swiss Re Life & Health America. Our U.S. Life & Health operations are centered in Armonk, New York and Fort Wayne, Indiana. Our Canadian Life & Health operations are headquartered in Toronto, Ontario.

We are the largest life and health reinsurer in North America, with more than $2 trillion of gross life reinsurance and insurance in force. We offer reinsurance in the United States, Canada and the Caribbean for most forms of individual and group insurance risks. In North America, our Life & Health reinsurance is sold through our marketing personnel.

U.S. operations. The focus of our U.S. operations has been individual and group life reinsurance. Current economic conditions are expected to generate lower individual life sales. Overall cession rates are in decline, averaging an annual 2% decrease for the last few years. To counter this decline we are increasingly focused on large transactions involving in-force block and innovative structures for redundant reserve financing.

Insurers continue to see reinsurance as a solid means of capital relief and risk management, providing opportunities for life reinsurance in the current economic environment. Our focus is to maintain sustainable returns while working closely with our clients to develop customized reinsurance solutions and services.

In the United States, economic conditions led us to reposition our level-term coinsurance ("COX") offering as a secondary product line compared to YRT reinsurance. We expect this to continue until principles-based reserves or other regulatory solutions are able to materially reduce the funding risks under Regulation XXX reserving for COX products, as we carry a proportional share of this funding risk when we write reinsurance as COX, rather than YRT.

Canada and the Caribbean. We are a market leader in both Canada and the Caribbean. Based on in-force volumes, we consistently rank in the top two in all major life Canadian product lines, including individual and group life and disability (based on premiums). We expect that individual life sales may reduce slightly, and that strong cession rates may contract slightly as a result of modified and new accounting, regulatory and reserving rules impacting the reinsurance industry. The focus of our operations in Canada and the Caribbean is consistent with our approach in the United States.

We expect the market for health, accumulation and longevity risk products will continue to expand in both the United States and Canada as the population ages. While current conditions in the financial markets have adversely affected the growth of this market, we have developed expanded capabilities and offerings for this market and believe that we are well-positioned to capture new opportunities as they become available.

In the U.S. life and health reinsurance market we compete principally with Reinsurance Group of America, Scor, Generali, Hannover Re and Munich Re, as well as with the Hartford Group for group life. In Canada our principal competitors are Munich Re and Reinsurance Group of America.

Latin America. The Latin American markets are generally in an early stage of development, and the products we offer there tend to be conventional, individual and group life covers, although we are working towards expanding our product offering. In the long-term, we expect that growth in the conventional market and a more stable economic environment will result in strong growth in the market for individual life and health reinsurance.

Europe, Middle East and Africa (EMEA)

We provide life and health reinsurance solutions throughout Europe, and we have a leading market position in several markets, including, but not limited to, Switzerland, the United Kingdom, Israel, Denmark, Belgium and Poland. We are also active in Eastern Europe where we have developed a strong market position, although current business volumes there are still small relative to Western Europe.

We write life and health reinsurance in Europe through a number of local offices including London, Zurich, Paris, Madrid, Copenhagen, Tel Aviv, Rome and Munich. Our principal products in Europe are life, disability and critical illness, written on both group and individual bases.

The provision of reinsurance coverage for medical expenses currently represents a very small portion of our business; we do, however, expect to expand our coverage in certain markets where we see opportunities to provide reinsurance support for medical expenses (for example, additional insurance covers on top of basic/mandatory covers).

In Europe, we focus on specific areas of growth such as life protection products linked to loans and mortgages, products sold through banks and other financial institutions, and leading the market towards enhancing the segmentation of insured lives. This focus has been particularly strong in Spain, Italy, Germany and France. In the United Kingdom, the traditional reinsurance market is closely aligned with the primary market as a result of high cession rates.

The United Kingdom is our principal European Life & Health market, based on premiums written and fees assessed against policyholders. Our primary focus in the United Kingdom is on mortality, critical illness, disability income protection and longevity. While price competition has been a feature of this market for many years, we have sustained margins at acceptable levels. Critical illness products are primarily sold as accelerated covers attached to life protection.

Most European countries have well-established life insurance companies providing both risk and savings products. Traditional savings products sold by life insurance companies usually incorporate an element of mortality risk for which reinsurance is sought. We believe the ageing of the European population is likely to increase the need for both savings and risk products but also longevity protection. The ageing population has led to an increasing latent demand for pension provision; however, increased uncertainty regarding the structure and value of pension products has acted as a brake on growth in this area. At the same time, governments throughout Europe are trying to find ways of reducing the burden of social programs on national budgets and are actively promoting the concept of individual responsibility for welfare-related issues. A notable example is the pension reform measures undertaken in Germany. Even without welfare reform, we expect that the demand for savings and protection products will continue to grow strongly as governments encourage individuals to manage their own future financial needs.

In addition to traditional lines, we also offer structured reinsurance products for clients seeking efficient capital management solutions. This area has been subject to increased focus and interest from insurance company management in recent years, accelerated by the financial crisis and cost of raising new capital. We believe that continuing to develop and offer efficient capital management solutions will be a key driver in the continued growth of our business. As a result of the new Solvency II regulations we expect to develop new reinsurance solutions as clients look to manage their solvency capital requirement and diversification benefits under Solvency II.

In general, we conduct our European Life & Health business directly with clients, with an emphasis on building long-term relationships. Our European Life & Health clients are principally insurance companies or bancassurers.

We compete throughout the European life and health market principally with Munich Re, General Reinsurance AG (f/k/a Cologne Re), SCOR, Hannover Re and Reinsurance Group of America.

Africa

Our African Life & Health operations consist primarily of business that our South African subsidiary writes in South Africa, with a small additional amount written in Sub-Saharan Africa.

Our principal products consist mainly of group and individual life, group and individual disability income and individual health. Reinsurance is offered on both original terms and risk premium arrangements, almost entirely on a proportional basis.

Asia

Our Life & Health business in Asia operates out of branches in Beijing, Hong Kong, Tokyo, Seoul, Kuala Lumpur and Singapore and has service companies in Mumbai and Bangalore. We write business from markets across the region, with material portfolios in the developed markets such as Japan and Korea, and continued investment in emerging markets, such as China and India, where we believe there are significant long-term

opportunities for growth in various areas. For example, we continue to expand our health insurance portfolio and support government sponsored micro-insurance schemes in India.

Our existing life and health portfolio is dominated by mortality risk, while the growth in new business is increasingly focused on health (especially medical) business, in line with underlying market trends. We expect this trend to continue, with growth spread across all markets in the region. Demand for traditional and structured reinsurance is expected to continue to increase in the region as insurers focus more attention at this time on protection business and capital efficiency. We continue to strongly promote our proposition of financial strength combined with specialized knowledge in the area of product development, risk analysis and in designing tailor-made reinsurance solutions to help clients manage risk and meet their capital requirements.

In support of the increased demand for health re/insurance, over the past two years we have invested in infrastructure to support ongoing management of this line of business. To further capitalize on the significant business potential in this area, we are close to establishing a joint venture partnership for primary medical insurance business in India.

We compete throughout Asia, principally with Munich Re, Reinsurance Group of America, Hannover Re and General Re, as well as with various national reinsurers.

Australia. Our Life & Health business in Australia and New Zealand is written through Swiss Re Life & Health Australia Ltd and continues to grow as the underlying protection market grows.

Our portfolio of business continues to show a balanced mix of individual and group, mortality and disability. Recent regulatory changes in Australia have generated significant growth in the amounts of protection offered within superannuation funds, and our group risk business continues to grow in line with this. Our strategy continues to see us positioned as the leading value-added reinsurer differentiated from competitors by the scope and focus of our services.

Asset Management

We manage the assets generated through our reinsurance and insurance activities through our Asset Management operations. The focus of Asset Management is ALM, with the objective of matching our investment portfolio to the benchmark set by our reinsurance and insurance liabilities, defined by key rate durations, currency and legal entity constraints where applicable. We believe this allows us to maximize risk-adjusted economic investment return while navigating volatile financial markets. As a secondary mandate, Asset Management seeks to achieve on a limited and selective basis absolute returns to generate additional economic value, subject to rigorous risk limits and oversight. In furtherance of our Asset Management mandate, which encompasses our strategic asset allocation, we have outsourced considerable parts of our investment management activities and have created a dedicated team to handle the corresponding external mandates. Actual performance and risk taking are rigorously monitored against these external mandates in the same manner as for the assets managed internally.

To execute these various mandates, Asset Management separates its investment activities into three layers: a risk-free return, a market return, and an active risk-taking return. The ‘risk-free’ return comes from the liability-matching portfolio, which is mainly invested in a wide range of low-risk fixed income instruments, chosen for cash flow characteristics similar to those of expected future claims. The market return is generated by strategic asset allocation decisions: putting more or less weight into various broad asset classes depending on the macroeconomic outlook. Active risk-taking return, finally, can arise through identifying and profiting from temporary market dislocations. The proportion of market return and active return to overall return depends on the risk capacity and the risk appetite of Swiss Re.

Our group-wide investment strategy is endorsed by the Group Asset Liability Committee (“ALCO”), approved by the Investment Committee of the Board of Directors and delegated to the Asset Management division for implementation. An independent Risk Management function, which reports directly to the Chief Executive Officer, is responsible for ensuring that the Asset Management division adheres to delegated limits when implementing the investment strategy.

In addition, we have a dedicated expert in-house rates team that manages our asset-liability matching function within the Asset Management business function. This team manages approximately half of our total Asset Management investment portfolio (excluding unit-linked and with-profit business). Working closely with

the office of the Group Chief Investment Officer ("CIO"), the team ensures that we match our liabilities effectively while generating an optimal risk-adjusted economic investment return.

In respect of the investment assets on our balance sheet, we have further strengthened our risk-taking and governance processes on an integrated basis, adjusted our risk limit framework to reflect more conservative stress scenarios, improved our oversight functions and implemented state of the art liquidity management practices. These processes focus on infrastructure and data quality, reporting, performance benchmarking and modeling of risk under Swiss Re risk management. On an ongoing basis we maintain an active hedging program to manage rates, credit spreads and our equity exposures on a more short-term basis. The hedging program's ultimate purpose is to protect capital while retaining some potential for gain. With the risk budgeting framework that we have had in place since the beginning of 2010, we optimize the risk-return profile of our asset allocation within a robust asset-liability framework, taking advantage of the opportunities the financial markets offered throughout 2011. During 2011, we materially improved our capability of supporting the newly established Business Units, developing customized investment portfolios reflecting the unique characteristics of the liabilities of the respective Business Units. The portfolios are derived and executed under a group-wide consistent top-down investment strategy, developed through macro-economic analysis and applied throughout the Business Units investment portfolios.

With respect to risk management, the CIO is responsible for overseeing and supporting the strategic asset allocation, controlling risk budgeting and benchmarking activities, advancing our tactical asset allocation and overlay activities and steering the portfolios, as well as overseeing Asset Management in general, thereby ensuring clear management responsibility across the different asset classes.

The investment result of Asset Management includes the returns from risk taking in proprietary assets that are not directly allocated to either our Property & Casualty or Life & Health operating business segments.

Swiss Re's Clients and Marketing

We market our products on a worldwide basis, under the "Swiss Re" brand name. Our marketing strategy is client-focused rather than product-focused. In this regard, we have sought to establish a local presence in growing markets to better meet the needs of our clients and brokers, by providing a reliable and integrated resource for their insurance needs. We have set up a marketing unit for global clients that enables us to concentrate the particular expertise needed to serve the major international insurance groups. We organize our professional resources among specialties and geographic areas using a client management team approach that brings Swiss Re's global resources to bear on our clients' needs. In order to achieve this goal we have better aligned our client facing business by establishing an integrated origination concept composed of client executives, market executives, client managers, business development and business services. We believe that this will enable us to develop strong origination leadership and to provide the full spectrum of our products and services to a wider range of customers. We also provide a significant amount of technical advice and assistance to our clients as a means of enhancing our relationship with them and we take the lead in developing comprehensive reinsurance products and programs so that we can significantly influence the terms and structure of the business we write.

For our Property & Casualty business we conduct business with our clients both through direct relationships and through brokers. For our Life & Health business we primarily conduct business with our clients through direct relationships.

We believe that we have a well-developed client base, and that we are not dependent on any single client, group of clients or line of business. We do not believe that the loss of any single client would have a material adverse effect on our results of operations or financial condition.

Underwriting and Costing

Our underwriting units carry out their functions pursuant to internal guidelines established at Swiss Re, the lines of business and the operating division levels, which set forth limits for coverage and procedures for risk assessment, costing and risk taking. The quality of risks, past experience and future exposure are the main criteria in determining cost levels as well as available capacity. We regularly adapt our costing models to reflect changes in risk assessment and economic development. For example, climate variability risk has been factored into our costing and capacity deployment since 2005.

We generally limit our capacity on a per claim, per event or per year basis primarily through loss/treaty limits claims series clauses and aggregate annual limits. Our focus continues to be on underwriting discipline, controlled capacity and risk-adjusted return targets. We maintain a risk reporting and assessment function, which monitors and controls the amount and concentration of risk underwritten. We believe that we have accumulated unique knowledge in all lines and markets as a long-standing industry leader.

In developing underwriting guidelines and monitoring risk, our Board of Directors and the SRL Executive Committee approve general principles for our risk tolerance and overall capacity allocation. The overall objective of these procedures is to achieve an appropriate return for the risk we take while safeguarding our solvency. In particular, we seek to maintain a sufficient level of capital that allows us to maintain targeted financial strength even after defined tail loss events.

The SRL Finance and Risk Committee reviews corporate risk reports, our maximum exposures and the adequacy of our non-life reserves. The GRCC reviews our risk tolerance and capacity allocations in terms of limits by type of business. It is also charged with determining the optimal allocation of risk-adjusted capital to underwriting, investment and credit risk categories, including the use of external retrocession. The GRCC also reviews and approves Group Risk Reports and sets the methods for performance measurements as well as calculating economic risk capital. The GPLC establishes underwriting limits per line of business and approves our underwriting guidelines. It also makes decisions about deviations from our reinsurance guidelines and approves large transactions.

Our costing estimates future expected claims based on past experience, exposure, risk research and regular monitoring of risk landscape developments. In addition, costing includes charges for management expenses and cost of capital, as well as the time value of money. Costing procedures differ according to the type of reinsurance (treaty or single risk, proportional or non-proportional); however, the overall costing framework and monitoring are centrally coordinated. Our final sale price is determined by business staff in Client Markets, within defined limits, and taking into account the costing metrics and prevailing market conditions.

Our capital base, underwriting experience and willingness to provide substantial capacity on a direct basis (e.g., without utilizing a reinsurance broker) provide us with opportunities to take a lead role in underwriting reinsurance contracts. We believe that being a lead underwriter is an important factor in achieving long-term success in the reinsurance market. Lead underwriters have greater influence in negotiation of reinsurance terms, attachment points and premium rates than following reinsurers. Reinsurers that lead treaties have greater access to preferred business and are better able to develop long-term relationships with their clients. For life and health business, typically a reinsurer assumes the entire obligation or acts as a co-reinsurer with no reinsurer acting as lead underwriter. Recently, we have had significant success in achieving preferential terms as lead underwriter.

Catastrophe Risk

We are exposed to claims affecting multiple insureds at the same time, arising out of the occurrence of a natural peril, such as an earthquake or hurricane, or a man-made event, such as a terrorist attack. The occurrence of any such catastrophe could generate insured losses in one or many of our reinsurance treaties or facultative contracts in one or more lines of business. See generally "Risk Factors – Risks Relating to our Reinsurance Operations – Catastrophic events expose us to the risk of unexpected large losses."

Our Catastrophe Perils unit evaluates the frequency and severity of catastrophes and estimates our potential resulting loss exposure. Over 30 catastrophe risk specialists are employed in the modelling and evaluation of catastrophe risk exposure worldwide, using specially developed proprietary software and techniques. We prepare formal reports on our catastrophe exposure, quarterly for peak perils and annually on market and line of business bases. We also review the coverage and pricing situation half-yearly in our most important markets. We use these reports, together with other internal data, to evaluate our group-wide risk exposures and capital allocation.

Through our integrated group-wide risk model, we seek to quantify our total exposure through an aggregation process for all of our acceptances to produce a loss frequency curve from which we can derive a single annual aggregate loss distribution covering the full spectrum of losses (that is, all possible combinations of adverse and unexpected large losses) up to a one-in-10,000 years event. We also consider the diversification effect from other than natural catastrophe exposures.

For monitoring and capacity allocation and deployment purposes, we monitor our accumulated exposure to catastrophe losses and quantify our exposure in terms of the expected maximum loss or shortfall (also known as

"Tail VaR"). Shortfall is calculated based on our portfolio of exposures, taking into account contract limits and the statistical distribution of losses caused by a catastrophe such as a hurricane or earthquake occurring within a given financial reporting period in a broad, contiguous geographic area. We estimate that our largest group-wide shortfalls for earthquake risks are located in California, Japan and the New Madrid fault line in central United States. We estimate that our largest shortfalls for windstorm risks, including tropical cyclones, are located in the United States and in Europe, followed (though to a much smaller degree) by typhoon risk in Japan.

Reserves

Significant periods of time may elapse between the occurrence of an insured loss giving rise to a claim, the reporting of the claim to the ceding company and the reinsurer and the ceding company's payment of that claim and subsequent payments to the ceding company from the reinsurer. To recognize liabilities for unpaid claims, claim adjustment expenses and future policy benefits, insurers and reinsurers establish reserves, which are balance sheet liabilities representing estimates of future amounts needed to pay reported and not yet reported claims and related expenses arising from insured losses that have already occurred.

Reserves are estimates that involve actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. These estimates are based on facts and circumstances then known, predictions of future developments, estimates of future trends in claims frequency and severity and other variable factors such as inflation. For some types of claims, most significantly asbestos-related, environmental pollution and health hazard claims, it has been necessary, and may over time continue to be necessary, to revise estimated potential claims exposure and, therefore, the related claims reserves. Consequently, actual claims, benefits and related expenses ultimately paid may differ from estimates reflected in the reserves in our consolidated financial statements.

We typically establish our case reserves under proportional treaties by taking into account reserving methodologies and practices adopted on a group-wide basis. Generally, claims personnel at a ceding company establish a case reserve for the estimated amount of the ultimate payment for a reported claim. The estimate by the ceding company is based on the reserving practices and experience and knowledge of personnel at the ceding company regarding the nature and value of the specific types of claims. We generally establish reserve levels using reports and individual case estimates received from ceding companies.

In the case of facultative and non-proportional business, we generally evaluate the ceding company's reserves taking into consideration coverage, liability, severity of injury or damage, jurisdiction, an assessment of the ceding company's ability to evaluate and handle the claims and the amount of reserves recommended by the ceding company. If our own estimate of the ultimate cost of a particular claim is materially different from the reserve established by the ceding company, we adjust that case reserve accordingly. Such additional case reserves (positive or negative) are established either per treaty or per facultative acceptance.

We also establish claims reserves for "incurred but not reported" ("IBNR") claims to provide for payments for incurred claims that have not yet been reported to an insurer or reinsurer. In calculating our IBNR reserves, we generally use accepted actuarial reserving techniques that take into account quantitative loss experience data, together with other factors, including qualitative factors, that are relevant to the risks in question, such as changes in the volume of business written, the contract terms and conditions, the mix of business, the processing of claims and the prospective level of inflation that can be expected to affect our liability for claims over time. IBNR reserves are grouped either by accident year or by underwriting year and our internal actuaries review both our reserving assumptions and our methodologies on a quarterly basis.

In total, we maintain loss and loss adjustment expense reserves to cover our estimated liability for both reported and unreported claims at a level that represents management's best estimate of ultimate loss adjustment expenses.

Reserves for future policy benefits and claims for our Life & Health business are calculated (as provided for under U.S. GAAP) using locked-in assumptions, established at the inception of each portfolio, for mortality, morbidity, persistency and investment income. The locked-in assumptions contain margins and can only be changed if actual emerging experience for our Life & Health business as a whole is worse than the locked-in assumptions (including the margins). The liabilities for future policy benefits for individual risks or classes of business may be greater or less than those established by ceding companies due to the use of different mortality and other assumptions. Reserves for policy claims and benefits include both mortality and morbidity claims in the process of settlement and claims that have been IBNR. Claims reserves are calculated using the latest assumptions available at the time of valuation. Actual experience may differ from assumed experience and,

consequently, may affect our operating results for a period, especially for disability business where the claims reserve reflects payments over a long period of time and is based on assumptions regarding morbidity and investment income.

In addition to our general Life & Health business reserves, we carry liabilities for exposure related to our past VA business, which was a special segment of Life & Health business that we have now placed in run-off. A VA product is a hybrid insurance and investment product. The GMDB features generate both insurance risk exposure (mortality risk) and financial market risk exposure (equity, interest rate, volatility risk). In addition VA is subject to policy lapse and withdrawal risk. Depending on the guarantee type and features, the exposure to the risks discussed above varies.

VA liabilities are carried at fair value consisting of the baseline average present value of the best estimate cash flows adjusted for a risk margin. VA liabilities are derived from an internal model of which the core component is a Monte-Carlo simulation engine calculating the present value of cash in- and outflows, such as fees and benefits/claims, under each market path. Sufficient paths are used for valuation to reduce the sampling error of the average result within an acceptable tolerance. The calculated risk margin consists of the present value of the frictional cost of capital and administrative expenses. The important input factors for calculating the frictional cost of capital are the calculated amount of regulatory, rating agency, and internal capital required and the estimated release pattern of the respective capital in the future.

Underwriting results from property and casualty business in the United States have in the past been adversely affected by claims developing from alleged environmental pollution. We establish reserves for reported claims as well as an estimate for unreported claims and claim adjustment expenses. Although we believe that reserves for unpaid claims are adequate in the aggregate, uncertainties arise when estimating the ultimate future amounts that may be needed for unreported environmental pollution claims. These uncertainties exist in part due to inconsistent decisions reached in court cases in various jurisdictions, including decisions about:

- the existence of insurance coverage;
- which underlying policies provide the coverage;
- whether the release of contaminants is one “occurrence” or multiple occurrences for determination of applicable coverage/policy limits;
- how pollution exclusions should be applied;
- whether clean-up costs constitute covered damage; and
- whether an insurer has a duty to defend.

Since the early 1980s, underwriting results from property and casualty reinsurance business relating to the United States have been adversely affected by claims developing from asbestos-related coverage exposures. The majority of these claims allege bodily injury resulting from exposure to asbestos products. A lesser amount of claims allege damage to buildings resulting from the presence of asbestos. We monitor developments in this area and establish reserves for reported claims as well as an estimate for unreported claims and claim adjustment expenses. We believe uncertainties exist in estimates of the ultimate future amounts that may be payable for unreported asbestos-related claims. These uncertainties include estimations of the number and value of claims that may be reported, court decisions affecting the liability, and the maximum value of asbestos-related exposures written by our clients during expired coverage periods. As a result, our obligations for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1985, particularly in the areas of U.S. asbestos and environmental liability.

During the mid-1990s we substantially strengthened our reserves for asbestos-related and environmental pollution claims arising in the United States. Since then, we have from time to time added reserves as necessary to respond to changes in the claims environment including, for example, the increasing number of asbestos-related bankruptcies and the broadening of the legal assault to include companies that were not asbestos manufacturers or major users of the product. We have also operated a proactive policy of managing our exposure through active claims management and commutation where appropriate.

An industry measure that is often used to estimate reserve adequacy for asbestos-related and environmental pollution claims is the three-year survival ratio, calculated as the total net provision held at the end of a period divided by the average net claims paid over the previous three years. The survival ratio represents the number of

years it would take for a company to exhaust its reserves based on the current level of claims payments. This measure is distorted by commutations, which appear as claims paid immediately after the commutation has been agreed, rather than being gradually paid out over a number of years, and therefore is adjusted accordingly. After adjusting for commutations, we calculate that our three-year survival ratio is 11.5 years as of December 31, 2011, based on our best estimates (compared to an estimated 7.8 years for the United States insurance industry at the end of 2010).

During the late 1990s and early 2000s, we saw, particularly in the United States, claims relating to bankruptcies and corporate, financial and/or management improprieties. Following the major financial scandals, we also saw an increasing number of large claims resulting from actions brought against financial institutions, accounting firms and other professionals alleging primary liability, or liability for aiding and abetting, in respect of violations of the securities laws, often leading to large settlements. These resulted in an increase in frequency and severity of claims under professional liability covers. The industry is facing a significant level of claims under professional liability covers arising from the subprime crisis, global financial markets collapse and related matters.

Net claims development on prior years was significantly favorable overall during 2011, driven by favorable experience in property, liability, credit and other special lines. Some reserve strengthening was absorbed in the overall number, on U.S. workers' compensation business, UK motor business and an increase for U.S. asbestos and environmental losses. The ADC, which covers losses from 2008 or earlier, remains in place but had no impact on the result for 2011, as it was already recognized at the minimum commutation value at year-end 2010 and remains recognized at that value.

We believe that our total reserves for property and casualty and life and health claims as of December 31, 2011 are adequate. Our reserves may, however, prove to be inadequate to cover our actual claims and benefits experience. To the extent reserves are insufficient to cover actual claims, claim adjustment expenses or future policy benefits, we would have to add to these reserves and incur a charge to our earnings.

Claims Management

We undertake claims management through our Claims, Accounting & Liability Management ("CALM") and our Corporate Solutions division. A key change during 2011 was the merger of the Claims & Liabilities division and the Technical Accounting division into a new CALM division that now handles most of our post placement services. The following paragraphs focus only on the claims management aspects of CALM and Corporate Solutions.

We aim to provide effective claims management procedures and an overall claims philosophy, which reflects our expertise in claims management, follows industry best practices and complies with applicable prevailing legislation and case law.

We are primarily responsible for the adjudication of our clients' claims. We normally settle individually notified claims on the basis of the notification provided by the ceding company after verification that reinsurance coverage exists. In addition, we selectively conduct investigations, in situations where a life insurance claim is made within the first two years that the policy is in effect. Our technical accounting and claims operations personnel administer and selectively manage individual claims reported to us using group-wide guidelines.

In addition to administering reported claims and conferring with ceding companies on claim matters, our claims personnel conduct reviews of claims experience with our ceding companies as well as audits of specific claims or portfolios and the claims procedures in general at the offices of ceding companies. We generally monitor whether the ceding company uses appropriate adjusting techniques, reserves appropriately, has sufficient staff and follows proper claims processing procedures.

We undertake regional claims portfolio reviews on a regular basis in order to highlight trends and developments and to share best practices among our claims teams.

We have implemented a formal feedback process, which allows us to share key observations with internal stakeholders, including the underwriting community.

As of December 31, 2011, we had approximately 730 professionals worldwide engaged in claims handling and related activities.

Retrocession and Other Risk Transfer

Some reinsurers purchase reinsurance to cover a certain part of their own risk exposure. The purchase of reinsurance by reinsurers is referred to as retrocession. These reinsurance companies cede risks under retrocession agreements for reasons similar to those that cause insurers to purchase reinsurance, namely to reduce net liability on individual risks, to protect against catastrophic claims, to improve solvency ratios and to obtain additional underwriting capacity.

In general, our retrocession and risk transfer initiatives have two important strategic goals: to reduce earnings volatility and to protect our capital base against extreme events. We buy such protection in the capital markets and in traditional retrocession markets through a range of products, such as ILS, traditional retrocession, industry loss warranties (index-linked catastrophe contracts with dual triggers) and other derivatives. In addition, from time to time we retrocede large single risks or a portfolio of concentrated risks via traditional retrocession.

We aim to minimize the counterparty and credit risk of our hedging instruments by using ILS and other instruments, which are collateralized, and by predominantly selecting counterparties with superior financial strength. ILS are typically structured as bonds the payment of interest and/or principal in respect of which depends on the occurrence or severity of an insurance event (with the underlying risk being a peak or volume insurance risk). In contrast to traditional retrocession where we would be exposed to counterparty risk but obtain a direct indemnity against the underlying risk, the use of ILS minimizes counterparty risk but creates potential basis risk, as it is unlikely that we can perfectly match our risk with non-indemnity based ILS. ILS is an important element in our client offering as well as our own hedging strategy.

Under the 2008 quota share arrangement with Berkshire Hathaway, Berkshire Hathaway has assumed a 20% share of our new and renewed Property & Casualty business (excluding credit business and run-off of prior underwriting years) for 2008 through the end of 2012. Berkshire Hathaway is entitled to 20% of the premiums of the Property & Casualty business, and bears 20% of the claims. Additionally, in January 2010, we entered into a U.S. individual life retrocession transaction with Berkshire Hathaway.

Employees

As of December 31, 2011 and 2010, we employed 10,788 and 10,362 people, respectively (as regular staff). In 2011, Swiss Re employed people from approximately 85 nations worldwide. We believe that our employee relations are good, and we have bodies that represent employees' interests in each country in which we operate. In addition, certain of our employees in Europe and Australia are covered by collective bargaining agreements. We promote the development of internal talent through various educational and training programmes that we offer. We also offer financial compensation and benefits to both senior management and a significant portion of our employees that includes an incentive component and are designed to correspond with the multi-year and long-term dynamics of our business. We also provide certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

Competition

The reinsurance business is competitive and faces barriers to entry, including regulatory and capital considerations. We compete with other reinsurers based on many factors, primarily:

- expertise, reputation, experience and qualifications of the reinsurer's employees;
- local presence;
- geographic scope of the reinsurance business conducted;
- client relationships;
- financial strength;
- products and services offered;

- contract terms and conditions; and
- speed of claims payment.

The reinsurance industry has experienced significant consolidation in recent years. Reinsurance companies have sought to expand their existing markets, obtain critical mass in new markets and further diversify risk.

At the same time, consolidation in the worldwide insurance industry has created a smaller group of larger ceding companies that are retaining an increasing proportion of their business, rationalizing reinsurance procurement policies (particularly for recurring ("flow") business obtained in the open market) through central purchasing platforms and are demonstrating, in respect of their reinsurers, a greater sensitivity to counterparty risk, particularly in the property and casualty market, and are limiting where possible that risk through concentration limitations, which in turn will impact our market shares. These trends are likely to continue in light of Solvency II requirements (which favor diversification and also can lead to greater retention) and greater focus on risk management at ceding companies.

In the property and casualty business, factors such as general trends towards globalization, a heightened customer preference to do business with the largest and best capitalized reinsurers, increasing competition among reinsurers and the emergence of the capital markets as an additional source of risk-bearing capacity, have resulted in significant consolidation and emphasis on the financial strength of reinsurers. Over the past decade, brokers have played an increasingly significant role in the property and casualty market, particularly in the United States.

The life and health reinsurance market is also increasingly concentrated. We estimate that, based on premiums written, the largest three reinsurers represent half of the life and health market and the largest five reinsurers represent three quarters of the market. Brokers play a far less significant role in the life and health market.

As a direct writer of reinsurance, we compete with a number of major direct marketers of reinsurance both in local markets and internationally. We also compete with a number of major reinsurers who write business through reinsurance brokers, and with Lloyd's of London.

Our largest competitors (by marketing name), both locally and internationally, measured by premiums written, are:

- Munich Re;
- Hannover Re;
- The Berkshire Hathaway Reinsurance Group;
- Gen Re, which is owned by Berkshire Hathaway (renamed General Reinsurance AG in 2010);
- RGA (Reinsurance Group of America) (in the life and health sector);
- PartnerRe;
- Lloyd's of London; and
- SCOR.

Patents and Licenses

We are not dependent on any patents but must maintain insurance licenses in most markets in which we do business.

Properties

Swiss Re's global headquarters are located in Zurich, Switzerland and include an operations centre in Adliswil and a training and management development centre in Rüschlikon, Switzerland. Our U.S. reinsurance operations are headquartered in Armonk and our Northern, Central and Eastern Europe reinsurance operations in Unterföhring. As of December 31, 2011, Swiss Re owned or leased office space in more than 60 cities in over 25 countries around the world. We believe that these facilities are adequate for our present needs in all material

respects. Office space acquired in connection with acquisitions is integrated into Swiss Re's existing operations or disposed of as needed. Swiss Re also holds other properties for investment purposes.

The SRZ Group's principal properties include:

Location	Lease/owned	Type of facility	Total Area(m^2)
Switzerland			
Zurich			
Am Eschenpark	Owned	Apartment	10,372
Badenerstr. 170/172	Owned	Offices/Apartments	24,086
Giesshübelstr. 30	Owned	Offices	12,355
Gotthardstr. 35/43	Owned	Offices	11,281
Mythenquai 24 (Mythenschloss)	Owned	Offices/Apartments	25,167
Mythenquai 50 (Neubau)	Owned	Offices	13,263
Mythenquai 60 (Altbau)	Owned	Offices	11,326
Adliswil			
Soodring 6	Owned	Offices	16,720
Soodring 33	Owned	Offices	21,085
Soodstr 52 (Tüfihaus)	Owned	Offices	19,759
Ruschlikon			
Gheistr. 37 (Seminarzentrum)	Owned	Offices	16,766
United Kingdom			
London			
30 St Mary Axe	Leased	Offices	28,592
United States			
New York			
175 King Street, Armonk	Owned	Offices	33,946
55 E. 52nd Street, 39th–44th floor, NY	Leased	Offices	13,051
Kansas			
5200 Metcalf Avenue, Overland Park	Leased	Offices	28,146
Michigan			
25800 Northwestern Highway, Southfield	Leased	Offices	14,590
Indiana			
46804 Fort Wayne, Magnavox Way	Leased	Offices	7,380
Germany			
Unterföhring (Munich)			
Dieselstrasse	Owned	Offices	24,623
Munich			
Leopoldstrasse 4/6	Owned	Offices	10,248
Slovakia			
Bratislava			
Karadzicova 12	Leased	Offices	7,460
India			
Bangalore			
Vasvani Centropolis, 21, Langford St	Leased	Offices	8,360

We are not aware of any material environmental issues that would affect our utilization of the above properties other than our general obligation to comply with all applicable regulations.

Governmental, Legal and Arbitration Proceedings

Litigation or, more generally, arbitration proceedings may affect various companies within Swiss Re in their capacity as reinsurers, employers and taxpayers in the normal course of their business. Based on our assessment of current litigation and arbitration proceedings, we believe we have made adequate reserves for any such future proceedings.

Antitrust proceeding. We and five other reinsurers/insurers were the subject of an investigation by the Spanish Competition Authority for alleged collusive behavior in connection with construction cover provided in Spain for residential housing. Following the completion of their investigation, the Spanish Competition Authority fined the six companies, including us. In December 2009, we filed an appeal to this decision, and the other companies that were fined in connection with the same investigation have also each appealed their fines.

Except as stated above, SRZ has not been involved in any governmental, legal or arbitration proceedings (including such proceedings that are pending or threatened of which SRZ is aware) during the 12 months

preceding the date of this Information Memorandum, which may have, or have had in the recent past, significant effects on the SRZ Group's financial position or profitability.

Interruption in Business

During the past three years we have not experienced any material business interruption.

Material Changes

For information on material changes since the last balance sheet date see "General Information."

Regulation

General

The business of reinsurance is regulated in most countries, although the degree and type of regulation varies significantly in different jurisdictions. In almost all jurisdictions, insurance supervisory authorities evaluate the creditworthiness of reinsurance recoverables (indirect reinsurance supervision). Reinsurers traditionally were generally subject to less direct regulation in most countries than direct insurers. Some countries require reinsurers to post collateral or impose a gross reserving system that allows ceding companies to get credit for reinsurance only if reinsurance recoverables are covered by pledged assets. While the focus of indirect supervision is on the effect of reinsurance on the balance sheet and risk exposure of the ceding company, direct reinsurance supervision instead focuses on the reinsurance company itself. The principal elements of direct supervision are licensing requirements, adequacy of technical provisions, available and required solvency capital and governance rules.

Today, there is increased direct supervision of reinsurance operations. In the United States, the European Union and Switzerland, the licensing and supervision standards for reinsurance are comparable to those governing direct insurers, and include direct and indirect reinsurance supervision. Direct supervision enables supervisory authorities to intervene in the affairs of a reinsurer at an early stage should its financial position deteriorate or its risk governance prove to be insufficient. Given the global nature of reinsurance businesses, mutual recognition of supervisory systems is of increasing importance. Furthermore, the financial crisis has resulted in additional regulatory reforms in Europe and the United States. Government intervention in the insurance and reinsurance markets, worldwide, continues to evolve.

Our foreign subsidiaries and branches must comply with the respective regulations of their home and host countries. As a U.S. licensed and authorized reinsurer, we are subject to considerable regulation by state insurance commissioners. Among other things, our U.S. entities have to comply with regulations on solvency (risk-based capital ("RBC")), reserving adequacy, and investment policies. Our U.S. entities are also subject to comprehensive statutory reporting requirements.

Set forth below is a summary of the material reinsurance regulations applicable in the main jurisdictions where Swiss Re entities are located. We believe that all of the companies in Swiss Re are in compliance with the applicable laws and regulations pertaining to their business and operations.

We note that, given the trends in global regulation, regulations that apply to us directly or that otherwise would impact our business could change, and such changes could be significant. See generally, "Risk Factors – Legal, Tax and Regulatory Risks." For example, in 2010 the FSB recommended, and the G-20 members endorsed, a comprehensive, global framework for reducing the moral hazard presented by systemically important financial institutions. This framework would provide for more intensive supervision and higher loss absorption capacity for, and resolution authority in respect of, systemically important financial institutions. This framework would have to be given effect through enactment of laws and promulgation of regulations. Twenty-nine banks have already been identified by the FSB and the Basel Committee as globally systemically important and these entities must meet new resolution planning requirements, based on the methodology developed by the Basel Committee, by the end of 2012.

These requirements and other proposals have primarily been focused on the banking sector and many are under development and have not yet become specific or precise. Although primarily focused on banking institutions, some of these proposals could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on us. In addition, in January 2012, the FSB announced consideration of extending the SIFI framework to insurance companies. Separately, the International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, is undertaking a two-month consultation on a proposed assessment methodology for identifying globally systemically important insurers from June 2012 and is also pursuing a common framework for the supervision of internationally active insurance groups, which it aims to develop by 2013, to foster group wide supervision and global convergence of regulatory and supervisory approaches.

In the United States, the FSOC has issued proposals for the framework and criteria to identify non-bank systemically important financial institutions. Such designation would subject a company to supervision by the Board of Governors of the Federal Reserve System and would require it, among other things, to create a "living

will" resolution plan and to comply with other regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). The process for designating a non-bank financial company as systemically important incorporates both qualitative and quantitative analyses, and is ultimately subject to the discretion of the FSOC. The ultimate designation as systemically important would result in dual regulation by state regulators and a federal regulator (the Federal Reserve Board), risk-based solvency and liquidity requirements, leverage limits, stress testing by the federal regulator and mandatory "living will" arrangements, limits on counterparty exposure, enhanced risk management, including establishing a risk committee of the board of directors, periodic reporting of credit exposures between the institution and other significant financial companies, early remediation requirements that increase in stringency if financial condition of the institution declines, and a debt-to-equity limit for institutions determined to pose a grave threat to financial stability. Insurance is a sector to be assessed.

In the European Union, although member states are likely to follow the FSB framework, the newly formed European Systemic Risk Board ("ESRB") has yet to develop a methodology to identify SIFIs.

European Union

The European Union has introduced a new supervisory system that establishes "macro-prudential" supervision through the ESRB, which will monitor potential threats to financial stability and will issue early risk warnings. Additionally, the ESRB will be complemented by the "micro-prudential" European Supervisory Authorities ("ESAs"), which comprise three separate sector-specific supervisory authorities. The ESAs aim to facilitate harmonization of prudential rules, and are empowered to resolve conflicts among member states' supervisory authorities. The supervisory authority for insurance business will be the new European Insurance and Occupational Pensions Authority (the "EIOPA"). The ESAs became operational on January 1, 2011.

The regulatory environment of our subsidiaries and branches in EU member states has been affected by the transposition of the EU Reinsurance Directive at the end of 2007. The EU Reinsurance Directive creates a single European market in reinsurance, based on mutual recognition of home country control and harmonization of prudential rules. Our subsidiaries in EU member states are treated as EU-licensed companies and benefit from the single license principle. As for direct insurance, the system of home-country control is limited to a cross-border structure of branches. The principle of branch separation between life and non-life does not apply to reinsurance. The rules on financial supervision are based on the Solvency I standards for direct insurance, with certain adjustments.

For non-life technical provisions, the EU Reinsurance Directive abolished gross reserving systems. This means that member states may no longer require EU licensed reinsurers to pledge assets or post collateral. The solvency margin for life reinsurance is the same as for non-life reinsurance: it is the higher of a percentage of premiums (16-18%) and of claims (23-26%) minus the retrocession reduction factor. As in direct insurance, the solvency margin is increased by 50% for reinsurance covering general third-party liability, aviation and marine. The EU Reinsurance Directive's investment rules are based on a "prudent person approach" with an option for member states to introduce certain quantitative restrictions. The scope of the existing Directives on supplementary supervision of insurance groups and financial conglomerates has been extended to reinsurers that are part of a group. The EU Reinsurance Directive stipulates that non-EU reinsurance companies may not be treated more favorably than reinsurance companies having their head office in the European Union. As for direct insurance, there is a provision on the negotiation of agreements with third countries on mutual recognition of reinsurance supervision.

The EU Reinsurance Directive provides a mechanism for cooperation among EU supervisory authorities. It is an interim measure, which will be replaced by the Solvency II framework directive, which was adopted on May 5, 2009, with publication in the official journal of the European Union on December 17, 2009. The Solvency II directive is currently expected to enter into force beginning in January 2013, and will be effective for insurers beginning January 2014. The implementation measures that will complement the Solvency II directive are being drafted. In November 2011, the EIOPA launched a new consultation with insurance and reinsurance stakeholders on guidelines for the Own Risk and Solvency Assessment ("ORSA") for Solvency II, as well as other draft proposals with regards to the Supervisory Reporting & Public Disclosure in the Solvency II framework, for which the consultation period ended in January 2012; consequently there remains significant uncertainty regarding the final guidelines and implementation process for Solvency II. The process of testing the equivalence of SST to Solvency II has been initiated, but is not expected to be completed by the European Commission until the first half of 2013. Any corresponding changes to the SST could result in additional regulatory capital requirements on an entity (solo) or group basis.

Switzerland

We conduct our business under an operating license, and are subject to continued supervision by FINMA. FINMA monitors whether our organization, management and operations are in compliance with the provisions of applicable law and regulations, and exercises control over the calculation of our technical provisions, retrocession policy and solvency.

The Swiss insurance supervision is based on the Insurance Supervision Act, as amended, which entered into force on January 1, 2006, and secondary legislation, the SPICO. The Insurance Supervision Act and the SPICO extended the scope of prudential supervision to pure reinsurance companies and introduced supplementary group supervision of insurance groups and financial conglomerates.

Reinsurance companies are required to maintain a minimum solvency margin ("Solvency I"), which is calculated for the property and casualty business in accordance with the premium and claims index. It is the same formula that is applied to direct insurance companies. The solvency margin for life and health reinsurance is 0.1% of the capital at risk, plus 4% of the mathematical provisions. The supervisory law also determines the admissible capital items to cover the solvency requirement (available solvency margin).

As a financial conglomerate, we are also subject to supplementary group supervision in Europe. This includes a group-wide consolidated solvency calculation, and reporting requirements relating to intra-group transactions and risk concentration. The Swiss regime of supplementary group supervision is equivalent with the rules set out in the EU Financial Conglomerate Directive. This enables FINMA to assume the lead regulator function in exercising its supplementary group supervision in Europe over us. Additionally, co-ordination among supervisory authorities is taking place in the context of Supervisory Colleges and information exchange pursuant to Memoranda of Understanding that have been concluded between the Swiss and the EU (and other) regulatory authorities. Applicable law also contains rules on corporate governance and internal risk management. It requires each insurance company (including pure reinsurers) to designate a responsible actuary to review its technical provisions and solvency margin in compliance with the prudential requirements. In contrast to primary insurance, reinsurance is not subject to the provisions governing the investments that cover technical provisions.

In addition to the minimum Solvency I solvency requirement, the Insurance Supervision Act introduced an RBC requirement: the SST. The SST also applies to reinsurance companies, and in the case of SRZ applies to all of its legal entities domiciled in Switzerland and to the Swiss Re Group, as SRL, SRZ's parent company, is domiciled in Switzerland.

The SST distinguishes between risk-bearing capital (available capital) and target capital (required capital). The calculation of the target capital requirement is based on both insurance and financial risks. Reinsurance (or retrocession) is fully deductible from target capital. The credit risk related to reinsurance recoverables is part of the target capital calculation. Diversification effects at group level can be taken into account at legal entity level upon request to FINMA. We determine target capital on the basis of our internal risk model. A feature of the SST is that all assets and liabilities are valued on a market-consistent basis that should be compatible with emerging international accounting standards. The market-consistent value of technical provisions is defined as the discounted best estimate plus the market value margin. The market value margin is approximated by using a cost of capital approach. This is defined as the cost of the present value of the future solvency capital, which will be necessary to back the entire existing portfolio of liabilities during the run-off period.

Although equivalence status review is not expected to be completed by the European Commission until the first half of 2013, the risk-based solvency regime of the SST is expected to anticipate much of the Solvency II framework that is currently being developed in the European Union and as noted above applies to our EU-domiciled entities. As of January 1, 2011, companies subject to the SST are required to meet the SST capital adequacy requirements.

The SST is coupled with comprehensive risk reporting duties. SST reports are intended to cover the information necessary for FINMA to assess the capital adequacy and risk position of a subject company. Reports are submitted to FINMA on a semi-annual basis in the case of insurance groups (the report as of January 1 is due by April 30 and the report as of July 1 is due by September 30, each year), and on an annual basis in the case of entity (solo) reporting (the report as of January 1 is due by April 30). Currently, companies subject to SST reporting are not subject to specific public disclosure requirements in respect of their SST ratios.

The SST assesses financial security of subject companies based on the risks to which they are exposed and if risk-bearing capital is less than target capital, a subject company likely has insufficient risk-bearing capital to be able to bear the average losses for a one in a hundred year loss event. In such a case the subject company must either reduce its risk exposure or ensure that it has more risk-bearing capital.

- If the SST ratio falls below the 100% threshold, a plan of activities must be presented and implemented, and specific decisions, such as paying dividends, capital repayments, voluntary repayments of loans, intra-group transactions and other similar transactions, must be presented in advance to FINMA for approval. In this range, there is an increased risk due to the solvency situation and FINMA will intensify the dialogue to mitigate the risk. FINMA may also order audits, demand that key indicators be observed intra-year and reported to FINMA and order supplementary scenario analyses.

- If the SST ratio falls below 80%, the subject company must prepare a restructuring plan that returns the company to above 80% within two years and to above 100% within three years. FINMA can also order the preparation of an extraordinary liquidity plan, subject risky new business and renewals to approval, prohibit new and renewal business, prohibit risky and complex translations, order organizational changes and order more in-depth controls, monitoring, reporting and audits.

- If the SST ratio falls below 33%, FINMA can revoke a subject company's license.

The target amounts of the various thresholds are established in the assessment of the SST reports and are binding until completion of the assessment of the next SST report. In certain extraordinary circumstances, FINMA can order the performance of a sub-annual assessment and, as applicable, re-estimate target capital.

As of January 1, 2012, our SST ratio was 226% (July 1, 2011: 227%). The SST ratio is a function of available and required capital based on an economic valuation of assets and liabilities with an integrated forward-looking assessment of underwriting, financial market and credit risk and, therefore, SRZ's SST ratio could fluctuate from reporting date to reporting date, and such fluctuations could be significant. See "Cautionary Note on Forward-Looking Statements." Among other things, SRZ's SST ratio as of January 1, 2012 was impacted by the Carve-out Transactions.

United States

The regulation of insurance and reinsurance companies in the United States is primarily carried out within comprehensive state law regulatory frameworks. However, regulatory reforms prompted by the financial crisis introduced an overlay of a framework for regulation of the insurance industry, in addition to ad hoc, issue-specific federal regulation of insurance and reinsurance.

The Dodd-Frank Act introduced regulation covering systemic risk, resolution authority, executive compensation, rating agencies and other matters. Among other new regulatory bodies, the Dodd-Frank Act established the FSOC and the FIO.

The FSOC was created to identify risks to the financial stability of the United States, promote market discipline and respond to any emerging threats to the stability of the United States financial markets. Among its other powers, the FSOC has the authority to designate a non-bank financial company as "systemically important," which carries far reaching consequences for such company's business, operations and financial condition. The FSOC will be making its determinations of which, if any, firms are systemically important based on whether a firm's material financial distress, or nature, scope, size, scale, concentration, interconnectedness or mix of activities, or failure could pose a threat to the financial stability of the United States (which could potentially include insurance companies). Being designated as systemically important results in a firm being subject to the supervision by the Federal Reserve, including being subject to prudential standards developed by the Federal Reserve. The Federal Reserve issued a proposed rule in December 2011 that would apply capital and liquidity requirements, single-counterparty credit limits, and stress testing and risk management requirements to systemically important companies, and subject such companies to an early remediation regime based on these requirements but noted that they may tailor the application of the proposed rule to the particular attributes of systemically important nonbank financial companies on an individual basis or by category. Additionally, non-bank financial companies supervised by the Federal Reserve could be subject to the so-called Volcker Rule, which, with respect to such companies, would result in the imposition of additional capital requirements and additional quantitative limits with respect to proprietary trading and specified relationships with hedge funds

and private equity funds. Further, a systemically important company will be required to prepare a so-called "living will," or contingency plan, for resolving its affairs under the U.S. Bankruptcy Code in the event that it experiences material financial distress. Systemically important companies will also be subject to post-event assessments imposed by the Federal Deposit Insurance Corporation to recoup the costs associated with the orderly liquidation of other systemically important firms in the event one or more such firm fails.

The FIO is charged with monitoring the insurance industry, coordinating federal policy on international insurance matters, identifying gaps in insurance regulation that could contribute to a systemic crisis, recommending to the FSOC that an insurer be supervised as a non-bank financial company by the Federal Reserve, and determining which state insurance laws are pre-empted by U.S. government international agreements on the insurance sector. As mandated under the Dodd-Frank Act, the FIO is expected to release a report that will address modernization of the insurance industry.

Finally, the Dodd-Frank Act may also affect our operations in other ways. Certain provisions of the Dodd-Frank Act will require central clearing of, and/or impose new margin and capital requirements on, derivatives transactions, which could increase the costs of our hedging transactions. There could also be possible adverse impacts on the pricing and liquidity of some of the securities in which we invest resulting from the proprietary trading and market making limitations of the Volcker Rule.

Our U.S. reinsurance and insurance subsidiaries are primarily regulated under the insurance statutes (including holding company regulations) of various states. These include the states where our U.S. reinsurance and insurance subsidiaries are domiciled, which include: Connecticut, Indiana, Missouri, New Hampshire, New York, Texas and Vermont; and each state where a subsidiary is licensed to do business. In addition, our business may be subject to the law of states that apply laws extraterritorially, causing reinsurers to meet a state's requirements even when neither the cedent nor reinsurer is domiciled there. Currently, our principal operating subsidiaries are generally licensed, approved or accredited reinsurers, or are otherwise permitted to sell reinsurance in all fifty states, the District of Columbia and Puerto Rico, although this does vary by subsidiary.

State regulation generally has its source in laws that delegate regulatory, supervisory and administrative authority to a department of insurance in each state. State regulatory authorities monitor compliance with, and periodically conduct examinations regarding, state mandated standards, such as solvency, licensing requirements, investment limitations, restrictions on the size of risks that may be insured or reinsured, deposits of securities for the benefit of reinsureds, methods of accounting, and reserves for unearned premiums, losses and other purposes. In the case of reinsurance, these regulations are for the protection of reinsureds and, ultimately, their policyholders, rather than security holders. In the case of direct insurance, the states' regulatory schemes also extend to policy form approval and market conduct regulation, including the use of credit information in underwriting and other underwriting and claims practices. In addition, state legislators and officials across the country are becoming more comfortable with the ideal of modernizing regulation and letting competition determine rates by enacting various competitive rate making laws, which allow insurers to set premium rate for certain classes of insurance without obtaining the prior approval of the state insurance department. While reinsurers are generally regulated in a similar manner and to a similar extent as primary insurers, they are not subject to market conduct, policy form or rate regulations. State insurance departments also conduct periodic examination of the affairs of authorized insurance companies and require the filing of annual and other reports relating to the financial condition of companies and other matters. Further, some state insurance departments also cooperate with other countries with respect to regulation and regulatory enforcement. For example, the State of New York has signed Memoranda of Understanding with various foreign regulatory authorities, including, among others, Switzerland, China, Bermuda, France, the United Kingdom and Germany.

Holding Company Regulation. Regulations vary from state to state, but generally require insurance holding companies and insurers and reinsurers that are subsidiaries of holding companies to register and file with state regulatory authorities certain reports including information concerning capital structure, ownership, financial condition, certain intercompany transactions and general business operations. Certain holding company transactions, including extraordinary dividending, require the domiciliary regulator's approval. In addition, under the terms of applicable state statutes, any person or entity desiring to obtain beneficial ownership of 10% (with certain limited exceptions) or more of our outstanding voting securities is required to obtain prior regulatory approval for such purchase.

Guaranty Fund Assessments. All states require licensed insurers to participate in various forms of guaranty associations in order to bear a portion of the loss suffered by certain insureds caused by the insolvency of other insurers. Depending upon state law, primary insurers can be assessed a percentage of the annual direct

premiums written for the relevant lines of insurance in that state to pay the claims of an insolvent insurer. Most of these assessments are recoverable through premium rates, premium tax credits or policy surcharges.

Involuntary Pools. Our primary insurance subsidiaries are also required to participate in various involuntary assigned risk pools or other residual market mechanisms, principally involving workers' compensation and automobile insurance, which provide various insurance coverages to individuals or other entities that otherwise are unable to purchase such coverage in the voluntary market. Participation in these pools in most states is generally in proportion to voluntary writings of related lines of direct business in that state.

Risk-Based Capital. U.S. insurers are subject to RBC guidelines that provide a method to measure the total adjusted capital (statutory capital and surplus plus/minus other adjustments) of insurance companies taking into account the risk characteristics of the company's investments and products. The RBC formulas are designed to measure the accuracy of an insurer's statutory surplus in relation to the risks inherent in its business. RBC is only one of many tools U.S. regulators use to review and measure the financial strength of the insurance industry. The RBC formulas establish capital requirements for a number of categories of risk, the largest being: asset risk, insurance risk, interest rate risk and business risk. For each category, the capital requirement is determined by applying factors to asset, premium and reserve items, with higher factors applied to items with greater underlying risk and lower factors for less risky items. Insurers that have less statutory capital than the RBC calculation requires are considered to have inadequate capital and are subject to varying degrees of regulatory action depending upon the level of capital inadequacy.

The RBC formulas and related ratio outputs were not designed to be used as a comparative measure of financial strength between different companies because of the different risk profile and/or capital provisions of each company. Our U.S. insurance subsidiaries have satisfied the RBC formula since it was created in the mid-1990s and have exceeded all recognized industry solvency standards. As of December 31, 2011, all of our U.S. insurance subsidiaries are expected to have adjusted capital in excess of amounts requiring regulatory and/or company action.

National Association of Insurance Commissions (NAIC) Ratios. The NAIC Insurance Regulatory Information System, or IRIS, was developed to help state regulators identify companies that may require special attention. The IRIS system is comprised of statistical and analytical phases consisting of key financial ratios whereby financial examiners review annual statutory basis statements and financial ratios. Each ratio has an established "usual range" of results and assists state insurance departments in executing their statutory mandate to oversee the financial condition of insurance companies. A ratio result falling outside the usual range of IRIS ratios is not considered a failing result; rather unusual values are viewed as part of the regulatory early monitoring system. Furthermore, in some years, it may not be unusual for financially sound companies to have several ratios with results outside the usual ranges. An insurance company may fall out of the usual range for one or more ratios because of specific transactions that are in themselves immaterial. Generally, an insurance company will be notified of regulatory concerns and may be subject to regulatory action if it falls outside the usual ranges of four or more of the ratios.

NAIC Solvency Modernization Initiative (SMI). Independently of the financial crisis, the NAIC has adopted a long-term work plan to reform the U.S. solvency framework, which is expected to be completed by the end of 2012. The effort is focused on capital requirements, international accounting, group supervision, valuation issues, and reinsurance regulation. The compiled principles of the plan are intended to facilitate dialogues with foreign insurance regulators and to reconcile U.S. solvency principles with the solvency schemes of foreign jurisdictions.

Surplus Lines Regulation. Swiss Re has a number of subsidiaries that write surplus lines business in the United States. The regulation of excess surplus lines insurers differs significantly from the regulation of licensed or authorized insurers. The regulations governing the surplus lines market have been designed to facilitate the procurement of coverage through specially licensed surplus lines brokers for hard-to-place risks that do not fit standard underwriting criteria and are otherwise eligible to be written on a surplus lines basis. In particular, surplus lines regulation generally provides for more flexible rules relating to insurance rates and forms. However, strict regulations apply to surplus lines placements under the laws of every state, and state insurance regulations generally require that a risk be declined by three licensed insurers before it may be placed in the surplus lines market. Initial eligibility requirements and annual re-qualification standards and filing obligations must also be met. In most states, surplus lines brokers are responsible for collecting and remitting the surplus lines tax payable to the state where the risk is located.

The regulation of surplus lines business has recently undergone certain changes. The Nonadmitted and Reinsurance Reform Act of 2010 (the "Nonadmitted Act"), which came into effect on July 21, 2011, preempts certain state surplus line laws but also maintains state insurance regulation of surplus lines transactions. Among other things, the Nonadmitted Act streamlines and simplifies the reporting, payment and allocation of premium taxes by providing that only the insured's home state may require payment of premium taxes for surplus lines insurance and permits the states to develop an interstate compact to provide for allocation and remittance procedures for these taxes. The Nonadmitted Act also provides that surplus lines insurance will be subject solely to the regulatory requirements of the insured's home state (except for workers' compensation coverage). States are in the process of implementing the Nonadmitted Act through changes to their regulation of surplus lines.

Further federal and/or state measures may be introduced and promulgated that would result in increased oversight and regulation of surplus lines insurance, or states may sign onto an interstate compact to coordinate their approaches to surplus lines insurance. The Nonadmitted Act likely negates the state insurance regulators' ability to impose premium taxes other than in compliance with the Nonadmitted Act; however, any increase in our regulatory burden may impact our operations and ultimately could impact our financial condition as well.

Federal Initiatives. Although U.S. state regulation is the primary form of regulation of insurance and reinsurance, Congress has considered over the past few years various proposals relating to potential surplus lines regulation, reinsurance regulation, the creation of an optional federal charter and changes to taxation of reinsurance premiums paid to affiliates with respect to U.S. risks. Some lawmakers in Congress have also discussed the possibility of federal regulation of some lines of insurance, such as reinsurance. The activities of the FIO may provide an impetus for the federalization of some aspects of insurance regulation in the United States.

Although we are unable to predict what new laws will be proposed and passed by Congress, whether any such proposed laws will be signed into law by the President of the United States, or the form in which any such laws would be implemented by regulation, we believe it is more likely than not that Congress will adopt new laws, with respect to insurers and insurance, and we anticipate that these developments will impact our operations and also could impact our financial condition.

Foreign reinsurers and insurers minimize required capital by reinsuring risks with offshore affiliates and then deducting repatriated premiums from their taxable income. H.R. 3157 (and the companion S. 1693), which was introduced in Congress in October 2011 (following a similar bill in 2009), seeks to disallow the tax deduction for premiums repatriated by foreign insurers and reinsurers, which would raise the effective tax on such premiums. A similar assumption was included into the President's fiscal year 2011 and 2012 budget proposals.

The Terrorism Risk Insurance Act of 2002 ("TRIA") established a program under which the federal government will share with the insurance industry the risk of loss arising from certain kinds of terrorist attacks. TRIA was originally scheduled to expire in 2005, and although there was substantial uncertainty as to whether Congress would extend the program beyond its scheduled expiration, the Terrorism Risk Insurance Extension Act of 2005 ("TRIA Extension") was signed into law on December 22, 2005 extending TRIA, with some amendments, through December 31, 2007. On December 26, 2007, the TRIA was extended again under the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") for an additional seven years (to December 31, 2014). This legislation imposes a deductible upon insurers that must be satisfied before federal assistance is triggered and also contains a coinsurance feature. The deductible, which has increased each year of the program, is based on a percentage of direct earned premiums for commercial insurance lines from the previous calendar year. The federal program covers 90% of losses in excess of the applicable deductible, while the insurance company retains the remaining 10%. The program imposes an annual cap of $100 billion on covered losses. Participation in the program for commercial property and casualty insurers is mandatory.

Several provisions of TRIA were changed by the TRIA Extension in 2005, many of which remain unchanged by the TRIPRA, including: increases in the individual company deductible to 17.5% in 2006 and 20% in 2007; reduction in the federal share of compensation in excess of a company's deductible to 85% in 2007; and the addition of a requirement that aggregate industry insured losses resulting from a certified act of terrorism after March 31, 2006 exceed $50 million in 2006 and $100 million in 2007 in order to trigger federal participation in excess of a company's deductible. The TRIA Extension requires the President's Working Group on Financial Markets to study long-term availability and affordability of coverage for terrorism losses, including group life and nuclear, biological, chemical and radiological events ("NBCR") and in consultation with industry, the NAIC and policyholders, submit a report of its findings to the House Financial Services and Senate Banking

Committees. The provisions of the TRIA that were changed by the TRIPRA include: the incorporation of domestic acts in the definition of "Act of Terrorism"; mandating the Treasury Secretary to collect premiums in any amount equal to 133% of any mandatory recoupment amount; the acceleration of mandatory recoupment surcharges and to issue regulations for determining the pro rata share of insured losses when they exceed $100 billion. The TRIPRA also requires the Comptroller General to provide reports and give recommendations on the availability and affordability of insurance for NBCR. On December 14, 2009, the U.S. Department of Treasury issued final rules which govern how it will calculate the amounts to be recouped from insurers and how it will pro-rate insured losses when the aggregate insured losses exceed the annual liability cap. While the legislation provides the property and casualty sector with an increased ability to withstand the effects of potential terrorist events, companies could, nevertheless, still be materially adversely impacted. Terrorist attacks are unpredictable as to the nature, severity or frequency of such potential events. Terrorist attacks also are correlated with other financial risks such as the risk of a swift and significant stock market decline.

There is no assurance that TRIPRA will be extended beyond 2014. Because terrorism risk lacks several basic requirements of insurability, a permanent federal terrorism risk backstop has been advocated to reduce the risk of market disruption from terrorism. International coordination and cooperation in undertaking such efforts will be crucial, despite this being a U.S.-based initiative.

Natural catastrophes in the United States have focused legislative and industry attention on how to best finance natural catastrophe risk in the future. In early 2007, Florida enacted legislation that expanded the government-run insurer and reinsurance fund (Florida Hurricane Catastrophe Fund) substantially crowding out the insurance and reinsurance market. Other Gulf states, including Louisiana and South Carolina, have considered what action to take to protect their residents. Some insurers and government officials have requested that the federal government create a national fund to provide coverage for all types of natural disasters. Various bills are typically introduced in every session of Congress that would address natural catastrophes. In the current 112th Congress, for example, a Homeowners' Defense Act of 2011 (H.R. 2582) would establish a National Catastrophe Risk Consortium ("Consortium"), a non-profit entity, that would, among other things, maintain an inventory of catastrophe risk obligations held by state reinsurance funds and other state sponsored entities and issue on a conduit basis securities linked to catastrophe risks insured or reinsured through its members. It would also authorize the U.S. Treasury to guarantee holders of debt issued by state catastrophe insurance programs against losses, establish a Federal Natural Catastrophe Reinsurance Fund and coordinate reinsurance contracts between participating members of the Consortium and private parties.

There is significant industry opposition to the creation of such government funds and programs, for natural catastrophes, as many interested parties believe that the private market can adequately handle natural catastrophe risk if free market principles are allowed to operate. Governments appear more hesitant, to assume contingent liabilities, following the financial crisis.

United Kingdom

Our UK subsidiaries are subject to regulation and supervision under the Financial Services and Markets Act 2000 ("FSMA"), its implementing regulations and the powers delegated to the Financial Services Authority (the "FSA"). Under FSMA, there is a single regime for the regulation of financial services in the United Kingdom and sole regulatory authority is vested in the FSA. The statutory objectives of the FSA are: market confidence, public awareness, the protection of consumers, and the reduction of financial crime.

Subject to the exemptions ordered under FSMA, no person may carry out regulated activities in the United Kingdom without authorization by the FSA. Regulated activities include effecting and carrying out contracts of insurance. The activities a company is permitted to undertake are normally specified in a permission ("Permission") that is granted if certain threshold conditions in the FSA Authorization Manual are satisfied. The grant of the Permission delivers authorization. Our active UK subsidiaries hold Permissions for life insurance and for investment business. These are specified by company in the FSA Register on the FSA website. Our reinsurance and wholesale non-life insurance business is now carried on by UK branches of our Luxembourg-regulated carriers, which we discuss further below.

Under the FSMA the directors and senior management of a company are required to satisfy "fit and proper" tests, to set up and operate appropriate systems and controls. In addition, they are also otherwise subject to over-arching principles applicable to the company and to designated Approved Persons (those who are individually and personally responsible for defined areas of functional accountability) (the "Approved Persons regime"). The principles include integrity; skill, care and diligence; the need to ensure adequate capital resources and an effective risk management system.

Regulated companies are further subject to the rules and guidance set out in a series of Prudential Sourcebooks issued by the FSA. The Prudential Sourcebooks set out a framework for the calculation of adequacy of financial resources and the proper management of categories of risk including credit, market, liquidity, operational, insurance and group risk.

Adequacy of financial resources is judged by the FSA according to various tests. The requirements of the FSA exceed the Minimum Capital Requirement for life and health ("MCR") prescribed under EU rules both in terms of amount and sophistication. The Enhanced Capital Requirement for property and casualty ("ECR") is derived from a risk-based but formula-driven approach. The ECR calculation is supplemented by a principles-driven Individual Capital Assessment conducted on a regulated basis. This aims to achieve that companies hold capital appropriate to their business and control risks and is intended to incentivize better risk management. Regulated companies are required to have systems and procedures for assessing the adequacy of capital resources and for determining the appropriate level of financial resources, to identify the major sources of risk in each of the categories described in the Prudential Source books (underwriting, operational, liquidity, market, group, credit) and any other risk, and for each of the major sources of risk, to carry out stress tests and scenario analyzes justified as appropriate to the company as regards the sources of risk. Specific guidance is provided on basic approaches but on an explicitly non mandatory basis: the approach can be tailored differently, provided justified. Economic capital models of greater sophistication will be considered and evaluated in terms of their robustness but also in terms of their appropriate integration into a valuable surrounding control environment.

On the available asset side regulated companies can diverge from admissibility rules for MCR/ECR and accounting standards provided the appropriateness is supported. Technical provisions can be discounted and equalization provisions may be extinguished as appropriate.

The analysis by the company is subjected to supervisory review, which includes visits and inspections assessing control risks. The FSA then issues Individual Capital Guidance ("ICG"). The FSA has completed its first annual process of reviewing individual submissions and has issued sectoral guidance after subjecting them to consistency analysis. The FSA anticipates a certain observation period and as such is likely to be cautious in issuing ICG below ECR unless clearly justified.

Regulated companies are supervised under a regular and exception reporting framework as well as by periodic visits (Arrow Visits). Under FSMA reinsurance and insurance companies are required to file with the FSA an independently audited financial statement, and other prescribed documents. The local regulated company is required to notify the FSA of any changes in "closely linked" companies as well as change of "controllers" and to review risks deriving from reliance on its parent group company – both as a matter of credit risk as well as risks affecting the parent group company as such (group risk). The FSA enjoys very substantial powers of enforcement against firms and individuals concerning both prudential and conduct of business rules breaches.

In the aftermath of the financial crisis, the FSA has been considering whether and how any changes in its approach to supervision of banks should apply to insurers. Some changes have already been evident with respect to insurers. The FSA's supervisory approach has become more intensive with greater challenge to management about the outcomes of management decisions. In addition, stress testing was already used for insurers but, effective December 2010, a new stress test, a 'test to destruction' was added to the FSA requirements for insurers. There has also been a strengthening in the FSA's application of the Approved Persons regime, by extending the range of roles covered to ensure that those persons who are likely to exert a significant influence on a firm fall within the scope of the Approved Persons regime.

In particular, the FSA has

- extended the scope and application of the director and non-executive director controlled function requirements to include those persons employed by an unregulated (non-EU and non-EEA) parent undertaking or holding company, whose decisions or actions are regularly taken into account by the governing body of a regulated firm;
- extended the definition of the significant management controlled function (CF29) to include all proprietary traders who are not senior managers but who are likely to exert significant influence on a firm; and
- amended the application of the Approved Persons regime to UK branches of overseas firms based outside the EEA.

Other issues identified with respect to the banking sector may also influence future insurance supervision but will probably be dealt with under Solvency II. These include risk management and governance improvements, the approach to multinational groups, the use of explicitly counter-cyclical reserves or capital requirements, quality of capital and increased regulatory focus on liquidity.

Luxembourg

As of January 1, 2008, we have both a reinsurance carrier and a direct non-life insurance carrier, each based in Luxembourg (Swiss Re Europe S.A. and Swiss Re International SE) with branches across Europe. During 2008 and 2009, business from a number of entities and branches in Ireland, the United Kingdom, the Netherlands, Denmark, France, Germany, Italy and Spain was integrated into the new Luxembourg carriers. Certain of our EU and other European business not currently included in our EU branches or legal entities will continue to be written by our Zurich carriers.

In Luxembourg, reinsurance companies have been subject to prudential supervision by the Commissariat aux Assurances ("CAA"). The Law of 1991 required the establishment of adequate technical provisions (including equalization provisions) plus a solvency margin in line with EU principles. The implementation of the EU Reinsurance Directive by the Law of December 9, 2007 did not fundamentally change the existing supervisory framework in Luxembourg, although certain amendments were necessary. The amended law is accompanied by several Grand Ducal regulations. The Grand Ducal regulation of December 5, 2007 specifies the conditions for the license and exercise of reinsurance undertakings (the "Reinsurance Regulation"). The Luxembourg law does not impose quantitative limitations for the assets covering the technical provisions and contains a definition of finite reinsurance but does not provide specific rules for finite reinsurance contracts. According to article 17 of the Reinsurance Regulation, claims against reinsurers arising from reinsurance operations concluded with third country reinsurers are admitted for the coverage of the technical provisions of a Luxembourg cedent company provided the third country reinsurer is authorized to carry out reinsurance operations by its home country regulator and if that country's supervisory system is compatible with international standards. This is the case for Swiss-based reinsurers supervised by FINMA vis-à-vis the CAA. The coverage of technical provisions of a Luxembourg insurance undertaking by claims against third country reinsurers requires the approval of the CAA. The timely implementation of the EU Reinsurance Directive in Luxembourg was important to allow us to complete the restructuring of our European legal entity structure, notably to perform the business transfers from existing group subsidiaries to Swiss Re Europe S.A. (Luxembourg). As an incorporated and licensed reinsurance company, Swiss Re Europe S.A. fully benefits from the EU passport principle – the freedom to conduct cross-border business or to establish branches in all EEA member states under the home country control of the CAA.

Other Regulation

Certain other entities through which we conduct non-insurance business are regulated under the applicable financial services regulations in their respective jurisdictions. Swiss Re Capital Markets Limited, located in London, England, is a company authorized and regulated in the conduct of its investment business in the United Kingdom by the FSA and is entered in the FSA's Register. Swiss Re Capital Markets Corporation, located in New York City, is a member of the Financial Industry Regulatory Authority ("FINRA") in the United States and the Securities Investor Protection Corporation, and is regulated by FINRA.

As we move into new and emerging markets we will continue to monitor local regulatory requirements and will take the necessary steps to comply.

Certain Information about the Issuer

Name, Incorporation, Registered Office, Duration, Purpose and Registration

SRZ (Schweizerische Rückversicherungs-Gesellschaft AG, Compagnie Suisse de Réassurances SA, Compagnia Svizzera di Riassicurazioni SA, Compañia Suiza de Reaseguros S.A.) was incorporated on December 19, 1863 for an unlimited duration as a stock corporation (*Aktiengesellschaft*) under Swiss law. The object of SRZ according to Article 2 of SRZ's Articles of Association is to transact any kind of reinsurance business and to provide related services. SRZ may also participate in other enterprises, in particular in insurance companies. Its registered office and the principal executive offices are located at Mythenquai 60, 8002 Zurich, Switzerland. Its telephone number is +41 43 285 2121. SRZ has been entered in the Canton of Zurich Commercial Register since May 1, 1883, and as of today has the firm number CH-020-3-923-568-5. (The Canton of Zurich Commercial Register has been in existence since 1883.) Its Articles of Association were last amended on March 19, 2012. Statutory publications of SRZ are made in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*).

SRZ is a wholly owned subsidiary of SRL. The rights of SRL as shareholder of SRZ are set forth in SRZ's Articles of Association, and SRZ is managed in accordance with its Articles of Association and bylaws.

Share Capital Structure

Issued Share Capital. SRZ's issued share capital, as registered with the Canton of Zurich Commercial Register on June 12, 2012, is CHF 34,405,256.50 divided into 344,052,565 fully paid-in registered shares (each with a nominal value of CHF 0.10). There are no additional types of shares with a higher or limited voting power, privileged dividend entitlement or any other preferential rights, nor are there any other securities representing a part of SRZ's share capital. SRZ's capital structure ensures equal treatment of all shareholders in accordance with the principle of "one share/one vote." All issued shares are fully paid and validly created under Swiss law.

Conditional Share Capital. Article 3a of SRZ's Articles of Association provides for a capital increase from conditional capital limited to a share capital increase not exceeding CHF 5,000,000 by issuing a maximum of 50,000,000 registered shares, payable in full, each with a nominal value of CHF 0.10, through the exercise of conversion rights and warrants granted in connection with bonds or similar instruments issued by SRZ or group companies. Existing shareholders' subscription rights *(Bezugsrechte)* are excluded. The then current holders of the conversion and/or option rights granted in connection with Equity-Linked Financing Instruments (as defined in SRZ's Articles of Association) will be entitled to subscribe for the new registered shares. Furthermore,

- Existing shareholders' advance subscription rights *(Vorwegzeichnungsrechte)* with regard to these Equity-Linked Financing Instruments may be restricted or excluded by decision of the Board of Directors (subject to the limitations set forth in the last bullet below) in order to issue Equity-Linked Financing Instruments (i) on national and/or international capital markets (including by way of private placements to one or more selected strategic investors), and/or (ii) to finance or re-finance the acquisition of companies, parts of companies, equity stakes (participations) or new investments planned by SRZ and/or group companies.

- If advance subscription rights *(Vorwegzeichnungsrechte)* are excluded, then (i) the Equity-Linked Financing Instruments are to be placed at market conditions, (ii) the exercise period is not to exceed ten years for option rights and twenty years for conversion rights, and (iii) the conversion or exercise price for the new registered shares is to be set at least in line with the market conditions prevailing at the date on which the Equity-Linked Financing Instruments are issued.

- The acquisition of registered shares through the exercise of conversion or option rights and any further transfers of registered shares shall be subject to the restrictions specified in Article 5 of SRZ's Articles of Association.

- The total of shares issued from (i) authorized capital according to Article 3b of the Articles of Association where the existing shareholders' subscription rights *(Bezugsrechte)* were excluded, and (ii) shares issued from conditional capital according to Article 3a of the Articles of Association where the existing shareholders' advance subscription rights (*Vorwegzeichnungsrechte)* on the Equity-

Linked Financing instruments were excluded, may not exceed 74,140,927 shares up to April 15, 2013.

Authorized Share Capital. Article 3b of SRZ's Articles of Association provides for a capital increase from authorized capital at any time up to April 15, 2013 by a maximum amount not exceeding CHF 8,500,000 through the issue of up to 85,000,000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non-exercised subscription rights *(Bezugsrechte)* will be determined by the Board of Directors. Furthermore:

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

- With respect to a maximum of CHF 3,500,000 through the issue of up to 35,000,000 registered shares, payable in full, each with a nominal value of CHF 0.10 out of the total amount of authorized capital, the Board of Directors may (subject to the limitations set forth in the last bullet below) exclude or restrict the subscription rights *(Bezugsrechte)* of the existing shareholders for the use of shares in connection with (i) mergers, acquisitions (including takeover) of companies, parts of companies or holdings, equity stakes (participations) or new investments planned by SRZ and/or group companies, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities, and/or (ii) improving the regulatory capital position of SRZ or group companies in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so (including by way of private placements).

- The subscription and acquisition of the new registered shares, as well as each subsequent transfer of the registered shares, will be subject to the restrictions specified in Article 5 of SRZ's Articles of Association.

- The total of registered shares issued from (i) authorized capital according to Article 3b of the Articles of Association where the existing shareholders' subscription rights *(Bezugsrechte)* were excluded, and (ii) shares issued from conditional capital according to Article 3a of the Articles of Association where the existing shareholders' advance subscription rights *(Vorwegzeichnungsrechte)* on the Equity-Linked Financing Instruments (as defined in SRZ's Articles of Association) were excluded, may not, in the aggregate, exceed 74,140,927 shares up to April 15, 2013.

The SRZ Shares

The SRZ Shares are registered shares with a nominal value of CHF 0.10 each.

The SRZ Shares are dematerialized securities (*Wertrechte*, within the meaning of the Swiss Federal Code of Obligations) and intermediated securities (*Bucheffekten*, within the meaning of the FISA).

Shareholders have no right to request that certificates be provided for registered shares. Each shareholder may, however, at any time request a written confirmation from SRZ of the registered shares held by such shareholder, as reflected in the share register of SRZ. The SRZ Shares may be transferred by way of book-entry credit to other securities accounts in accordance with the provisions of the FISA. Furnishing of collateral in the SRZ Shares must also conform to the regulations of the FISA; the transfer and furnishing of collateral by assignment is excluded.

The SRZ Shares are freely transferable, without any limitations, provided that the buyers declare that they are the beneficial owners of the SRZ Shares and comply with the disclosure requirements of the SESTA.

Persons who do not declare that they are the beneficial owners of the SRZ Shares held by them ("nominees") are entered without further inquiry in the share register of SRZ as shareholders with voting rights up to a maximum of 2% of the outstanding share capital at the time. Additional SRZ Shares held by such nominees that exceed the limit of 2% of the outstanding share capital are entered in the share register with voting rights only if such nominees disclose the names, addresses and shareholdings of the beneficial owners of

the holdings amounting to or exceeding 0.5% of the outstanding share capital. In addition, such nominees must comply with the disclosure requirements of the SESTA.

Provisions relating to Acquisitions and Contributions in Kind

Articles 26 to 28 of SRZ's Articles of Association provide as follows:

"Art. 26 Acquisition of property

The company intends to acquire, via its subsidiary Swiss Re Life & Health America Inc., based in Stamford, Connecticut, from Lincoln National Corporation, based in Fort Wayne, Indiana, US, and from a number of its affiliates, the reinsurance operations of Lincoln National Corporation, based in Fort Wayne, Indiana, US, in the form of participations in group companies operating in the field of reinsurance as well as reinsurance treaties. The acquisition price will be a maximum of USD 2 000 000 000 – which translates into a maximum price of CHF 3 600 000 000.

Art. 27 Acquisition of property

The company intends to acquire from General Electric Company, based in Fairfield, Connecticut, US, or from companies which it controls, all shares of GE Insurance Solutions Corporation, based in Kansas City, Missouri, US, and all companies which it controls, with the exception of life and health companies in the US, as well as the assets and liabilities of GE Frankona Reassurance Limited, based in London, UK. The price stipulated in the Transaction Agreement of 18 November 2005 between the company and General Electric Company comprises a basic purchase price of USD 6 800 000 000 (approximately CHF 8 800 000 000) which may rise to USD 7 600 000 000 (approximately CHF 9 900 000 000) subject to closing adjustments. Part of the acquisition price will be paid in shares in the company; part will be paid in cash, mandatory convertible securities and debt securities.

Art. 28 Contribution in kind

The company has acquired, in accordance with the contribution in kind agreements of 9 June 2006, a total of 905 common shares, each with a nominal value of USD 5 000, of GE Insurance Solutions Corporation, based in Kansas City, Missouri, US, broken down as follows: 815 common shares of a total value of CHF 2 628 955 946.30 from General Electric Capital Services, Inc, based in Stamford, Connecticut, US; and 90 common shares of a total value of CHF 287 541 867.80 from General Electric Capital Corporation, based in Stamford, Connecticut, US. The acquisition price was paid by assigning to the contributors a total of 33 300 957 fully paid-in registered shares of the company, each with a nominal value of CHF 0.10, of which 30 017 766 shares were assigned to General Electric Capital Services, Inc, and 3 283 191 to General Electric Capital Corporation."

Treasury Shares

As of the date of this Information Memorandum, SRZ holds a total of 26,654,366 SRZ Shares.

Dividends Paid

SRZ paid a cash dividend of CHF 1.0 billion to its shareholder, SRL, on March 26, 2012. In addition, in connection with the Carve-out Transactions, it paid dividends-in-kind in the form of shares of Swiss Re Corporate Solutions and Swiss Re Life Capital Ltd (with a book value in SRZ's statutory accounts for the year ended December 31, 2011 of CHF 5.8 billion). See "Proposal for allocation of disposable profit/loss" in the audited statutory accounts of SRZ as of December 31, 2011 and 2010 and for the years then ended.

On May 23, 2012, Swiss Re Europe Holdings S.A. paid a dividend to SRZ of €1.0 billion, following which on June 27, 2012, SRZ paid an extraordinary dividend to SRL of $1.5 billion ($1.3 billion of which was paid in Swiss francs and the balance of which was paid in U.S. dollars) and the Swiss franc equivalent of $1.3 billion, in turn, was loaned back to SRZ on a demand basis.

Dividends paid per share by SRZ in respect of the five fiscal years preceding the Exchange Offer (in Swiss francs) were:

Fiscal year	Dividend in CHF per SRZ Share
2010	2.75[(a)]
2009	1.00
2008	0.10
2007	4.00
2006	3.40

[(a)] Swiss withholding tax exempt distribution out of legal reserves from capital contributions.

Management/Board of Directors

Board of Directors and Management of SRL

Board of Directors

Under SRL's Articles of Association, the Board of Directors is to consist of at least seven members and the term of a director is three years. Members whose terms expire are immediately eligible for re-election, and re-election is substantiated by the Chairman of the Board of Directors at the Annual General Meeting and is separately voted on.

The Board of Directors of SRL is constituted as follows:

Name	Birth Year	Position	Term Ends In
Walter B. Kielholz	1951	Chairman	2013
Mathis Cabiallavetta	1945	Vice Chairman	2014
Renato Fassbind	1944	Vice Chairman	2014
Jakob Baer	1945	Director	2015
Raymund Breu	1952	Director	2014
Raymond K.F. Ch'ien	1949	Director	2014
John R. Coomber	1962	Director	2015
Rajna Gibson Brandon	1955	Director	2014
Malcolm D. Knight	1944	Director	2013
Hans Ulrich Maerki	1946	Director	2014
Carlos E. Represas	1945	Director	2013
Jean-Pierre Roth	1946	Director	2013
C. Robert Henrikson	1947	Director	2015

The business address of each director is Mythenquai 50/60, 8002 Zurich, Switzerland.

Independence

SRL requires a majority of the Board of Directors to be independent. To be considered independent, a director may not be, and may not have been in the past three years, employed as an executive officer of Swiss Re. In addition, he or she must not have a material relationship with any part of Swiss Re – directly or as a partner, director or shareholder of an organization that has a material relationship with Swiss Re. Based on SRL's independence criteria, all directors qualify as independent.

Information about managerial positions and significant business connections of non-executive directors

All members of the Board of Directors are non-executive. John R. Coomber was Chief Executive Officer of Swiss Re until December 31, 2005. Walter B. Kielholz was Chief Executive Officer of Swiss Re from January 1, 1997 to December 31, 2002. Of the other directors, none has ever held a management position in Swiss Re. No director has any significant business connection with SRL or any of its group companies.

Skills, experience and expertise

The Board of Directors aims to attain among its members the requisite balance of skills, knowledge and tenure for today's business needs. Potential new candidates are assessed against the Board of Directors' approved selection criteria, including integrity, skill, qualifications, experience, communication capabilities and community standing. In addition to their managerial skills and expertise, the directors collectively represent a mix of backgrounds and a mix of experience or expertise in key areas such as accounting, legislation, insurance/reinsurance, finance, risk management and capital markets, thus providing a solid foundation for decision-making. Newly elected directors receive a general introduction to the responsibilities of directors and committee members. In the course of the year, the directors also meet with experts regularly to update and enhance their knowledge on emerging business trends and risks.

Biographical Information

Each of the following directors, other than Renato Fassbind and C. Robert Henrikson, became a director of SRL on February 7, 2011 and also remains a director of SRZ. Renato Fassbind became a director of both SRL and SRZ in April 2011. C. Robert Henrikson became a director of both SRL and SRZ in April 2012.

Walter B. Kielholz, Chairman, non-executive and independent director

Walter B. Kielholz, a Swiss citizen born in 1951, was elected to SRZ's Board of Directors in June 1998. He began his career at the General Reinsurance Corporation, Zurich, in 1976. After working in the United States, United Kingdom and Italy, he assumed responsibility for the company's European marketing. In 1986, he joined Credit Suisse, Zurich, where he was responsible for client relations with large insurance groups in the multinational services department. In 1989, Walter B. Kielholz joined SRZ. He became a member of SRZ's Executive Board in January 1993 and was SRZ's Chief Executive Officer from 1997 to 2002. He was Executive Vice Chairman of SRZ's Board of Directors from 2003 to 2006 and Vice Chairman from 2007 to April 2009. He was nominated Chairman of SRZ's Board of Directors with effect from May 1, 2009.

Walter B. Kielholz has been a member of the board of directors of Credit Suisse Group AG since 1999. He was Chairman of the bank's board of directors from 2003 to 2009. He is chairman of the European Financial Services Roundtable, a member of the International Monetary Conference, and vice chairman of the board of the Institute of International Finance. Walter B. Kielholz is also a member and former chairman of the board of trustees of Avenir Suisse. From 2003 to 2009, he was a member of the board and the committee of economiesuisse. In 2005, he was elected to the Insurance Hall of Fame, which honours individuals who have exercised substantial influence on the insurance industry for the benefit of society. Furthermore, Walter B. Kielholz is chairman of the Zurich Art Society. Walter B. Kielholz studied business administration at the University of St. Gallen and graduated in 1976 with a degree in business finance and accounting.

Mathis Cabiallavetta, Vice Chairman, non-executive and independent director

Mathis Cabiallavetta, a Swiss citizen born in 1945, was elected to SRZ's Board of Directors in 2008 and nominated Vice Chairman as of March 13, 2009. Mathis Cabiallavetta is a member of the boards of Philip Morris International and BlackRock. He is also a member of the executive advisory board of General Atlantic Partners in New York. He was vice chairman of the board of directors of Marsh & McLennan Companies ("MMC") from November 2001 to November 2004. Prior to joining MMC in 1999, Mathis Cabiallavetta was chairman of the board of directors of UBS AG, having held several senior positions in the company from 1971. He became president of the group executive board in 1996 and was elected chairman of UBS AG in 1998. He is a former member of the Bank Council of the Swiss National Bank and a past vice chairman of the board of directors of the Swiss Bankers Association. He was also a member of the committee of the board of directors of the Swiss Stock Exchange and the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York. Mathis Cabiallavetta graduated from the University of Montreal with a bachelor's degree in economics.

Renato Fassbind, Vice Chairman, non-executive and independent director

Renato Fassbind, a Swiss citizen born in 1955, was elected to SRZ's Board of Directors in April 2011. Renato Fassbind was chief financial officer and a member of the executive board of Credit Suisse Group from 2004 to September 2010. Before that, he held the position of chief executive officer of Diethelm Keller Group. From 1997 to 2002, he was chief financial officer, and from 1990 to 1996, head of corporate staff audit, at ABB Ltd. He worked with F. Hoffmann-La Roche AG, Basel, in internal audit from 1984 to 1990 and was appointed head of internal audit in 1988. From 1986 to 1987, he worked with Peat Marwick in New Jersey, United States, as a public accountant. Renato Fassbind also serves on the Boards of Directors of three significant European group companies of SRZ. Renato Fassbind received his certification as a certified public accountant in 1986 in Colorado, United States. He graduated from the University of Zurich in 1982 with a PhD in economics and received an MBA from the University of Zurich in 1979.

Jakob Baer, Non-executive and independent director

Jakob Baer, a Swiss citizen born in 1944, was elected to SRZ's Board of Directors in May 2005. He began his career in the legal department of the Federal Finance Administration. In 1975, he joined Fides Trust Company. Following the successful planning and execution of a management buyout of Fides' advisory business, he became a member of the management board of KPMG Switzerland in 1992. He was appointed

chief executive officer of KPMG Switzerland in 1994 and a member of KPMG's European and international management boards. He retired from KPMG in September 2004, having reached the statutory retirement age. He also serves on the boards of directors of Adecco S.A., Rieter Holding AG, Allreal Holding AG, Barry Callebaut AG and Stäubli Holding AG. Jakob Baer became an attorney-at-law in 1971 and graduated from the University of Bern in 1973 with a doctorate in law.

Raymund Breu, Non-executive and independent director

Raymund Breu, a Swiss citizen born in 1945, was elected to SRZ's Board of Directors in 2003. He was chief financial officer of the Novartis Group and a member of that company's executive committee from December 1996, when Novartis was created, until January 2010. He joined the group treasury of Sandoz, a predecessor company of Novartis, in 1975. Ten years later, he was appointed chief financial officer of Sandoz Corporation in New York. In 1990, he became group treasurer of Sandoz Ltd and, in 1993, head of group finance and a member of the Sandoz executive board. Raymund Breu also serves as a director of Nobel Biocare Holding AG and on the Swiss Takeover Board. Raymund Breu graduated from the Swiss Federal Institute of Technology (ETH) in Zurich with a doctorate in mathematics.

Raymond K. F. Ch'ien, Non-executive and independent director

Raymond K. F. Ch'ien, a Chinese citizen born in 1952, was elected to SRZ's Board of Directors in April 2008. Raymond K. F. Ch'ien was chairman of CDC Corporation from 1999 to 2011. He served as chief executive officer of the company in 2005 and as acting chief executive officer in 2004. From 1984 to 1997, he was group managing director of Lam Soon Hong Kong Group. Raymond K. F. Ch'ien also serves as chairman of the boards of directors of MTR Corporation Limited and Hang Seng Bank Limited. He is also a member of the board of directors of the Hong Kong and Shanghai Banking Corporation Limited, Convenience Retail Asia Limited, China Resources Power Holdings Company Limited, The Wharf (Holdings) Limited, and the Hong Kong Mercantile Exchange. In addition, Raymond K. F. Ch'ien holds positions in several public service institutions. He is chairman of the Hong Kong/European Union Business Cooperation committee, honorary president of the Federation of Hong Kong Industries, and a member of the standing committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. He became a trustee of the University of Pennsylvania in 2006. Raymond K. F. Ch'ien studied at Rockford College and the University of Pennsylvania, graduating with a PhD in economics in 1978.

John R. Coomber, Non-executive and independent director

John R. Coomber, a British citizen born in 1949, was elected to SRZ's Board of Directors in February 2006. John R. Coomber started his career with the Phoenix Insurance Company. He joined SRZ in 1973. Having qualified as an actuary in 1974, he first specialized in the company's life reinsurance area. He was Swiss Re UK's appointed actuary from 1983 to 1990. In 1987, he assumed responsibility for the Life division and, in 1993, was made Head of the company's UK operations. John R. Coomber was appointed a member of the Executive Committee in April 1995, responsible for the Swiss Re's Life & Health Division. In June 2000, he became a member of SRZ's Executive Committee. He was Chief Executive Officer of Swiss Re from 2003 to 2005, when he retired after 33 years of employment with Swiss Re. John R. Coomber serves as chief executive officer of Pension Insurance Corporation Limited, and is a director of MH (GB) Limited. He is also chairman of ClimateWise, a trustee of The Climate Group, and a member of the Deutsche Bank Climate Advisory Panel. John R. Coomber is an Honorary Fellow of the Chartered Insurance Institute. John R. Coomber graduated in theoretical mechanics from Nottingham University in 1970.

Rajna Gibson Brandon, Non-executive and independent director

Rajna Gibson Brandon, a Swiss citizen born in 1962, was elected to SRZ's Board of Directors in June 2000. Rajna Gibson Brandon is a professor of finance at the University of Geneva and director of the Geneva Finance Research Institute. She was a professor of financial economics at the University of Zurich from 2000 to 2008 and was previously a professor of finance at the University of Lausanne. She is a deputy director of the National Centre of Competence in Research (NCCR) "Financial Valuation and Risk Management" research network, director of research of the Swiss Finance Institute (SFI) and an adviser to scientific councils of various educational institutions. She was a member of the Swiss Federal Banking Commission until the end of 2004. Rajna Gibson Brandon studied business and economics at the University of Geneva, graduating with a BA in 1982 and a PhD in economics and social sciences in 1987.

Malcolm D. Knight, Non-executive and independent director

Malcolm D. Knight, a Canadian citizen born in 1944, was elected to SRZ's Board of Directors in April 2010. Malcolm D. Knight has been a vice chairman of Deutsche Bank since 2008. Concurrently, he is a visiting professor in Finance at the London School of Economics. In addition, he is a trustee of the Per Jacobsson Foundation, chairman of the Board of Patrons of the European Association for Banking and Financial History, and a trustee of the International Valuation Standards Council. Malcolm D. Knight was general manager (CEO) of the Bank for International Settlements from 2003 to 2008. He served as senior deputy governor of the Bank of Canada from 1999 to 2003. From 1975 to 1999, he held senior positions at the International Monetary Fund in both research and operations. Malcolm D. Knight holds an Honours BA in Political Science and Economics from the University of Toronto, and Master of Science (Economics) and PhD degrees from the London School of Economics.

Hans Ulrich Maerki, Non-executive and independent director

Hans Ulrich Maerki, a Swiss citizen born in 1946, was elected to SRZ's Board of Directors in 2007. Hans Ulrich Maerki joined IBM Switzerland in 1973. After some years in the sales area, he was promoted to a number of managerial positions in IBM's Paris European Headquarters as well as in IBM Switzerland. From 1993 to 1995, he led IBM's business in Switzerland as general manager, before moving to IBM Europe in Paris to build the largest IT services business in the market. In August 2001, he was appointed chairman of the board of directors of IBM EMEA. From 2003 to 2005 he was also chief executive officer of IBM EMEA. He retired from IBM after 35 years of service in April 2008. He is a member of the boards of directors of ABB Ltd, Mettler-Toledo International and the Menuhin Festival Gstaad AG. He serves on the foundation board of Schulthess-Klinik in Zurich, on the board of trustees of the Hermitage Museum in St. Petersburg, as well as on the international advisory boards of the Ecole des Hautes Etudes Commerciales (HEC) Paris, the IESE Business School University of Navarra (IESE) and Bocconi University in Milan. He is currently a Senior Fellow of Advanced Leadership at Harvard University. Hans Ulrich Maerki graduated with a master's degree in business administration from the University of Basel in 1972.

Carlos E. Represas, Non-executive and independent director

Carlos E. Represas, a Mexican citizen born in 1945, was elected to SRZ's Board of Directors in April 2010. Carlos E. Represas was chairman of the board of Nestlé Group Mexico from 1983 to 2010. He also serves on the boards of directors of Bombardier Inc. and Merck & Co. Inc., and on the board of the Mexican Health Foundation A.C. Furthermore, he is chairman of the board of trustees of the National Institute of Genomic Medicine, Mexico, president of the Mexico Chapter of the Latin American Chamber of Commerce in Switzerland, and a member of the Latin America Business Council (CEAL). Between 1968 and 2004, Carlos E. Represas held various senior positions at Nestlé in the United States, Latin America and Europe. He was executive vice president and also head of the Americas of Nestlé S.A. from 1994 to 2004. Carlos E. Represas studied economics at the National University of Mexico and industrial economics at the National Polytechnic Institute, Mexico. He completed further studies in the areas of finance, marketing and management in the United States and in Switzerland.

Jean-Pierre Roth, Non-executive and independent director

Jean-Pierre Roth, a Swiss citizen born in 1946, was elected to SRZ's Board of Directors in April 2010, with effect from July 1, 2010. Jean-Pierre Roth is chairman of the board of directors of Geneva Cantonal Bank. In addition, he serves on the boards of directors of Nestlé S.A. and Swatch Group AG. Jean-Pierre Roth was chairman of the governing board of the Swiss National Bank (the "SNB") from January 2001 until December 2009. He joined the SNB in 1979, where he held various senior positions before he was appointed a member of the governing board in 1996. From 2001, he was a member and from 2006 chairman of the board of directors of the Bank for International Settlements, until his retirement from this position in 2009. Jean-Pierre Roth also served as Swiss Governor of the International Monetary Fund from 2001 to 2009 and as a Swiss representative on the Financial Stability Board from 2007 to 2009. Jean-Pierre Roth studied economics at the University of Geneva and graduated from the Graduate Institute of International Studies (Institut Universitaire de Hautes Etudes Internationales) with a PhD in political sciences in 1975.

C. Robert Henrikson, Non-executive and independent director

C. Robert Henrikson, a U.S. citizen born in 1947, was elected to SRL's Board of Directors in April 2012. He served as chairman of the board of MetLife, Inc. from April 2006 to December 2011, and was MetLife's

chief executive officer from March 2006 through April 2011. C. Robert Henrikson is a member of the board of directors of Invesco Ltd. In July 2010, he was appointed by President Obama to the President's Export Council, the principal U.S. national advisory committee on international trade. C. Robert Henrikson is former chairman of the American Council of Life Insurers, a former chairman of the Financial Services Forum, a director emeritus of the American Benefits Council and chairman of the Wharton School's S.S. Huebner Foundation for Insurance Solutions. He also serves on the board of trustees of Emory University. C. Robert Henrikson received a bachelor's degree from the University of Pennsylvania and a law degree from Emory University School of Law.

Election procedure

The members of the Board of Directors are elected at a General Meeting of shareholders. The Chairman's and Governance Committee evaluates candidates for membership on the Board of Directors and makes recommendations to the Board of Directors with regard to their nomination for election or re-election. The Board of Directors submits nominations for new directors for election at the General Meeting that ensure an adequate size and a well-balanced composition of the Board of Directors and comply with the requirement that a majority of the Board of Directors be independent. At the General Meeting, each proposed election or re-election is presented by the Chairman and voted upon separately. The Chairman and Vice Chairman of the Board of Directors, as well as the chairpersons and members of its committees, are elected to those positions by the Board of Directors.

Organizational structure of the Board of Directors

The organization of the Board of Directors is set forth in the Corporate Bylaws, which define the responsibilities of the Board of Directors, its committees and the executive management. The Corporate Bylaws are reviewed periodically by both the Chairman's and Governance Committee and the full Board of Directors with regard to expediency, as well as compliance with domestic and applicable international laws, regulations and best practice standards.

Allocation of tasks within the Board of Directors

Chairman of the Board of Directors. The Chairman of the Board of Directors exercises ultimate supervision of the Swiss Re Group on behalf of the Board. He has the right to attend the meetings of the Executive Committee and the Business Units, and receives the documentation and minutes of all such meetings. He facilitates reporting to the Board of Directors by executive management. He is also responsible, with the Chairman of the Audit Committee, for overseeing Group Internal Audit and appoints its head, subject to confirmation by the Audit Committee.

In addition, he convenes meetings of the Board of Directors and its committees and makes preparations for, and presides at, Board of Directors meetings. He coordinates the activities of its committees and ensures the Board of Directors is kept informed about their activities and findings. In cases of doubt, he makes decisions regarding the authority of the Board of Directors or its committees and about the application and interpretation of the Corporate Bylaws. He presides at General Meetings and represents Swiss Re to shareholders and other stakeholders such as regulatory and political authorities, industry associations or the media. The Chairman arranges orientation for new members of the Board of Directors and appropriate training for all Board members. If the Chairman of the Board of Directors is prevented from performing his duties, they are performed by the Vice Chairman or another member of the Board of Directors.

Vice Chairmen. A Vice Chairman deputises for the Chairman in his absence or in the event of a conflict of interests of the Chairman. The Vice Chairmen prepare and execute resolutions on request of the Board of Directors and liaise between the Board of Directors and executive management in matters not reserved to the Chairman.

Committees of the Board of Directors. The Board of Directors has delegated certain responsibilities to five committees: Chairman's and Governance Committee, Audit Committee, Compensation Committee, Finance and Risk Committee and Investment Committee.

Each committee consists of a chairperson and at least two other members elected from among the Board of Directors. The term of office of a Board committee member is one year, beginning with the appointment at the Board meeting following an Annual General Meeting and ending at the Board meeting following the subsequent Annual General Meeting. The chairperson prepares and presides over the committee meetings. Any such

committee must keep the Board of Directors apprised on a timely basis of actions and determinations. The committees may conduct or authorise special investigations, at any time and at their full discretion, into any matters within their respective scope of responsibilities, thereby taking into consideration relevant peer group practice and general best practice. They are empowered to retain independent counsel, accountants or other experts if deemed necessary, including for purposes of benchmarking best practice, and receive appropriate funding for payment of compensation to such outside advisers.

Chairman's and Governance Committee. The primary function of the Chairman's and Governance Committee is to act as adviser to the Chairman and to address corporate governance issues affecting Swiss Re. It is in charge of the succession planning process at the Board of Directors level and oversees the annual performance assessment of both the Board of Directors and the Executive Committee.

The Chairman's and Governance Committee is headed by the Chairman of the Board of Directors and consists, beside the Chairman, of the Vice Chairman and the chairpersons of all the committees: Walter B. Kielholz, Chair; Mathis Cabiallavetta; Jakob Baer; John R. Coomber; Renato Fassbind; and C. Robert Henrikson.

Audit Committee. The primary responsibility of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities as they relate to the integrity of Swiss Re's financial statements and its compliance with legal and regulatory requirements. It reviews and approves SRL's and SRZ's external financial reporting. The committee also reviews Swiss Re's accounting principles and practices, the adequacy of the financial reporting process and the efficacy of the system of internal controls. Furthermore, it evaluates the external auditor, approves the audit plans of Group Internal Audit and the external auditor, and discusses their findings with them.

The members of the Audit Committee are Jakob Baer, Chair; Raymund Breu; Raymond K. F. Ch'ien; John R. Coomber; Renato Fassbind; and Malcolm D. Knight.

All members of the Audit Committee are non-executive and independent. In addition to the independence criteria applicable to directors, members of the Audit Committee may not accept any consulting, advisory, or other compensatory fee from Swiss Re, and must possess such additional attributes as the Board of Directors may, from time to time, specify. Each member of the Audit Committee has to be financially literate. At least one member must possess the attributes qualifying him/her as an Audit Committee Financial Expert. Members of the Audit Committee should not serve on audit committees of more than two listed companies outside the Swiss Re Group. Members are to pre-advise the Chairman prior to accepting any further invitation to serve on the audit committee of another listed company.

Compensation Committee. The Compensation Committee proposes to the Board of Directors compensation principles for Swiss Re and determines the establishment of new (and amendments to existing) compensation plans, thereby ensuring that plans do not encourage inappropriate risk taking. The Compensation Committee also defines, or proposes as appropriate, individual compensation at the Board of Directors and management level as well as overall variable compensation pools for Swiss Re. Furthermore, it ensures that all aspects of compensation are fully compliant with remuneration disclosure requirements.

The members of the Compensation Committee are C. Robert Henrikson, Chair; Renato Fassbind; Hans Ulrich Maerki; and Carlos E. Represas.

Finance and Risk Committee. The Finance and Risk Committee annually reviews the Group Risk Policy and recommends it for approval to the Board of Directors, reviews risk and capacity limits approved by the Executive Committee as well as their usage, and reviews the risk control framework. It reviews the most important risk exposures in all major risk categories, as well as new products or strategic expansions of Swiss Re's areas of business. In terms of risk and economic performance measurement, it reviews critical principles used in internal risk measurement, valuation of assets and liabilities, capital adequacy assessment and economic performance management. It also reviews the capital adequacy and the treasury strategy of Swiss Re.

The members of the Finance and Risk Committee are Mathis Cabiallavetta, Chair; John R. Coomber; Jakob Baer; Rajna Gibson Brandon; Malcolm D. Knight; Hans Ulrich Maerki; and C. Robert Henrikson.

Investment Committee. The Investment Committee approves Swiss Re's strategic asset allocation and reviews the tactical asset allocation decisions. It reviews the monthly performance of all financial assets of Swiss Re and makes recommendations to the Board of Directors on strategic holdings. It reviews the risk

analysis methodology, as well as the valuation methodology related to each asset class and ensures that relevant management processes and controlling mechanisms in Asset Management are in place.

The members of the Investment Committee are Mathis Cabiallavetta, Chair; Raymund Breu; Raymond K. F. Ch'ien; Rajna Gibson Brandon; and Jean-Pierre Roth.

Executive Committee

The responsibility for managing SRL's operations resides with its Executive Committee. The members of the Executive Committee are elected by the Board of Directors.

The following sets forth the members of the SRL Executive Committee:

Name	Position
Michel M. Liès	Group Chief Executive Officer
David J. Blumer	Group Chief Investment Officer and Chairman of Admin Re®
David Cole	Group Chief Risk Officer
Agostino Galvagni	Chief Executive Officer Corporate Solutions
Matthias Weber	Group Chief Underwriting Officer
Christian Mumenthaler	Chief Executive Officer Reinsurance
George Quinn	Group Chief Financial Officer
Thomas Wellauer	Group Chief Operating Officer
Jean-Jacques Henchoz	Chief Executive Officer Reinsurance EMEA
Moses Ojeisekhoba	Chief Executive Officer Reinsurance Asia
J. Eric Smith	Chief Executive Officer Swiss Re Americas

Michel M. Liès, Chief Executive Officer

Michel M. Liès, a citizen of Luxembourg born in 1954, has been appointed Group CEO effective February 1, 2012. Since the beginning of 2011, Mr. Liès was Chairman Global Partnerships, a position outside the Executive Committee that was established to foster relationships in areas of the public sector, governments and non-government organizations. Prior to that time, Mr. Liès was a member of the Executive Committee and Head Client Markets since September 2005. Before that, he was Head of the Europe Division within the Property & Casualty Business Group (from April 2000) and head of the Latin America Division (from July 1998 to March 2000). Mr. Liès joined Swiss Re's Life department in 1978. Based in Zurich, he first covered the Latin American market. From 1983 to 1993, he was responsible for the life and health business in France and the countries of the Iberian peninsula and coordinated Swiss Re's life strategy in the European Community member states. In 1994, he transferred to the non-life sector of our Southern Europe/Latin America department, where he was initially responsible for the Spanish market. Mr. Liès was appointed head of the Southern Europe/Latin America department in 1997. Mr. Liès holds a degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich.

David J. Blumer, Chief Investment Officer / Chairman of Admin Re®

David J. Blumer, a Swiss citizen born in 1968, holds a degree in economics from the University of Zurich. Before joining Swiss Re, he worked at Credit Suisse from 1993 to 2008 and held a number of positions in Zurich, London and New York. In private banking, he established an industry leading alternative investment platform. He was appointed head of Trading and Sales in 2004 and headed Asset Management at Credit Suisse from January 1, 2006. He held the position of chief executive officer of Asset Management and was a member of the executive board of Credit Suisse. David Blumer was appointed Head of Asset Management/Chief Investment Officer and member of SRZ's Executive Committee with effect from May 1, 2008. Effective October 1, 2010, he also assumed responsibility for the Admin Re® business. His commitments to organizations outside Swiss Re include his membership of the Forum of Young Global Leaders at the World Economic Forum.

David Cole, Chief Risk Officer

David Cole, a Dutch and American citizen born in 1961, holds a Bachelor of Business Administration from the University of Georgia and an International Business degree from the Nijenrode Universiteit in the Netherlands. David Cole joined Swiss Re on November 1, 2010 from ABN AMRO Holding, where he was, until April 2010, chief financial officer and chief risk officer and member of the board of managing directors.

He started his career in 1984 with ABN AMRO in Amsterdam and held a series of credit and relationship management positions in New York, Houston, Chicago and Amsterdam before being appointed executive vice president and regional head of Risk Management for Latin America in 1999, based in São Paulo, Brazil. In 2001, he returned to Amsterdam to assume corporate centre responsibility for Credit Portfolio Management within Group Risk Management. Later that year he was appointed managing director and head of Wholesale Clients (WCS) Change Management. In 2002, David Cole became chief financial officer of WCS and in 2004 he was appointed senior executive vice president and chief operating officer of WCS. In January 2006, he was appointed head of Group Risk Management for ABN AMRO Bank and in 2008 chief financial officer and chief risk officer.

Agostino Galvagni, Chief Executive Officer Corporate Solutions

Agostino Galvagni, an Italian citizen born in 1960, graduated in business management from the Università Commerciale Luigi Bocconi in Milan and then joined Bavarian Re, Munich, as a trainee in 1985. After undertaking various activities in the fields of underwriting and marketing as well as project work, he joined Swiss Re New Markets, New York, in 1998, structuring and marketing insurance-linked and asset-backed securities. He returned to Bavarian Re in 1999 as a member of the Board of Management. In 2001, he joined SRZ, as Head of the Globals Business Unit and member of the Europe Division Executive Team. He was appointed to SRZ's Executive Board with effect from September 2005 to head the Globals & Large Risks division within Client Markets and was appointed Chief Operating Officer of Swiss Re and member of SRZ's Executive Committee as of May 2009. Agostino Galvagni was appointed CEO of Corporate Solutions with effect from October 1, 2010.

Matthias Weber, Chief Underwriting Officer

Matthias Weber, a Swiss citizen born in 1961, graduated from the Swiss Federal Institute of Technology (ETH) in Zurich with an MS in Physics and holds a Ph.D. in Natural Sciences. He started his career at Swiss Re in 1992, when he joined the R&D department in Zurich as an Expert for Natural Perils. In 1995, Matthias Weber became Leader of the Storm/Flood Group and Deputy Head of Swiss Re's Cat Perils Department. He contributed to the development of Swiss Re's Cat models and helped perform internal planning and control processes such as the Cat Accumulation Control or CAMARES. In 1997, he supported Swiss Re New Markets in developing Swiss Re's first cat bond. Matthias Weber moved to the Swiss Re Americas Division in 1998 as an expert for international catastrophe perils and, in 1999, assumed responsibility for the Property Underwriting Unit of Global & National. In 2000, he became Regional Executive for the Western Region of the United States, located in San Francisco. From 2001 to 2005, Matthias Weber was responsible for Property Underwriting in US/Direct, following which he became Head of the Property Armonk Hub. In September 2008, Matthias Weber was appointed Division Head of Property and Specialty Reinsurance and as a member of SRZ's Management Board. He was appointed to the Executive Committee as Group Chief Underwriting Officer effective April 1, 2012.

Christian Mumenthaler, Chief Executive Officer Reinsurance

Christian Mumenthaler, a Swiss citizen born in 1969, received a PhD from the Institute of Molecular Biology and Biophysics at the Swiss Federal Institute of Technology (ETH) in Zurich. He started his professional career in 1997 as an associate at the Boston Consulting Group before joining Swiss Re in 1999 as a manager in Group Strategic Planning. In 2002, he became Head of the new Group Retro and Syndication. He was appointed Head of Life & Health in the (Re)Insurance Products area in September 2007 and was a member of SRZ's Management Board. He also served as Chief Risk Officer of Swiss Re with effect from January 1, 2005 to the end of 2007. He was appointed to SRZ's Executive Committee as Chief Marketing Officer Reinsurance effective January 1, 2011. Effective October 21, 2011, he became Chief Executive Officer of the Reinsurance Business Unit. His commitments in organizations outside Swiss Re include board membership in the International Risk Governance Council (IRGC) and in the Sustainability Forum Zürich (TSF).

George Quinn, Chief Financial Officer

George Quinn, a British citizen born in 1966, holds a degree in engineering from the University of Strathclyde and is a member of the Institute of Chartered Accountants in England and Wales. He started his career at KPMG in London where he held a number of positions as adviser and consultant to insurance and reinsurance companies. He joined Swiss Re in 1999 as Chief Accounting Officer, based in Zurich. In 2003, he was appointed Chief Financial Officer for the Financial Services Business Group. He moved to New York in 2005 as Regional Chief Financial Officer for Swiss Re America. On March 1, 2007, George Quinn became

Chief Financial Officer of Swiss Re and a member of the Executive Committee. He is a member of the Financial Services Chapter of the Swiss-American Chamber of Commerce.

Thomas Wellauer, Chief Operating Officer

Thomas Wellauer, a Swiss citizen born in 1955, holds a PhD in systems engineering from the Swiss Federal Institute of Technology (ETH), as well as a Master of Business Administration from the University of Zurich. He started his career with McKinsey & Company, specialising in the financial services and pharmaceutical industry sectors, and became a partner in 1991 and senior partner in 1996. In 1997, he was named CEO of the Winterthur Insurance Group, which was later acquired by Credit Suisse. At Credit Suisse he was a member of the group executive board, initially responsible for the group's insurance business before becoming CEO of the Financial Services division in 2000. From 2003 to 2006, Thomas Wellauer headed the global turnaround project at Clariant. Subsequently, he joined Novartis as head of Corporate Affairs and became member of the executive committee of Novartis in 2007. From April 2009 until end of September 2010, he was a member of the supervisory board of Munich Re. Thomas Wellauer was appointed Chief Operating Officer of Swiss Re and member of SRZ's Executive Committee with effect from October 1, 2010.

Jean-Jacques Henchoz, Chief Executive Officer Reinsurance EMEA

Jean-Jacques Henchoz, a Swiss citizen born in 1964, was appointed to the Executive Committee as Regional President Europe, Middle East and Africa (EMEA) effective January 1, 2012. He started his career in 1988 and held various roles at the Swiss Federal Department of Economic Affairs, and the European Bank for Reconstruction and Development (EBRD). From 1995 to 1996 he was business development manager at SGS Société Générale de Surveillance. Jean-Jacques Henchoz joined Swiss Re in 1998, serving in several underwriting roles in the Swiss Re Group's Europe Division. In 2003 he became head of strategy for Swiss Re's property and casualty business, before he was appointed Chief Executive Officer of Swiss Re Canada and the English Caribbean markets in 2005. Jean-Jacques Henchoz was appointed Head of Swiss Re's EMEA Division and became a member of the Swiss Re Group Management Board as of March 1, 2011. Jean-Jacques Henchoz holds a degree in political science from the University of Lausanne and an MBA from the International Institute for Management Development (IMD), Lausanne.

Moses Ojeisekhoba, Chief Executive Officer Reinsurance Asia

Moses Ojeisekhoba, a Nigerian and American citizen born in 1966, has been appointed to the Executive Committee as CEO Reinsurance Asia and Regional President Asia, effective March 15, 2012. He will join Swiss Re from Chubb Group of Insurance Companies where he has been the Head for Asia-Pacific since 2009. He spent 16 years with Chubb in various roles in the United States, Europe and Asia. Prior to that, he worked with Unico American Corporation and Prudential in the United States.

J. Eric Smith, Chief Executive Officer Swiss Re Americas

J. Eric Smith, an American citizen born in 1957, was appointed to the Executive Committee as Regional President Americas effective January 1, 2012. He gained knowledge of the property and casualty business serving in various roles at Country Financial for twenty years. As of 2003 he was responsible for the agency business at Allstate Financial Services, before he joined USAA Life Insurance in 2010 leading the effort to provide life, health and annuity solutions through the direct channel. In July 2011, J. Eric Smith joined Swiss Re as Head of the Americas Division and became member of the Group Management Board. J. Eric Smith holds an MBA in strategy, marketing and corporate finance from the Kellogg Graduate School of Management.

Other Officers

In addition to the members of the Executive Committee, SRL has a President, Martin Albers.

Board of Directors of SRZ

Under SRZ's Articles of Association, the Board of Directors of SRZ is to consist of at least seven members and the term of a director is three years from the date of election by a general meeting of shareholders until the third subsequent annual general meeting of shareholders. Members whose terms expire are immediately eligible for re-election and re-election is substantiated by the Chairman of the Board of Directors of SRZ at the annual general meeting and is separately voted on.

The members of the Board of Directors of SRZ are the same as the members of the Board of Directors of SRL. Walter B. Kielholz is the Chairman of the Board of Directors of SRZ. The business address of the members of the Board of Directors of SRZ is Mythenquai 50/60, 8002 Zurich, Switzerland.

We believe that there are no conflicts of interests between the duties owed by the members of the Board of Directors of SRZ to us and their private interests.

Executive Team of SRZ

Swiss Re has Executive Teams for each of the three Business Units. The Executive Teams have, subject to the responsibilities of SRL, and the board of directors and the chief executive officer of the relevant Business Unit, overall responsibilities for managing matters relevant to the Business Unit. The following sets forth the members of the Executive Team for SRZ and Reinsurance:

Name	Position
Christian Mumenthaler	CEO Reinsurance
Jean-Jacques Henchoz	CEO Reinsurance EMEA
Moses Ojeisekhoba	CEO Reinsurance Asia
J. Eric Smith	CEO Swiss Re Americas
Gerhard Lohmann	Reinsurance Chief Financial Officer
David Cole	Reinsurance Chief Risk Officer
Thierry Léger	Head Globals
Edouard Schmid	Division Head Property & Specialty Reinsurance
Jayne Plunkett	Division Head Casualty Reinsurance
Alison Martin	Division Head Life & Health Reinsurance
Jonathan Isherwood	Head Claims, Accounting & Liability Management Reinsurance

Taxation

Swiss Taxation

General

The following is a summary of certain Swiss tax consequences of the purchase, beneficial ownership and disposition of the Loan Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Loan Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Loan Notes and may not apply to certain other classes of persons.

The summary is based upon Swiss tax laws and tax practice as in effect on the date of this Information Memorandum, which are subject to prospective or retroactive change, and a tax ruling with the Swiss Federal Tax Administration. The summary does not constitute tax or legal advice and the discussion below is intended to be of a general nature only. Prospective investors in the Loan Notes should consult their own advisors as to the Swiss or other tax consequences of the purchase, beneficial ownership and disposition of the Loan Notes.

Withholding Tax

Payments by the Issuer of interest on, and repayment of principal of, the Loan Notes, will not be subject to Swiss federal withholding tax.

On August 24, 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Loan Note to an individual resident in Switzerland or to a person resident outside of Switzerland. If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, any such deduction or withholding will not constitute a Recalculation of Interest Event and neither the Issuer nor any paying agent nor any other person would pursuant to the Conditions be obligated to pay additional amounts with respect to any Loan Note as a result of the deduction or imposition of such withholding tax.

Stamp Taxes

The issue and the redemption of Loan Notes will not be subject to Swiss federal stamp duty on the issue of securities or Swiss federal stamp duty on the dealing in securities (primary market). Dealings in the Loan Notes in the secondary markets where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss Federal Stamp Duty Act) acts as a party or as an intermediary to the transaction may be subject to Swiss federal stamp duty on dealing in securities at a rate of up to 0.15% of the purchase price of the Loan Notes.

Income Taxation on Principal or Interest

(i) Loan Notes held by non-Swiss holders

Payments by the Issuer of interest on, and repayment of principal of, the Loan Notes, to, and gain realized on the sale or redemption of Loan Notes by, a holder of Loan Notes, who is not a resident of Switzerland, and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Loan Notes are attributable, will not be subject to any Swiss federal, cantonal or communal income tax.

(ii) Loan Notes held by Swiss resident holders as private assets

An individual who resides in Switzerland and holds a Loan Note privately is required to include all payments of interest received on such Loan Note in his or her personal income tax return for the relevant tax period and is taxable on the net taxable income (including the payment of interest on the Loan Note) for such tax period at the prevailing tax rates.

Swiss resident individuals who sell or otherwise dispose of privately held Loan Notes realize either a tax-free private capital gain or a non-tax-deductible capital loss. See "– Loan Notes held as Swiss business assets" below for a summary on the tax treatment of individuals classified as "professional securities dealers."

(iii) Loan Notes held as Swiss business assets

Individuals who hold Loan Notes as part of a business in Switzerland, and Swiss-resident corporate taxpayers, and corporate taxpayers residing abroad holding Loan Notes as part of a Swiss permanent establishment or fixed place of business in Switzerland, are required to recognize payments of interest on, and any capital gain or loss realized on the sale or other disposal of, such Loan Notes, in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period at the prevailing tax rates. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings, or leveraged transactions, in securities.

European Directive on the Taxation of Savings Income

On October 26, 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income pursuant to which Switzerland would adopt measures equivalent to those of the European Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments. The agreement entered into force as of July 1, 2005.

In accordance with this agreement, Swiss paying agents have to withhold tax at a rate of 35 per cent. on interest payments made under the Loan Notes to a beneficial owner who is an individual and resident of an EU member state, with the option of the individual to have the paying agent and Switzerland provide to the tax authorities of the EU member state the details of the interest payments in lieu of the withholding.

Transfer Restrictions

General

Transfers of Loan Notes shall be made in accordance with the provisions of Condition 1. A Loan Note may only be assigned or transferred (a **Transfer** and **Transferred** shall be construed accordingly), in whole or in part, but only if the Transfer is:

(i) subject to the Issuer being notified of the intended Transfer and the Issuer not having objected thereto in writing within 10 Business Days after receipt of such notice of the intended Transfer based on reasonable grounds, to a Qualifying Bank or,

(ii) subject to the Issuer having consented thereto in writing, to the Permitted Non-Qualifying Lender,

provided that there shall at any time be no more than five (5) Qualifying Banks that are Loan Noteholders. Title to the relevant Loan Note passes only on due registration on the Register. The Loan Note will bear a legend setting forth the applicable transfer restrictions.

No Loan Noteholder shall at any time enter into any arrangement with any third party under which such Loan Noteholder in a transaction that does not constitute a Transfer, while retaining title to Loan Notes, transfers all or part of its interest in such Loan Notes to that third party, unless under, and throughout the term of, such arrangement:

(i) the relationship between the Loan Noteholder and the third party is that of debtor and creditor (including during the bankruptcy or similar event affecting that Loan Noteholder or the Issuer);

(ii) the third party has no proprietary interest in the benefit of the Loan Notes or in any monies received by the Loan Noteholder under or in relation to the Loan Notes held by that Loan Noteholder; and

(iii) the third party under no circumstances will be subrogated to, or substituted in respect of, the Loan Noteholder's claims under its Loan Notes, or will otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to the Loan Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 1(h) will not be subject to the foregoing limitations.

The Loan Notes will be issued in certificated, registered form, and will bear a legend setting forth the applicable transfer restrictions.

U.S. Securities Law Restrictions

The Loan Notes have not been, and will not be registered, under the Securities Act and may not be offered, sold or resold in the United States or to, or for the account or benefit of, U.S. persons, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. The Loan Notes are not being offered in the United States or to U.S. persons.

Restrictions Applicable in the United Kingdom

This Information Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 ("FSMA") (Financial Promotion) Order 2005, as amended, (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Loan Notes and the issue of any securities upon substitution of the Loan Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Information Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Information Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Restrictions Applicable in Other Jurisdictions

The distribution of this Information Memorandum in other jurisdictions may be restricted by law and persons into whose possession this Information Memorandum comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of U.S. securities laws or the laws of any such other jurisdictions.

General Information

Authorizations

The issuance of the Loan Notes was authorized by SRZ by resolutions of the Board of Directors of SRZ passed on February 21, 2012.

Information on Business Outlook for the SRZ Group

In Property & Casualty, renewals in April 2012, which are mainly focused on the Asian business, were successful, especially in Japan, where Swiss Re benefited from strong rate increases in natural catastrophe-related business. Swiss Re believes that it was able to build on its strong client franchise and benefit from the clear commitment it gave to the Japanese market last year immediately after the Tohoku earthquake and tsunami. Other Asian markets, such as Korea, also saw strong and profitable growth. Overall, volumes went up by 14% for the April renewals and the fully economic price quality of the renewed portfolio improved by 16%. Swiss Re believes that Property & Casualty is generally benefiting from an improvement in prices and continued demand for natural catastrophe cover and solvency relief contracts. Swiss Re believes it is well-positioned in this environment due to its balance sheet strength, capacity and expertise in large and bespoke transactions for its clients.

In Life & Health, growth in the traditional life business is expected to be challenging as top-line revenue depends on primary business, and Swiss Re believes that cession rates may decrease as insurers retain more risk. The low interest rate environment will continue to have an unfavorable impact on the older guaranteed business. In addition, the primary markets consist predominantly of savings products that require reinsurance solutions containing significant asset risk. Swiss Re plans to proactively manage the older guaranteed business in order to improve profitability, write new business at attractive rates, and hedge its mortality risk by diversifying into longevity risk. Major demographic and socio-economic trends are escalating demand for health insurance. Swiss Re has a broad range of health solutions and plans on offering these services to a growing market with a focus on Asia.

Swiss Re plans to decisively move the Swiss Re Group's capital towards higher returns in its new business decisions. In this context, it plans to undertake a moderate re-risking of its asset portfolio, mainly into corporate bonds, subject to market conditions. It believes that its prudent asset management approach enables it to increase asset risk cautiously going forward.

There has been no material adverse change in the prospects of SRZ since December 31, 2011, the date of its last published audited financial statements. There has been no significant change in the trading position or the financial position of the SRZ Group since March 31, 2012, the end of the last financial period for which financial information for the SRZ Group has been published.

Independent Auditors

The consolidated financial statements of the SRZ Group presented in accordance with U.S. GAAP as of December 31, 2011 and 2010 and for the years then ended, and as of December 31, 2010 and 2009 and for the years then ended, have been audited by PricewaterhouseCoopers AG, Birchstrasse 160, CH-8050 Zurich, as independent auditors, as stated in their reports appearing therein.

The audited statutory accounts of SRZ presented in accordance with the requirements of Swiss law and SRZ's Articles of Association, as of December 31, 2011 and 2010 and for the years then ended, and as of December 31, 2010 and 2009 and for the years then ended, have been audited by PricewaterhouseCoopers AG, Birchstrasse 160, CH-8050 Zurich, as independent auditors, as stated in their reports appearing therein.

PricewaterhouseCoopers AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants.

Documents Available for Inspection

Printed copies of this Information Memorandum can be obtained free of charge at the offices of the Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

Copies of the latest and future published audited financial statements of the SRZ Group and interim financial statements of the SRZ Group (currently, quarterly), and SRZ's Articles of Association can be downloaded from the website www.swissre.com, following the link to "Investors – Financial information" and "About us – Corporate governance – Corporate regulations," respectively. No information contained on the Swiss Re Group web site, or on any other web site, is incorporated herein by reference.

Index to Financial Statements

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Swiss Reinsurance Company Ltd

Swiss Reinsurance Company Ltd is a leading and highly diversified global reinsurer and part of the Swiss Re group of companies. The company operates through offices in more than 20 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Reinsurance Company Ltd is rated "AA–" by Standard & Poor's, "A1" by Moody's and "A+" by A.M. Best.

Income statement (unaudited)

For the three months ended 31 March

USD millions	Note	2011	**2012**
Revenues			
Premiums earned	7	4 882	**5 231**
Fee income from policyholders	7	221	**20**
Net investment income/loss – non-participating	2	1 167	**775**
Net realised investment gains/losses – non-participating (total impairments for the three months ended 31 March were 128 in 2011 and 93 in 2012, of which 87 and 68, respectively, were recognised in earnings)	2	170	**53**
Net investment result – unit-linked and with-profit	2	222	**126**
Other revenues		11	**20**
Total revenues		6 673	**6 225**
Expenses			
Claims and claim adjustment expenses	7	–3 520	**–1 732**
Life and health benefits	7	–2 028	**–1 537**
Return credited to policyholders		–363	**–144**
Acquisition costs	7	–886	**–994**
Other expenses		–575	**–499**
Interest expenses		–219	**–194**
Total expenses		–7 591	**–5 100**
Income/loss before income tax expense		–918	**1 125**
Income tax expense/benefit		274	**–328**
Net income/loss before attribution of non-controlling interests		–644	**797**
Income attributable to non-controlling interests		–21	**–23**
Net income/loss after attribution of non-controlling interests		–665	**774**
Interest on contingent capital instruments		0	**–3**
Net income/loss attributable to common shareholder		–665	**771**

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

Statement of comprehensive income (unaudited)

For the three months ended 31 March

USD millions	2011	**2012**
Net income before attribution of non-controlling interests	–644	**797**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses (tax: 181 in 2011 and 165 in 2012)	–445	**–461**
Change in other-than-temporary impairment (tax: 3 in 2011 and –25 in 2012)	–5	**50**
Change in foreign currency translation (tax: 139 in 2011 and 94 in 2012)	231	**602**
Change in adjustment for pension benefits (tax: –1 in 2011 and 1 in 2012)	6	**1**
Total comprehensive income before attribution of non-controlling interests	–857	**989**
Comprehensive income attributable to non-controlling interests	–21	**–23**
Interest on contingent capital instruments	0	**–3**
Total comprehensive income attributable to common shareholder	–878	**963**

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

Balance sheet (unaudited)

Assets

USD millions	Note	31.12.2011	**31.03.2012**
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 7 034 in 2011 and 11 246 in 2012 subject to securities lending and repurchase agreements) (amortised cost: 86 984 in 2011 and 56 530 in 2012)		93 770	**58 702**
Trading (including 620 in 2011 and 313 in 2012 subject to securities lending and repurchase agreements)		3 453	**2 358**
Equity securities:			
Available-for-sale, at fair value (including 45 in 2011 and 0 in 2012 subject to securities lending and repurchase agreements) (cost: 1 907 in 2011 and 1 516 in 2012)		1 960	**1 721**
Trading		571	**596**
Policy loans, mortgages and other loans		8 325	**4 704**
Investment real estate		645	**684**
Short-term investments, at amortised cost which approximates fair value (including 87 in 2011 and 632 in 2012 subject to securities lending and repurchase agreements)		13 660	**13 376**
Other invested assets		19 821	**23 727**
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 095 in 2011 and 0 in 2012, equity securities trading: 16 182 in 2011 and 845 in 2012)		22 349	**845**
Total investments		164 554	**106 713**
Cash and cash equivalents (including 36 in 2011 and 20 in 2012 subject to securities lending)		11 298	**7 199**
Accrued investment income		1 226	**790**
Premiums and other receivables		11 441	**13 142**
Reinsurance recoverable on unpaid claims and policy benefits	7	11 837	**8 199**
Funds held by ceding companies		9 064	**13 506**
Deferred acquisition costs	5, 7	3 923	**4 061**
Acquired present value of future profits	5	4 226	**1 662**
Goodwill		4 051	**4 082**
Income taxes recoverable		703	**653**
Other assets		5 797	**10 725**
Total assets		228 120	**170 732**

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

Liabilities and equity

USD millions	Note	31.12.2011	**31.03.2012**
Liabilities			
Unpaid claims and claim adjustment expenses		64 878	**59 515**
Liabilities for life and health policy benefits	3	39 044	**18 553**
Policyholder account balances		34 162	**2 535**
Unearned premiums		8 299	**10 048**
Funds held under reinsurance treaties		2 436	**3 610**
Reinsurance balances payable		3 962	**4 666**
Income taxes payable		440	**523**
Deferred and other non-current taxes		2 853	**1 784**
Short-term debt	6	4 101	**4 110**
Accrued expenses and other liabilities		20 213	**27 536**
Long-term debt	6	16 541	**16 515**
Total liabilities		196 929	**149 395**
Equity			
Contingent capital instruments		0	**1 102**
Common stock, CHF 0.10 par value			
2011: 370 706 931; 2012: 370 706 931 shares authorised and issued[1]		35	**35**
Additional paid-in capital		8 958	**8 845**
Treasury shares, net of tax		–1 134	**–1 181**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		4 223	**1 671**
Other-than-temporary impairment, net of tax		–118	**–51**
Cumulative translation adjustments, net of tax		–3 924	**–3 285**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–775	**–747**
Total accumulated other comprehensive income		–594	**–2 412**
Retained earnings		22 229	**13 610**
Shareholder's equity		29 494	**19 999**
Non-controlling interests		1 697	**1 338**
Total equity		31 191	**21 337**
Total liabilities and equity		228 120	**170 732**

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

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

Statement of equity (unaudited)

For the twelve months ended 31 December 2011 and the three months ended 31 March 2012

USD millions	2011	2012
Contingent capital instruments		
Balance as of 1 January	0	**0**
Issued		**1 102**
Balance as of period end	0	**1 102**
Common shares		
Balance as of 1 January	35	**35**
Issue of common shares		
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	10 530	**8 958**
Contingent capital instruments' issuance cost		**–18**
Share-based compensation	–87	**–81**
Realised gains/losses on treasury shares	–421	**–14**
Sale of Swiss Re Specialised Investments Holdings (UK) Ltd[1]	–29	
Dividends on common shares[2]	–1 035	
Balance as of period end	8 958	**8 845**
Treasury shares, net of tax		
Balance as of 1 January	–1 483	**–1 134**
Purchase of treasury shares	–270	**–59**
Issuance of treasury shares, including share-based compensation to employees	619	**12**
Balance as of period end	–1 134	**–1 181**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	1 042	**4 223**
Effect of change in Group structure[3]		**–2 091**
Other changes during the period	3 181	**–461**
Balance as of period end	4 223	**1 671**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–169	**–118**
Effect of change in Group structure[3]		**17**
Other changes during the period	51	**50**
Balance as of period end	–118	**–51**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 742	**–3 924**
Effect of change in Group structure[3]		**37**
Other changes during the period	–182	**602**
Balance as of period end	–3 924	**–3 285**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–522	**–775**
Effect of change in Group structure[3]		**27**
Change during the period	–253	**1**
Balance as of period end	–775	**–747**
Retained earnings		
Balance as of 1 January	19 651	**22 229**
Effect of change in Group structure[3]		**–8 229**
Net income after attribution of non-controlling interests	2 578	**774**
Interest on contingent capital instruments, net of tax		**–3**
Dividends on common shares		**–1 137**
Cumulative effect of adoption of ASU 2010-26[4], net of tax		**–24**
Balance as of period end	22 229	**13 610**
Shareholder's equity	29 494	**19 999**
Non-controlling interests		
Balance as of 1 January	1 564	**1 697**
Effect of change in Group structure[3]		**–414**
Change during the period	–39	**32**
Income attributable to non-controlling interests	172	**23**
Balance as of period end	1 697	**1 338**
Total equity	31 191	**21 337**

[1] On 3 May 2011, Swiss Reinsurance Company Ltd sold its subsidiary Swiss Re Specialised Investments Holdings (UK) Limited to Swiss Re Ltd. As the transaction has been accounted for in a manner similar to a transaction between entities under common control, the difference between the proceeds received and the book value was accounted for as a capital transaction.
[2] In 2011, dividends to shareholders were paid in the form of a withholding tax exempt repayment of legal reserves from capital contributions.
[3] Please refer to Note 1 "Organisation and summary of significant accounting policies".
[4] The Group adopted a new accounting pronouncement, ASU 2010-26 "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" as of 1 January 2012, which required the release of USD 24 million of deferred acquisition costs against retained earnings. Refer to Note 5 for more details on the adoption of ASU 2010-26.

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

Statement of cash flow (unaudited)

For the three months ended 31 March

USD millions	2011	2012
Cash flows from operating activities		
Net income attributable to common shareholder	–665	**771**
Add net income attributable to non-controlling interests	21	**23**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	603	**694**
Net realised investment gains/losses	–197	**–176**
Change in:		
Technical provisions, net	4 003	**1 309**
Funds held by ceding companies and other reinsurance balances	–2 012	**–1 134**
Reinsurance recoverable on unpaid claims and policy benefits	–706	**–179**
Other assets and liabilities, net	706	**–1 052**
Income taxes payable/recoverable	–574	**286**
Income from equity-accounted investees, net of dividends received	–59	**–50**
Trading positions, net	2 152	**–1 216**
Securities purchased/sold under agreement to resell/repurchase, net	–1 737	**711**
Net cash provided/used by operating activities	1 535	**–13**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	28 343	**34 336**
Purchases	–28 132	**–33 772**
Net purchase/sale/maturities of short-term investments	5 362	**–1 935**
Equity securities:		
Sales	237	**163**
Purchases	–1 271	**–163**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net	–6	
Net purchases/sales/maturities of other investments	8	**56**
Net cash provided/used by investing activities	4 541	**–1 315**
Cash flows from financing activities		
Issuance/repayment of long-term debt	–353	**–273**
Issuance/repayment of short-term debt	–5 202	**–345**
Proceeds from the issuance of contingent capital instruments, net of issuance cost		**1 084**
Purchase/sale of treasury shares	69	**–59**
Dividends paid to holding		**–1 137**
Net cash provided/used by financing activities	–5 486	**–730**
Total net cash provided/used	590	**–2 058**
Effect of foreign currency translation	278	**97**
Change in cash and cash equivalents	868	**–1 961**
Cash and cash equivalents as of 1 January	16 928	**11 298**
Effect of change in Group structure[1]		**–2 138**
Cash and cash equivalents as of 31 March	17 796	**7 199**

[1] Please refer to Note 1 "Organisation and summary of significant accounting policies".

Interest paid was USD 252 million and USD 125 million for the three months ended 31 March 2011 and 2012, respectively. The Group has revised the disclosure on interest paid for the three month period ended 31 March 2011. The change had no impact on net income, net equity or balance sheet classification of the Group.

Tax paid was USD 211 million and nil for the three months ended 31 March 2011 and 2012, respectively.

As a result of the new Swiss Re Group corporate structure, effective 1 January 2012, Swiss Reinsurance Company Ltd transferred its investments in Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd through a dividend in-kind to Swiss Re Ltd. Please refer to Note 1 "Organisation and summary of significant accounting policies".

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

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Notes to the Group financial statements (unaudited)

1 Organisation and summary of significant accounting policies

Nature of operations
The Swiss Reinsurance Company Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company Ltd (the parent company, referred to as "SRZ") and its subsidiaries (collectively, the "Swiss Reinsurance Company Group" or the "Group"). The Swiss Reinsurance Company Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, its client base consists of insurance companies and public sector clients.

SRZ is a wholly owned subsidiary of Swiss Re Ltd. Swiss Re Ltd is the ultimate parent company of the Swiss Re Group, which consists of three separate business units: the Swiss Reinsurance Company Group, Swiss Re Corporate Solutions Ltd ("Swiss Re Corporate Solutions") and its subsidiaries (collectively, the "Corporate Solutions Business Unit") and Swiss Re Life Capital Ltd ("Swiss Re Life Capital") and its subsidiaries (collectively, the "Admin Re® Business Unit") as well as Swiss Re Specialised Investments Holdings (UK) Ltd.

Basis of presentation
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis, and therefore they should be read in conjunction with the audited Swiss Reinsurance Company Consolidated 2011 annual report.

Effective 1 January 2012, Swiss Reinsurance Company Ltd transferred risks and benefits from its Corporate Solutions Business Unit and Admin Re® Business Unit to the Group holding, Swiss Re Ltd. As a result, Corporate Solutions and Admin Re® are no longer part of the Swiss Reinsurance Company Group. The transfer was executed on 27 April 2012 through a dividend in-kind, whereby the shares ownership of Swiss Re Corporate Solutions Ltd. and Swiss Re Life Capital Swiss Re Ltd. passed to Swiss Re Ltd. For segmentation purposes Corporate Solutions and Admin Re® have been included in the 'Other' column for comparative periods presented in this report. Following the carve-out on 1 January 2012, both business units are no longer included in the results of the Swiss Reinsurance Company Group in 2012. Please refer to notes 5, 7, 8 and 10 for further details on segment results.

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 Group's liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates based on historical information, actuarial analyses, financial modelling, and other analytical techniques. Actual results could differ significantly from the estimates described above.

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Whilst management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 March 2012, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 3 May 2012. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In October 2010, the FASB issued "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" (ASU 2010-26), an update to Topic 944 – Financial Services – Insurance. This update limits the definition of deferrable acquisition costs to costs directly related to the successful acquisition or renewal of insurance contracts. The Group adopted this guidance as of 1 January 2012. Please refer to Note 5 and to the statement of shareholder's equity for the impact on deferred acquisition costs and retained earnings, respectively.

In April 2011, the FASB issued "Reconsideration of Effective Control for Repurchase Agreements" (ASU 2011-03), an update to Topic 860 – Transfers and Servicing. The amendments in this update remove from the assessment of effective control for repos and similar agreements the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee. The Group adopted this guidance as of 1 January 2012. The adoption did not have an impact on the Group's financial statements.

In May 2011, the FASB issued "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS" (ASU 2011-04), an update to Topic 820 – Fair value measurement. The guidance requires additional fair value disclosures. In addition, the ASU increases the emphasis on the unit of account and introduces more restrictive guidance on the incorporation of premiums and discounts relating to the size of a position of financial instruments held in measuring fair value. The Group adopted this update as of 1 January 2012. Changes in fair value measurements resulting from the application of the new guidance were immaterial. The additional disclosure requirements are reflected in Note 3.

In June 2011, the FASB issued "Presentation of Comprehensive Income" (ASU 2011-05), an update to Topic 220 – Comprehensive Income. In December 2011, an amendment of ASU 2011-05 was issued, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" (ASU 2011-12). Amended ASU 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. The option to present items of other comprehensive income in the statement of changes in equity is eliminated. The Group has adjusted its presentation of net income and other comprehensive income accordingly.

In September 2011, the FASB issued "Testing Goodwill for Impairment "(ASU 2011-08), an update to Topic 350 – Intangibles – Goodwill and Other. The update provides entities with the option of performing a "qualitative" assessment to determine whether further impairment testing is necessary. The Group adopted this guidance as of 1 January 2012. The adoption did not have an impact on the Group's financial statements.

2 Investments

Investment income

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

USD millions	2011	**2012**
Fixed income securities	921	482
Equity securities	12	13
Policy loans, mortgages and other loans	105	25
Investment real estate	32	34
Short-term investments	17	23
Other current investments	–6	
Share in earnings of equity-accounted investees	106	119
Cash and cash equivalents	29	10
Net result from deposit-accounted contracts	25	48
Deposits with ceding companies	80	103
Gross investment income	1 321	857
Investment expenses	–122	–80
Interest charged for funds held	–32	–2
Net investment income – non-participating	1 167	**775**

Dividends received from investments accounted for using the equity method were USD 47 million and USD 69 million for the three months ended 31 March 2011 and 2012, respectively.

Realised gains and losses

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

USD millions	2011	**2012**
Fixed income securities available-for-sale:		
Gross realised gains	428	725
Gross realised losses	–210	–194
Equity securities available-for-sale:		
Gross realised gains	42	20
Gross realised losses	–2	–4
Other-than-temporary impairments	–87	–68
Net realised investment gains/losses on trading securities	–4	25
Change in net unrealised investment gains/losses on trading securities	–85	40
Other investments:		
Net realised/unrealised gains/losses	11	–159
Net realised/unrealised gains/losses on insurance related derivatives	–29	–106
Foreign exchange gains/losses	106	–226
Net realised investment gains/losses – non-participating	170	**53**

Proceeds from sales of fixed income securities available-for-sale amounted to USD 22 757 million and USD 36 158 million for the three months ended 31 March 2011 and 2012, respectively. Sales of equity securities available-for-sale were USD 259 million and USD 170 million for the three months ended 31 March 2011 and 2012, respectively.

Investment result – unit-linked and with-profit business

As of 31 March 2011 and 2012, net investment result on unit-linked and with-profit business credited to policyholders was USD 222 million, and USD 126 million, respectively, mainly originating from realised gains on equity securities. In the first quarter of 2011, net investment result on unit-linked and with-profit business included results related to the former Admin Re® segment. Following the carve-out effective from January 2012, this business is no longer included in the Group results.

Impairment on fixed income securities related to credit losses

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

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

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

USD millions	2011	**2012**
Balance as of 1 January	829	515
Effect of change in Group structure[1]		–122
Credit losses for which an other-than-temporary impairment was not previously recognised	61	
Reductions for securities sold during the period	–236	–44
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	18	38
Impact of increase in cash flows expected to be collected	–25	–30
Impact of foreign exchange movements	7	6
Balance as of 31 March	654	**363**

[1] Please refer to Note 1 "Organisation and summary of significant accounting policies".

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December 2011 and 31 March 2012 were as follows:

2011 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	20 387	1 881	–1		22 267
US Agency securitised products	3 866	144	–3		4 007
States of the United States and political subdivisions of the states	245	24	–6		263
United Kingdom	15 182	1 865	–51		16 996
Canada	3 078	806	–2		3 882
Germany	4 791	200	–51		4 940
France	3 068	45	–52		3 061
Other	6 849	453	–56	–1	7 245
Total	57 466	5 418	–222	–1	62 661
Corporate debt securities	21 467	2 065	–265	–13	23 254
Residential mortgage-backed securities	2 119	30	–154	–110	1 885
Commercial mortgage-backed securities	3 820	222	–141	–38	3 863
Other asset-backed securities	2 112	64	–54	–15	2 107
Fixed income securities available-for-sale	86 984	7 799	–836	–177	93 770
Equity securities available-for-sale	1 907	201	–148		1 960

2012 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	12 797	306	–88		13 015
US Agency securitised products	2 798	66	–6		2 858
States of the United States and political subdivisions of the states	52	9			61
United Kingdom	10 126	411	–63		10 474
Canada	2 985	604	–9		3 580
Germany	5 125	175	–13		5 287
France	2 766	68	–14		2 820
Other	5 509	256	–28	–1	5 736
Total	42 158	1 895	–221	–1	43 831
Corporate debt securities	8 863	602	–59	–1	9 405
Residential mortgage-backed securities	1 346	33	–81	–43	1 255
Commercial mortgage-backed securities	2 520	146	–72	–19	2 575
Other asset-backed securities	1 643	35	–29	–13	1 636
Fixed income securities available-for-sale	**56 530**	**2 711**	**–462**	**–77**	**58 702**
Equity securities available-for-sale	**1 516**	**268**	**–63**		**1 721**

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

Investments trading

Fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December 2011 and 31 March 2012 were as follows:

USD millions	2011	**2012**
Debt securities issued by governments and government agencies	2 957	1 892
Corporate debt securities	214	187
Mortgage- and asset-backed securities	282	279
Fixed income securities trading-non-participating	3 453	**2 358**
Equity securities trading trading-non-participating	571	**596**

Investments held for unit-linked and with-profit business:

Investments held for unit-linked and with-profit business as of 31 December 2011 and 31 March 2012 were as follows:

	2011		**2012**	
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 354	1 741		
Equity securities trading	15 231	951	845	
Investment real estate	828	510		
Short-term investments	734			
Total investments for unit-linked and with-profit business	19 147	3 202	**845**	**0**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity as of 31 December 2011 and 31 March 2012 are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2011 and 31 March 2012, USD 10 274 million and USD 6 362 million, respectively, of fixed income securities available-for-sale were callable.

	2011		**2012**	
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	3 020	3 040	5 031	5 051
Due after one year through five years	19 696	20 156	14 286	14 604
Due after five years through ten years	17 955	19 072	10 132	10 602
Due after ten years	38 594	43 977	21 881	23 287
Mortgage- and asset-backed securities with no fixed maturity	7 719	7 525	5 200	5 158
Total fixed income securities available-for-sale	86 984	93 770	**56 530**	**58 702**

Assets pledged

As of 31 December 2011 and 31 March 2012, investments with the carrying value of USD 1 914 million and USD 680 million, respectively, were on deposit with regulatory agencies in accordance with local requirements. As of 31 December 2011 and 31 March 2012, investments with a carrying value of approximately USD 7 004 million and USD 3 781 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities. The Group has reviewed the carrying values of investments on deposit with regulatory agencies, and of investments placed on deposit or pledged to secure certain reinsurance liabilities. The comparatives presented have been revised accordingly. The revision has no impact on net income or net equity of the Group.

As of 31 December 2011 and 31 March 2012, securities of USD 7 823 million and USD 12 211 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 8 681 million and USD 13 504 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying amount of USD 264 million serves as collateral for short-term senior operational debt of USD 719 million.

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

As of 31 December 2011 and 31 March 2012, the fair value of the government and corporate bond securities received as collateral was USD 4 241 million and USD 4 086 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2011 and 31 March 2012 was nil and nil, respectively. The sources of the collateral are typically highly rated banking market counterparties.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2011 and 31 March 2012. As of 31 December 2011 and 31 March 2012, USD 144 million and USD 54 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 4 million and USD 9 million, respectively, to declines in value for more than 12 months.

2011	Less than 12 months		12 months or more		Total	
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	337	1			337	1
US Agency securitised products	500	3			500	3
States of the United States and political subdivisions of the states	37	1	40	5	77	6
United Kingdom	2 832	50	47	1	2 879	51
Canada	79	1	2	1	81	2
Germany	1 027	50	10	1	1 037	51
France	1 133	52	4		1 137	52
Other	1 210	44	142	13	1 352	57
Total	7 155	202	245	21	7 400	223
Corporate debt securities	2 760	145	700	133	3 460	278
Residential mortgage-backed securities	829	111	702	153	1 531	264
Commercial mortgage-backed securities	812	123	342	56	1 154	179
Other asset-backed securities	662	15	184	54	846	69
Total	12 218	596	2 173	417	14 391	1 013

2012	Less than 12 months		12 months or more		Total	
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	6 778	88			6 778	88
US Agency securitised products	393	6			393	6
States of the United States and political subdivisions of the states	5				5	0
United Kingdom	2 392	62	9	1	2 401	63
Canada	592	9	2		594	9
Germany	659	12	10	1	669	13
France	576	14	4		580	14
Other	831	20	50	9	881	29
Total	12 226	211	75	11	12 301	222
Corporate debt securities	903	20	238	40	1 141	60
Residential mortgage-backed securities	430	38	465	86	895	124
Commercial mortgage-backed securities	733	57	263	34	996	91
Other asset-backed securities	400	11	122	31	522	42
Total	**14 692**	**337**	**1 163**	**202**	**15 855**	**539**

Mortgages, loans and real estate

As of 31 December 2011 and 31 March 2012, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2011	**2012**
Policy loans	3 664	97
Mortgage loans	1 336	643
Other loans	3 325	3 964
Investment real estate	645	684

The fair value of the real estate as of 31 December 2011 and 31 March 2012 was USD 2 215 million and USD 2 409 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2011 and 31 March 2012, the Group's investment in mortgages and other loans included USD 270 million and USD 282 million, respectively, of loans due from employees, and USD 357 million and USD 378 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2011 and 31 March 2012, investments in real estate included USD 6 million and USD nil million, respectively, of real estate held for sale.

Depreciation expense related to income producing properties was USD 5 million and USD 6 million for the three months ended 31 March 2011 and 2012, respectively. Accumulated depreciation on investment real estate totalled USD 460 million and USD 518 million as of 31 December 2011 and 31 March 2012, respectively.

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

3 Fair value disclosures

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

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

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

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

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. In the first quarter of 2012, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

Governance around level 3 fair valuation

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

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

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

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2011 and 31 March 2012, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

As of 31 December 2011 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	20 383	75 701	1 139		97 223
Debt securities issued by US government and government agencies	20 383	2 170			22 553
US Agency securitised products		4 018			4 018
Debt securities issued by non-US governments and government agencies		39 047			39 047
Corporate debt securities		22 357	1 111		23 468
Residential mortgage-backed securities		2 031	4		2 035
Commercial mortgage-backed securities		3 962	8		3 970
Other asset-backed securities		2 116	16		2 132
Fixed income securities backing unit-linked and with-profit life and health policies		4 095			4 095
Equity securities	18 161	483	69		18 713
Equity securities backing unit-linked and with-profit life and health policies	16 173	9			16 182
Equity securities held for proprietary investment purposes	1 988	474	69		2 531
Derivative financial instruments	50	7 010	2 646	–7 252	2 454
Interest rate contracts		4 147	1 512		5 659
Foreign exchange contracts	3	866	112		981
Derivative equity contracts	40	1 400			1 440
Credit contracts		391	986		1 377
Other contracts	7	206	36		249
Other assets	2 773	1 860	2 041		6 674
Total assets at fair value	41 367	89 149	5 895	–7 252	129 159
Liabilities					
Derivative financial instruments	–33	–4 902	–5 875	5 950	–4 860
Interest rate contracts	–16	–3 439	–1 191		–4 646
Foreign exchange contracts	–4	–764	–66		–834
Derivative equity contracts	–6	–376	–54		–436
Credit contracts		–238	–1 075		–1 313
Other contracts	–7	–85	–3 489		–3 581
Liabilities for life and health policy benefits			–341		–341
Accrued expenses and other liabilities	–2 926	–3 546	–2 331		–8 803
Total liabilities at fair value	–2 959	–8 448	–8 547	5 950	–14 004

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

As of 31 March 2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 449	47 991	620		61 060
Debt securities issued by US government and government agencies	12 449	650			13 099
US Agency securitised products		2 868			2 868
Debt securities issued by non-US governments and government agencies		29 756			29 756
Corporate debt securities		8 984	608		9 592
Residential mortgage-backed securities		1 405			1 405
Commercial mortgage-backed securities		2 675	3		2 678
Other asset-backed securities		1 653	9		1 662
Fixed income securities backing unit-linked and with-profit life and health policies					0
Equity securities	2 576	518	68		3 162
Equity securities backing unit-linked and with-profit life and health policies	845				845
Equity securities held for proprietary investment purposes	1 731	518	68		2 317
Derivative financial instruments	61	6 858	1 142	–5 228	2 833
Interest rate contracts	6	5 080			5 086
Foreign exchange contracts	4	656			660
Derivative equity contracts	45	503	607		1 155
Credit contracts		448	480		928
Other contracts	6	171	55		232
Other assets	4 819	3 030	2 099		9 948
Total assets at fair value	**19 905**	**58 397**	**3 929**	**–5 228**	**77 003**
Liabilities					
Derivative financial instruments	–41	–5 567	–3 280	4 310	–4 578
Interest rate contracts	–18	–4 240			–4 258
Foreign exchange contracts	–5	–696			–701
Derivative equity contracts	–11	–141	–246		–398
Credit contracts		–422	–527		–949
Other contracts	–7	–68	–2 507		–2 582
Liabilities for life and health policy benefits			–268		–268
Accrued expenses and other liabilities	–4 984	–4 417	–2 396		–11 797
Total liabilities at fair value	**–5 025**	**–9 984**	**–5 944**	**4 310**	**–16 643**

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

Transfers between level 1 and level 2

Transfers between level 1 and level 2 for the three months ended 31 March 2012 were as follows:

As of 31 March 2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)
Assets		
Transfers into[1]	141	1 951
Transfers out of[1]	–32	–1 059
Liabilities		
Transfers into[1]		–1 493
Transfers out of[1]		173

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

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

As of 31 December 2011 and 31 March 2012, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2011 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	US Agency securitised products	Other asset-backed securities
Assets					
Balance as of 1 January 2011	1 748	7	3	0	123
Realised/unrealised gains/losses:					
Included in net income	–1	–4	–5		–15
Included in other comprehensive income	–1	4			–15
Purchases[2]	76		49	10	163
Issuances[2]					
Sales[2]	–670		–30		–218
Settlements[2]	–147	–3			–12
Transfers into level 3[1]	223	4	17		10
Transfers out of level 3[1]	–99	–3	–28	–10	–21
Impact of foreign exchange movements	–18	–1	2		1
Closing balance as of 31 December 2011	1 111	4	8	0	16

Liabilities					
Balance as of 1 January 2011					
Realised/unrealised gains/losses:					
Included in net income					
Included in other comprehensive income					
Purchases[2]					
Issuances[2]					
Sales[2]					
Settlements[2]					
Transfers into level 3[1]					
Transfers out of level 3[1]					
Impact of foreign exchange movements					
Closing balance as of 31 December 2011					

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfers.
[2] ASU No. 2010-06, gross presentation of activity within level 3 roll forward, presenting separately information about purchases, issuances, sales, and settlements. The standard needs to be applied prospectively.

	Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
	203	839	162	0	1 214	202	1 411	5 912
	38	851	–63	1	–77	–48	39	716
	4						20	12
	21	206	95	11	163		1 136	1 930
	–196	–397	–85	–1	–239	–134	–501	–2 471
		13			–23	20	–1	–153
	1						9	264
				–11	–52		–70	–294
	–2		3			–4	–2	–21
	69	1 512	112	0	986	36	2 041	5 895

	Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Accrued expenses and other liabilities	Total
	–271	–825	–72	–56	–1 007	–2 572	–2 349	–7 152
	–69	–413	13	2	–158	–771		–1 396
			–7					–7
		46			90	8		144
		1			1	–154		–152
	–1				–1		18	16
	–341	–1 191	–66	–54	–1 075	–3 489	–2 331	–8 547

2012 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Other asset-backed securities
Assets				
Balance as of 1 January 2012	1 111	4	8	16
Effect of change in Group structure[1]	–520		–5	
Realised/unrealised gains/losses:				
Included in net income				
Included in other comprehensive income	12			
Purchases	5			
Issuances				
Sales	–9			
Settlements	–2			
Transfers into level 3[2]	13			
Transfers out of level 3[2]	–2	–4		–7
Impact of foreign exchange movements				
Closing balance as of 31 March 2012	**608**	**0**	**3**	**9**
Liabilities				
Balance as of 1 January 2012				
Effect of change in Group structure[1]				
Realised/unrealised gains/losses:				
Included in net income				
Included in other comprehensive income				
Purchases				
Issuances				
Sales				
Settlements				
Transfers into level 3[2]				
Transfers out of level 3[2]				
Impact of foreign exchange movements				
Closing balance as of 31 March 2012				

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

Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
69	1 512	112	0	986	36	2 041	5 895
						–32	–557
–2	–95		–221	–150		–27	–495
						83	95
					14	47	66
	–4					–30	–43
	–1		1	–10	4		–8
			828	22			863
	–1 412	–112		–368	1		–1 904
1			–1			17	18
68	**0**	**0**	**607**	**480**	**55**	**2 099**	**3 930**

Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Accrued expenses and other liabilities	Total
–341	–1 191	–66	–54	–1 075	–3 489	–2 331	–8 547
			54		–45		9
72	95		26	218	860		1 271
	–2						–2
	2		98				100
			–5	1	–25		–29
			–365				–365
	1 096	66		331	192		1 684
1				–2		–65	–66
–268	**0**	**0**	**–246**	**–527**	**–2 507**	**–2 396**	**–5 945**

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

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the three months ended 31 March 2011 and 2012 were as follows:

USD millions	2011	**2012**
Gains/losses included in net income for the period	268	776
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	189	725

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Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 March 2012 were as follows:

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

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

Fair value at **31 March 2012**	Valuation technique	Unobservable input	Range (weighted average)
608			
155	Discounted cash flow model	Illiquidity premium	75 bps (n.a.)
408	Corporate spread matrix	Illiquidity premium	15 – 421 bps (90 bps)
43	Discounted cash flow model	Illiquidity premium	65 – 250 bps (134 bps)
607			
607	Proprietary option model	Correlation	–30% – 100% (35%)[1]
480			
113	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	40% – 94% (66%)
330	Base correlation model	Correlation	15% – 79% (47%)[1]
–246			
–74	Proprietary option model	Correlation	–30% – 100% (35%)[1]
–172	Option model	Volatility	120% – 162% (141%)[1]
		Growth rate	4% (n.a.)
–527			
–90	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	40% – 94% (66%)
–419	Base correlation model	Correlation	15% – 79% (47%)[1]
–2 775			
–2 450	Discounted cash flow model	Risk margin	4% (n.a.)
		Volatility	5% – 46%
		Lapse	0.5% – 14%
		Mortality adjustment	–2% – 0%
		Withdrawal rate	0% – 90%
–243	Discounted cash flow model	Lapse	3% – 10%
		Mortality adjustment	80% (n.a.)

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

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

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

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

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

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

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

Other assets measured at net asset value

Other assets measured at net asset value as of 31 December 2011 and 31 March 2012, respectively, were as follows:

USD millions	2011 Fair value	**2012** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	679	646	291	non-redeemable	na
Hedge funds	1 030	1 052		redeemable[1]	90 – 180 days[2]
Private equity direct	171	168		non-redeemable	na
Real estate funds	172	210	65	non-redeemable	na
Total	2 052	**2 076**	**356**		

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

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

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

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

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

Fair value option

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

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

Equity securities trading

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

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2011 and 31 March 2012 were as follows:

USD millions	2011	**2012**
Assets		
Equity securities trading	571	596
of which at fair value pursuant to the fair value option	455	499
Liabilities		
Liabilities for life and health policy benefits	–39 044	–18 553
of which at fair value pursuant to the fair value option	–341	–268

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

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the three months ended 31 March 2011 and 2012 were as follows:

USD millions	2011	**2012**
Equity securities trading	40	44
Liabilities for life and health policy benefits	27	74
Total	67	**118**

Fair value changes from equity securities trading are reported in net realised investment gains/losses. Fair value changes from the GMDB reserves are shown in life and health benefits.

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

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

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

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

4 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2011 and 31 March 2012, the fair values and notional amounts of the derivatives outstanding were as follows:

As of 31 December 2011 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	153 706	4 780	–4 642	138
Foreign exchange contracts	28 714	981	–766	215
Equity contracts	9 338	1 440	–436	1 004
Credit contracts	45 241	1 377	–1 313	64
Other contracts	24 039	249	–3 581	–3 332
Total	261 038	8 827	–10 738	–1 911
Derivatives designated as hedging instruments				
Interest rate contracts	2914	879	–4	875
Foreign exchange contracts	2 077		–68	–68
Total	4 991	879	–72	807
Total derivative financial instruments	266 029	9 706	–10 810	–1 104
Amount offset				
Where a right of setoff exists		–5 756	5 756	
Due to cash collateral		–1 496	194	
Total net amount of derivative financial instruments		2 454	–4 860	–2 406

As of 31 March 2012 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	175 325	4 321	–4 258	63
Foreign exchange contracts	25 917	649	–668	–19
Equity contracts	9 815	1 155	–398	757
Credit contracts	41 922	928	–949	–21
Other contracts	22 231	232	–2 582	–2 350
Total	**275 210**	**7 285**	**–8 855**	**–1 570**
Derivatives designated as hedging instruments				
Interest rate contracts	2 903	765		765
Foreign exchange contracts	2 131	11	–33	–22
Total	**5 034**	**776**	**–33**	**743**
Total derivative financial instruments	**280 244**	**8 061**	**–8 888**	**–827**
Amount offset				
Where a right of setoff exists		–4 005	4 005	
Due to cash collateral		–1 223	305	
Total net amount of derivative financial instruments		**2 833**	**–4 578**	**–1 745**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in other invested assets, and the fair value liabilities are included in accrued expenses and other liabilities. The fair value amounts that were not offset were nil as of 31 December 2011 and 31 March 2012.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in net realised investment gains/losses in the income statement. For the three months ended 31 March 2011 and 2012, the gains and losses of derivative financial instruments not designated as hedging instruments were as follow:

USD millions	2011	**2012**
Derivatives not designated as hedging instruments		
Interest rate contracts	–5	–184
Foreign exchange contracts	–290	–424
Equity contracts	–155	–440
Credit contracts	–97	–149
Other contracts	316	837
Total gain/loss recognised in income	–231	**–360**

Hedging activities

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

Fair value hedges

The Group enters into interest rate and foreign exchange swaps to reduce the exposure to interest rate and foreign exchange volatility for certain of its issued debt positions. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in net realised investment gains/losses in the income statement. For the three months ended 31 March 2011 and 2012, the gains and losses attributable to the hedged risks were as follows:

	2011		**2012**	
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	–67	68	–107	106
Foreign exchange contracts	89	–90	46	–56
Total gain/loss recognised in income	22	–22	**–61**	**50**

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2011 and the three months ended 31 March 2012, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 397 million and a loss of USD 29 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2011 and 31 March 2012 was approximately USD 3 950 million and USD 4 056 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, net of cash collateral.

Credit risk-related contingent features

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 1 538 million and USD 1 386 million as of 31 December 2011 and 31 March 2012, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 194 million and USD 305 million as of 31 December 2011 and 31 March 2012, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 1 081 million in additional collateral would have had to be posted as of 31 March 2012. The total equals the amount needed to settle the instruments immediately as of 31 March 2012, respectively.

Credit derivatives written/sold

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

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2011 and 31 March 2012, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

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

The Group has purchased protection to manage the performance/payment risks related to credit derivatives and other credit risks. As of 31 December 2011 and 31 March 2012, the total purchased credit protection based on notional values was USD 26 367 million and USD 22 560 million, respectively, of which USD 8 159 million and USD 8 101 million, respectively, were related to identical underlyings for which the Group sold credit protection. For tranched indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

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

As of 31 December 2011 and 31 March 2012, the fair values and maximum potential payout of the written credit derivatives outstanding were as follows:

As of 31 December 2011 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)			Total maximum potential payout
		0–5 years	5–10 years	Over 10 years	
Credit Default Swaps					
Credit spread in basis points					
0 – 250	–89	3 874	1 692	17	5 583
251 – 500	–40	95		143	238
501 – 1 000	–17	145		37	182
Greater than 1 000	–331	154	5	495	654
Total	–477	4 268	1 697	692	6 657
Credit Index Products					
Credit spread in basis points					
0 – 250	–280	11 778	134		11 912
251 – 500	–57		106		106
501 – 1 000	–47	12	71		83
Greater than 1 000	–56		116		116
Total	–440	11 790	427	0	12 217
Total Return Swaps					
Credit spread in basis points					
No credit spread available	100	997			997
Total	100	997	0	0	997
Total credit derivatives written/sold	–817	17 055	2 124	692	19 871

As of 31 March 2012 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)			Total maximum potential payout
		0–5 years	5–10 years	Over 10 years	
Credit Default Swaps					
Credit spread in basis points					
0 – 250	–47	3 040	2 726		5 766
251 – 500	–36	83		145	228
501 – 1 000	–16	140	5	36	181
Greater than 1 000	–292	385		523	908
Total	**–391**	**3 648**	**2 731**	**704**	**7 083**
Credit Index Products					
Credit spread in basis points					
0 – 250	11	11 645	57		11 702
251 – 500	–45	22	167		189
501 – 1 000	–7	350	38		388
Greater than 1 000	–33				0
Total	**–74**	**12 017**	**262**	**0**	**12 279**
Total Return Swaps					
Credit spread in basis points					
No credit spread available	75	728			728
Total	**75**	**728**	**0**	**0**	**728**
Total credit derivatives written/sold	**–390**	**16 393**	**2 993**	**704**	**20 090**

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

For the year ended 31 December 2011 and three months ended 31 March 2012, the DAC were as follows:

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other[1]	Total
Opening balance as of 1 January 2011	819	2 743	9	3 571
Deferred	2 233	254	199	2 686
Effect of acquisitions/disposals and retrocessions	–1		–9	–10
Amortisation	–1 798	–313	–188	–2 299
Effect of foreign currency translation	–6	–21	2	–25
Closing balance as of 31 December 2011	1 247	2 663	13	3 923

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re® business segments have been included in the 'Other' column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January 2012	1 247	2 663	13	3 923
Effect of change in Group structure[1]			–17	–17
Cumulative effect of adoption of ASU No. 2010-26		–35		–35
Deferred	524	254	2	780
Effect of acquisitions/disposals and retrocessions				0
Amortisation	–544	–99	–1	–644
Effect of foreign currency translation	12	42		54
Closing balance as of 31 March 2012	**1 239**	**2 825**	**–3**	**4 061**

[1] Please refer to Note 1 "Organisation and summary of significant accounting policies".

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

As of 1 January 2012, the Group adopted ASU 2010-26 "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" (ASU 2010-26). This new guidance limits the definition of deferrable acquisition costs to costs directly related to the successful acquisition or renewal of insurance contracts. The Group chose to adopt the standard retroactively. Due to immateriality, the release of USD 35 million of DAC not qualifying for deferral under the update was recognised against retained earnings as of 1 January 2012. Consequently, prior-period information has not been retrospectively adjusted. The impact of the guidance on the Group is immaterial.

For the year ended 31 December 2011 and three months ended 31 March 2012, the PVFP were as follows:

			2011			**2012**
USD millions	Life & Health Reinsurance	Other[1]	Total	Life & Health Reinsurance	Other	Total
Opening balance	1 736	2 829	4 565	1 674	2 552	4 226
Effect of change in Group structure[2]					–2 552	–2 552
Effect of acquisitions/disposals and retrocessions	112	135	247			0
Amortisation	–218	–413	–631	–53		–53
Interest accrued on unamortised PVFP	54	177	231	13		13
Effect of foreign currency translation	–10	–10	–20	28		28
Effect of change in unrealised gains/losses		–166	–166			0
Closing balance	1 674	2 552	4 226	**1 662**	**0**	**1 662**

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Admin Re® business segment has been included in the 'Other' column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".
[2] Please refer to Note 1 "Organisation and summary of significant accounting policies".

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

6 Debt and contingent capital instruments

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

The Group's debt as of 31 December 2011 and 31 March 2012 was as follows:

USD millions	2011	**2012**
Senior financial debt	279	288
Senior operational debt	3 822	3 822
Short-term debt – financial and operational debt	4 101	**4 110**
Senior financial debt	2 976	4 997
Senior operational debt	4 854	2 651
Subordinated financial debt	3 587	3 650
Subordinated operational debt	5 124	5 217
Long-term debt – financial and operational debt	16 541	**16 515**
Total carrying value	20 642	**20 625**
Total fair value	19 996	**20 247**

The increase in senior financial debt, and a corresponding decrease in senior operational debt, during the first quarter of 2012 resulted mainly from the reclassification of three senior notes assumed in the acquisition of Insurance Solutions due to a change in the rating agency classification methodology for operational debt.

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the three months ended 31 March 2011 and 2012 was as follows:

USD millions	2011	**2012**
Senior financial debt	20	45
Senior operational debt	81	31
Subordinated financial debt	56	55
Subordinated operational debt	63	62
Total	220	**193**

Interest expenses on contingent capital instruments for the three months ended 31 March 2012 was USD 3 million.

Long-term debt issued in 2012

The Group did not issue any long-term debt in the three months ended 31 March 2012.

Contingent capital instruments issued in 2012

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

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

Both instruments may be converted, at the option of the issuer, into Swiss Re Ltd shares at any time at market or within six months following a solvency event at a pre-set floor price. These instruments are referred to in these financial statements as the "contingent capital instruments".

7 Insurance information

For the three months ended 31 March

Premiums earned and fees assessed against policyholders

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other[1]	Total
Premiums earned, thereof:				
Direct			702	702
Reinsurance	2 834	2 420	128	5 382
Intra-group transactions (assumed and ceded)	–22	18	4	0
Premiums earned before retrocession to external parties	2 812	2 438	834	6 084
Reinsurance ceded to external parties	–591	–443	–168	–1 202
Net premiums earned	2 221	1 995	666	4 882
Fee income from policyholders, thereof:				
Direct			166	166
Reinsurance		29	30	59
Intra-group transactions (assumed and ceded)		–4	4	0
Gross fee income before retrocession to external parties		25	200	225
Fee income ceded to external parties		–4		–4
Net fee income	0	21	200	221

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re® business segments have been included in the 'Other' column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Premiums earned and fees assessed against policyholders

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		19	23	42
Reinsurance	3 985	2 564	2	6 551
Intra-group transactions (assumed and ceded)	6		–6	0
Premiums earned before retrocession to external parties	3 991	2 583	19	6 593
Reinsurance ceded to external parties	–921	–430	–11	–1 362
Net premiums earned	**3 070**	**2 153**	**8**	**5 231**
Fee income from policyholders, thereof:				
Direct				0
Reinsurance		20		20
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		20		20
Fee income ceded to external parties				0
Net fee income	**0**	**20**	**0**	**20**

Claims and claim adjustment expenses

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other[1]	Consolidation	Total
Claims paid, thereof:					
Gross claims paid to external parties	–1 978	–1 982	–1 335		–5 295
Intra-group transactions (assumed and ceded)	–294	–32	326		0
Claims before receivables from retrocession to external parties	–2 272	–2 014	–1 009		–5 295
Receivables from retrocession to external parties	329	485	241		1 055
Net claims paid	–1 943	–1 529	–768	0	–4 240
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	–2 129	26	65	5	–2 033
Intra-group transactions (assumed and ceded)	186	19	–205		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to third parties	–1 943	45	–140	5	–2 033
Reinsurance ceded to external parties	754	–14	–15		725
Net unpaid claims and claim adjustment expenses; life and health benefits	–1 189	31	–155	5	–1 308
Claims and claim adjustment expenses; life and health benefits	–3 132	–1 498	–923	5	–5 548

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re® business segments have been included in the 'Other' column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Acquisition costs

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other[1]	Consolidation	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	–574	–462	–148	3	–1 181
Intra-group transactions (assumed and ceded)	–11	–10	21		0
Acquisition costs before impact of retrocession to external parties	–585	–472	–127	3	–1 181
Retrocession to external parties	183	69	43		295
Net acquisition costs	–402	–403	–84	3	–886

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re® business segments have been included in the 'Other' column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Claims and claim adjustment expenses

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Claims paid, thereof:					
Gross claims paid to external parties	–2 458	–1 898	–5		–4 361
Intra-group transactions (assumed and ceded)	–1		1		0
Claims before receivables from retrocession to external parties	–2 459	–1 898	–4		–4 361
Receivables from retrocession to external parties	366	439	1		806
Net claims paid	**–2 093**	**–1 459**	**–3**	**0**	**–3 555**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	235	–78	–58		99
Intra-group transactions (assumed and ceded)	–14		14		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to third parties	221	–78	–44		99
Reinsurance ceded to external parties	167		20		187
Net unpaid claims and claim adjustment expenses; life and health benefits	**388**	**–78**	**–24**	**0**	**286**
Claims and claim adjustment expenses; life and health benefits	**–1 705**	**–1 537**	**–27**	**0**	**–3 269**

Acquisition costs

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	–845	–496	–3		–1 344
Intra-group transactions (assumed and ceded)	–1		1		0
Acquisition costs before impact of retrocession to external parties	–846	–496	–2		–1 344
Retrocession to external parties	289	60	1		350
Net acquisition costs	**–557**	**–436**	**–1**	**0**	**–994**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2011 and 31 March 2012 were as follows:

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other[1]	Consolidation	Total
Assets					
Reinsurance recoverable	4 951	2 902	13 502	–9 518	11 837
Deferred acquisition costs	1 247	2 663	13		3 923
Liabilities					
Unpaid claims and claim adjustment expenses	49 451	9 310	14 148	–8 031	64 878
Life and health policy benefits		18 367	21 424	–747	39 044
Policyholder account balances		2 423	32 486	–747	34 162

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re® business segments have been included in the 'Other' column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable	5 173	2 912	138	–24	8 199
Deferred acquisition costs	1 239	2 825	–3		4 061
Liabilities					
Unpaid claims and claim adjustment expenses	49 711	9 619	209	–24	59 515
Life and health policy benefits		18 553			18 553
Policyholder account balances		2 535			2 535

Reinsurance receivables

Reinsurance receivables as of 31 December 2011 and 31 March 2012 were as follows:

USD millions	2011	**2012**
Premium receivables invoiced	1 916	1 600
Receivables invoiced from ceded (re)insurance business	512	364
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	707	1 346
Recognised allowance	–132	–94

Sales inducements

Sales inducements are offered to contract holders of certain universal life and annuity products. The amounts deferred equal the sum of persistency bonuses credited to the account value plus the non-interest related increase in the persistency bonus liability. These costs are amortised in constant proportion to estimated gross profits over the life of the contract, using the credited interest rates as the discount rate.

Sales inducements as of 31 December 2011 and 31 March 2012 were as follows:

USD millions	2011	**2012**
Balance as of 1 January	1 019	1 020
Impact of carve-outs due to new Group structure	-	–82
Sales inducements deferred	265	179
Sales inducements amortised	–257	–53
Impact of foreign exchange and other movements	–7	28
Unamortised balance of sales inducements	1 020	**1 092**

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The amount of policyholder dividend expense for the three months ended 31 March 2011 and 2012 was USD 28 million and USD 4 million, respectively.

8 Premiums written

For the three months ended 31 March

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other[1]	Consolidation	Total
Gross premiums written, thereof:					
Direct		7	558		565
Reinsurance	5 860	2 575	84		8 519
Intra-group transactions (assumed)	147	13	121	–281	0
Gross premiums written	6 007	2 595	763	–281	9 084
Intra-group transactions (ceded)	–121		–160	281	0
Gross premiums written before retrocession to external parties	5 886	2 595	603		9 084
Reinsurance ceded to external parties	–1 168	–443	–157		–1 768
Net premiums written	4 718	2 152	446	0	7 316

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re® business segments have been included in the 'Other' column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		57	17		74
Reinsurance	5 895	2 770	2		8 667
Intra-group transactions (assumed)	6			–6	0
Gross premiums written	5 901	2 827	19	–6	8 741
Intra-group transactions (ceded)			–6	6	0
Gross premiums written before retrocession to external parties	5 901	2 827	13		8 741
Reinsurance ceded to external parties	–639	–426	–8		–1 073
Net premiums written	**5 262**	**2 401**	**5**	**0**	**7 668**

9 Benefit plans

Defined benefit pension plans and post-retirement benefits

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

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

Components of net periodic benefit cost

The components of pension and post-retirement cost for the three months ended 31 March 2011 and 2012 were as follows:

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

2012 USD millions	Swiss plans	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	26	1	1	28
Interest cost	20	18	3	41
Expected return on assets	–25	–19		–44
Amortisation of:				
Net gain/loss	10	3	–2	11
Prior service cost			–3	–3
Net periodic benefit cost	**31**	**3**	**–1**	**33**

Employer's contributions for 2012

For the three months ended 31 March 2012, the Group contributed USD 54 million to its defined benefit pension plans, and USD 4 million to other post-retirement plans, compared to USD 55 million and USD 4 million, respectively, in the same period of 2011.

The expected 2012 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 31 March 2012 for latest information, amount to USD 136 million and USD 16 million, respectively.

10 Information on business segments

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

On 17 February 2011, the Group announced the implementation of a new organisational structure, to be reflected in the Group financial statements from the first quarter of 2012. On 27 April 2012, SRZ transferred the Corporate Solutions entities and the Admin Re® entities through a dividend in-kind to Swiss Re Ltd and, as a result, the Corporate Solutions Business Unit and the Admin Re® Business Unit are no longer owned by SRZ. Under the new structure, the former Asset Management segment of the Swiss Re Group is split among business segments to ensure invested assets correspond to reinsurance liabilities. The assets and liabilities related to specific transactions have been allocated to the respective business segments.

The Group presents two core operating business segments: Property & Casualty Reinsurance and Life & Health Reinsurance.

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

Property & Casualty includes the business lines Property, Casualty, including motor, and Specialty. Life & Health is split into two sub-segments.

Other
Items not allocated to the business segments are included in the "Other" column which encompasses non-core activities. The "Other" column includes mainly certain costs not allocated to the Reinsurance business segments, certain Treasury activities as well as the remaining non-core activities which have been in run-off since November 2007. For the comparative period presented the Corporate Solutions and Admin Re® segments have also been included in this column. Effective 1 January 2012, these operating segments are no longer included in the results of the Swiss Reinsurance Company Group. Please refer to note 1 "Organisation and summary of significant accounting policies" under "Basis for presentation" for further information.

Consolidation
Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. This includes significant intra-group reinsurance arrangements and certain treasury-related activities are included.

Each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment are determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. This consideration determined each segment's initial capital position under the new structure.

The segment income statement follows the segmental balance sheets and provides enhanced information regarding investment income, realised investment gains and losses, interest expense, and tax expense and benefit. Investment income is the actual income earned on the invested assets. Investment gains and losses are based on the asset portfolios assigned to the segment. Interest expense is incurred from the segment's capital funding position, and tax is derived from legal entity tax obligations.

The 2011 comparative information has been restated and is presented based on the 2012 presentation. The accounting policies of the business segments are in line with those described in the summary of significant accounting policies (see Note 1 to the Group's annual consolidated financial statements).

a) Business segments – income statement

For the three months ended 31 March 2011

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other[1]	Consolidation	Total
Revenues					
Premiums earned	2 221	1 995	666		4 882
Fee income from policyholders		21	200		221
Net investment income/loss – non-participating	358	377	458	–26	1 167
Net realised investment gains/losses – non-participating	298	–191	63		170
Net investment result – unit-linked and with-profit		58	164		222
Other revenues	4		61	–54	11
Total revenues	2 881	2 260	1 612	–80	6 673
Expenses					
Claims and claim adjustment expenses	–3 132		–397	9	–3 520
Life and health benefits		–1 498	–526	–4	–2 028
Return credited to policyholders		–64	–299		–363
Acquisition costs	–402	–403	–84	3	–886
Other expenses	–265	–141	–224	55	–575
Interest expenses	–41	–132	–63	17	–219
Total expenses	–3 840	–2 238	–1 593	80	–7 591
Income/loss before income tax expense	–959	22	19	0	–918
Income tax expense/benefit	346	–8	–64		274
Net income/loss before attribution of non-controlling interests	–613	14	–45	0	–644
Income attributable to non-controlling interests	–19		–2		–21
Net income/loss after attribution of non-controlling interests	–632	14	–47	0	–665
Interest on contingent capital instruments					0
Net income/loss attributable to common shareholder	–632	14	–47	0	–665
Claims ratio in %	141.0				
Expense ratio in %	30.0				
Combined ratio in %	171.0				
Management expense ratio in %		5.9			
Benefit ratio in %		76.3			

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re® business segments have been included in the ´Other´ column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Business segments – total assets

As of 31 December 2011

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other[1]	Consolidation	Total
Total assets	87 888	63 831	96 154	–19 753	228 120

[1] For 2011 presentation, prior to the carve-out effective from January 2012, the Corporate Solutions and Admin Re® business segments have been included in the ´Other´ column. For further information please refer to Note 1 "Organisation and summary of significant accounting policies", under "Basis of presentation".

Business segments – income statement

For the three months ended 31 March 2012

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	3 070	2 153	8		5 231
Fee income from policyholders		20			20
Net investment income/loss – non-participating	380	372	21	2	775
Net realised investment gains/losses – non-participating	88	37	–72		53
Net investment result – unit-linked and with-profit		126			126
Other revenues	22			–2	20
Total revenues	**3 560**	**2 708**	**–43**	**0**	**6 225**
Expenses					
Claims and claim adjustment expenses	–1 705		–27		–1 732
Life and health benefits		–1 537			–1 537
Return credited to policyholders		–143	–1		–144
Acquisition costs	–557	–436	–1		–994
Other expenses	–346	–159	6		–499
Interest expenses	–22	–148	–24		–194
Total expenses	**–2 630**	**–2 423**	**–47**	**0**	**–5 100**
Income/loss before income tax expense	**930**	**285**	**–90**	**0**	**1125**
Income tax expense/benefit	–245	–75	–8		–328
Net income/loss before attribution of non-controlling interests	**685**	**210**	**–98**	**0**	**797**
Income attributable to non-controlling interests	–23				–23
Net income/loss after attribution of non-controlling interests	**662**	**210**	**–98**	**0**	**774**
Interest on contingent capital instruments	–2	–1			–3
Net income/loss attributable to common shareholder	**660**	**209**	**–98**	**0**	**771**
Claims ratio in %	55.6				
Expense ratio in %	29.4				
Combined ratio in %	85.0				
Management expense ratio in %		6.2			
Benefit ratio in %		74.4			

Business segments – total assets

As of 31 March 2012

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets	100 103	66 988	8 000	–4 359	170 732

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

For the three months ended 31 March 2011

2011 USD millions	Property	Casualty	Specialty	Total
Premiums earned	1 034	675	512	2 221
Expenses				
Claims and claim adjustment expenses	–2 383	–463	–286	–3 132
Acquisition costs	–128	–143	–131	–402
Other expenses	–124	–78	–63	–265
Total expenses before interest expenses	–2 635	–684	–480	–3 799
Underwriting result	–1 601	–9	32	–1 578
Net investment income				358
Net realised investment gains/losses				298
Other revenues				4
Interest expenses				–41
Income before income tax expenses				–959
Claims ratio in %	230.4	68.6	55.9	141.0
Expense ratio in %	24.4	32.7	37.9	30.0
Combined ratio in %	254.8	101.3	93.8	171.0

Property & Casualty Reinsurance business segment – by line of business
For the three months ended 31 March 2012

2012 USD millions	Property	Casualty	Specialty	Total
Premiums earned	**1 386**	**1 186**	**498**	**3 070**
Expenses				
Claims and claim adjustment expenses	–627	–843	–235	–1 705
Acquisition costs	–181	–276	–100	–557
Other expenses	–176	–104	–66	–346
Total expenses before interest expenses	**–984**	**–1 223**	**–401**	**–2 608**
Underwriting result	402	–37	97	462
Net investment income				380
Net realised investment gains/losses				88
Other revenues				22
Interest expenses				–22
Income before income tax expenses				**930**
Claims ratio in %	45.2	71.1	47.2	55.6
Expense ratio in %	25.8	32.0	33.3	29.4
Combined ratio in %	71.0	103.1	80.5	85.0

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

For the three months ended 31 March 2011

2011 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 435	560	1 995
Fee income from policyholders	21		21
Net investment income – non-participating	234	143	377
Net investment income – unit-linked and with-profit	3		3
Net realised investment gains/losses – unit-linked and with-profit	55		55
Net realised investment gains/losses – insurance related derivatives	–34	–1	–35
Total revenues before non-participating realised gains/losses	1 714	702	2 416
Expenses			
Life and health benefits	–1 092	–406	–1 498
Return credited to policyholders	–64		–64
Acquisition costs	–312	–91	–403
Other expenses	–110	–31	–141
Total expenses before interest expenses	–1 578	–528	–2 106
Operating income/loss	136	174	310
Net realised investment gains/losses – non-participating and excluding insurance related derivatives			–156
Interest expenses			–132
Income before income tax expenses			22
Management expense ratio in %	6.5	4.4	5.9
Benefit ratio[1] in %	77.7	72.5	76.3

[1] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

Life & Health Reinsurance business segment – by line of business

For the three months ended 31 March 2012

2012 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 513	640	2 153
Fee income from policyholders	20		20
Net investment income – non-participating	248	124	372
Net investment income – unit-linked and with-profit	3		3
Net realised investment gains/losses – unit-linked and with-profit	123		123
Net realised investment gains/losses – insurance related derivatives	–83	2	–81
Total revenues before non-participating realised gains/losses	**1 824**	**766**	**2 590**
Expenses			
Life and health benefits	–1 054	–483	–1 537
Return credited to policyholders	–143		–143
Acquisition costs	–329	–107	–436
Other expenses	–128	–31	–159
Total expenses before interest expenses	**–1 654**	**–621**	**–2 275**
Operating income/loss	**170**	**145**	**315**
Net realised investment gains/losses – non-participating and excluding insurance related derivatives			118
Interest expenses			–148
Income before income tax expenses			**285**
Management expense ratio in %	7.2	4.1	6.2
Benefit ratio[1] in %	74.0	75.5	74.4

[1] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

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11 Variable interest entities

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

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

The party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE, or the right to receive benefits from the entity that could potentially be significant to the VIE.

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

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

Modified coinsurance agreement

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

Under the new Group structure the modified coinsurance agreement is not anymore consolidated. Please refer to Note 1 "Organisation and summary of significant accounting policies".

Insurance-linked and credit-linked securitisations

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

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

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

As of 31 March 2012, the total assets of the insurance-linked and credit-linked securitisation vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 533 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 393 million.

Swaps in trusts

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

Debt financing vehicles

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

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

The total assets of the debt financing vehicles in which the Group is the primary beneficiary were USD 7 810 million as of 31 March 2012.

Other

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

As of 31 March 2012, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 3 305 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 742 million.

The Group did not provide financial or other support to any VIEs during 2012 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December 2011 and 31 March 2012:

		2011		**2012**
USD millions	Carrying value	Whereof restricted:	Carrying value	Whereof restricted:
Fixed income securities available-for-sale	9254	9254	6 375	6 375
Policy loans, mortgages and other loans	191	191		
Short-term investments	998	998	875	875
Other invested assets	202	202	220	220
Cash and cash equivalents	928	928	452	452
Accrued investment income	78	78	51	51
Premiums and other receivables	9	9		
Reinsurance recoverable on unpaid claims and policy benefits	7	7		
Funds held by ceding companies	2	2		
Income taxes recoverable	1	1		
Acquired present value of future profits	23	23		
Other assets	273	253	972	952
Total assets	11 966	11 946	**8 945**	**8 925**

	Carrying value	Whereof limited recourse:	Carrying value	Whereof limited recourse:
Unpaid claims and claim adjustment expenses	15	15		
Liabilities for life and health policy benefits	1 165	1 165		
Policyholder account balances	1 365	1 365		
Reinsurance balances payable	5	5		
Deferred and other non-current taxes	180	180		
Short-term debt	973	973	684	684
Accrued expenses and other liabilities	633	633	1 286	1 286
Long-term debt	5 172	5 172	5 217	5 217
Total liabilities	9 508	9 508	**7 187**	**7 187**

As of 31 March 2012, the consolidation of the VIEs resulted in non-controlling interests in the balance sheet of USD nil (31 December 2011: USD 414 million). The net non-controlling interests in income were USD 2 million and USD nil net of tax for the three months ended 31 March 2011 and 2012, respectively.

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2011 and 31 March 2012:

USD millions	2011	**2012**
Fixed income securities:		
Available-for-sale	99	106
Trading	20	21
Other invested assets	680	395
Total assets	799	**522**
Short-term debt	393	403
Accrued expenses and other liabilities	509	502
Total liabilities	902	**905**

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2011 and 31 March 2012:

	2011				**2012**			
USD millions	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities
Insurance-linked/Credit-linked securitisations	261		1 168	1 168	231		863	863
Swaps in trusts	212	316	–[1]	–	161	329	–[1]	–
Other	326	586	1 152	566	130	576	979	403
Total	799	902	–[1]	–	**522**	**905**	**–[1]**	**–**

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

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities of USD 576 million recognised for the "Other" category relate mainly to collateral received.

12 Related parties

Insurance activities

The Group assumes and cedes certain re/insurance contracts from/to affiliated companies within the Swiss Re Group, but outside Swiss Reinsurance Company Consolidated, resulting in the following related party transactions on the income statement and balance sheet:

For the three months ended 31 March 2012 USD millions	Corporate Solutions	Admin Re®	**Total**
Premiums earned	–69	27	**–42**
Fee income from policyholders		3	**3**
Net investment income	21	22	**43**
Total revenues	–48	52	**4**
Claims and claim adjustment expenses	45		**45**
Life and health benefits		–18	**–18**
Return credited to policyholders		–11	**–11**
Acquisition costs	15	–6	**9**
Total expenses	60	–35	**25**

As of 31 March 2012 USD millions	Corporate Solutions	Admin Re®	**Total**
Premiums and other receivables	87	72	**159**
Reinsurance recoverable on unpaid claims and policy benefits	57	21	**78**
Funds held by ceding companies	2 182	1 573	**3 755**
Deferred acquisition costs	–19		**–19**
Acquired present value of future profits		208	**208**
Other assets	602		**602**
Total assets	2 909	1 874	**4 783**
Unpaid claims and claim adjustment expenses	7 703	46	**7 749**
Liabilities for life and health policy benefits		725	**725**
Policyholder account balances		746	**746**
Unearned premiums	143		**143**
Funds held under reinsurance treaties	3		**3**
Reinsurance balances payable	651		**651**
Total liabilities	8 500	1 517	**10 017**

Derivative activities

The Group enters into derivative transactions with affiliated companies in the Swiss Re Group resulting in the following related party transactions on the income statement and balance sheet:

For the three months ended 31 March 2012 USD millions	Corporate Solutions	Admin Re®	Other	**Total**
Net realised investment gains/losses	2	6	8	**16**

As of 31 March 2012 USD millions	Corporate Solutions	Admin Re®	Other	**Total**
Other invested assets			23	**23**
Accrued expenses and other liabilities	1	45	5	**51**

Investment activities

The Group has conducted various investing activities with affiliated companies in the Swiss Re Group. These include loans and funding agreements. These activities result in the following related party transactions on the income statement and balance sheet:

For the three months ended 31 March 2012 USD millions	Admin Re®	Other	**Total**
Net investment income	13	1	**14**

As of 31 March 2012 USD millions	Admin Re®	Other	**Total**
Policy loans, mortgages and other loans	986	562	**1 548**
Accrued investment income	21		**21**

Financing activities

The Group enters into various financing activities where it borrows funds from affiliated companies in the Swiss Re Group. These activities result in the following related party transactions on the income statement and balance sheet:

For the three months ended 31 March 2012 USD millions	Admin Re®	Other	**Total**
Net investment income		2	**2**
Interest expense	–2		**–2**

As of 31 March 2012 USD millions	Admin Re®	Other	**Total**
Policy loans, mortgages and other loans		2397[1]	**2 397**
Accrued investment income		6[1]	**6**
Short-term debt		–896	**–896**
Accrued expenses and other liabilities		2403[1]	**2 403**

[1] The counterparty of these balances is Specialised Investments Holdings (UK) Ltd. The balances are part of two funding transactions of the Swiss Re Group.

Issued in	Instrument	Maturity	Currency	Nominal in millions	Interest rate	Book value in USD millions
2009	Senior note	2012	GBP	101	1 month LIBOR - 12.5 bps	161
2005	Senior note	2028	GBP	100	0.72%	160
2008	Senior note	2028	GBP	240	4.98%	383
2012	Senior note	2014	GBP	120	2.41%	192
Total short-term debt as of 31 March 2012						**896**

Operating transactions

The Group enters into various arrangements with affiliated companies in the Swiss Re Group for the provision of services. These activities result in the following related party transactions on the income statement and balance sheet:

For the three months ended 31 March 2012 USD millions	Corporate Solutions	Admin Re®	Other	**Total**
Net investment income	2	1		**3**
Other revenues	2	7		**9**
Other expenses	118	27	16	**161**

As of 31 March 2012 USD millions	Corporate Solutions	Admin Re®	Other	**Total**
Other assets	157	84	55	**296**
Income taxes payable		33		**33**
Accrued expenses and other liabilities	6	1	163	**170**

As of 31 December 2011, the Swiss Reinsurance Company Group had contractual relationships with Swiss Re Specialised Investments Holdings (UK) Ltd ("SRSIH"). These relationships consisted of USD 2 686 Mio of other loans granted to SRSIH and USD 685 million of other loans granted to equity accounted investees of SRSIH and accrued expenses and other liabilities in respect of SRSIH of USD 2 331 million. Related income statement amounts were not material.

General impact of adverse market conditions and deterioration in global financial markets

Continued concerns relating to the euro area sovereign debt situation, coupled with weak demand and mild fiscal contraction in the US, have slowed global growth. Recession cannot be ruled out for a number of developed economies, and emerging markets, while continuing to expand, are doing so at a slower pace than in 2011, or than expected. Economic developments, in the form of adverse growth trends, and the political environment, in the form of fiscal tightening, accommodative monetary policy and governance challenges, have resulted in low interest rates, threats to holders of sovereign debt and holders of debt of financial institutions with exposure to sovereign debt, and adverse trends in emerging markets.

Concerns continue to be raised about sovereign debt burdens, possible sovereign defaults and the future of the euro, which in turn could affect economic growth rates, interest rates and inflation. Despite recent developments, including the increase in the lending capacity of the euro area bailout mechanisms and the Greek debt restructuring, uncertainty persists over the euro area sovereign debt crisis and the stability of the euro and the European Monetary Union. This uncertainty could increase the severity and duration of economic recession, cause more economic turmoil in the near term, cause further disruptions in the global financial markets and impact foreign currency exchange rates. These developments in turn could have an adverse impact on our investment results, our ability to access the capital markets and the bank funding market, the ability of counterparties to meet their obligations to us and the short-term outlook for the life insurance industry, particularly in North America and Europe, with a corresponding negative impact on our Life & Health business. Concerns over the stability of the euro could also have a broad effect on contractual arrangements denominated in, or otherwise tied to, the euro.

The foregoing developments could have material adverse effects on our industry and on us.

Regulatory changes

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

Legislative initiatives directly impacting our industry include the establishment of a pan-European regulator for insurance companies, the European Insurance and Occupational Pension Authority, which gained its regulatory powers on 1 January 2011 and will be able to overrule national regulators in certain circumstances. In addition, SRZ is subject to the Swiss Solvency Test, and Solvency II is currently expected to be transposed into law in January 2013, but will not be binding on insurers until a year later in January 2014. In the US, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury.

Other changes are focused principally on banking institutions, but some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on the Group. Changes are particularly likely to impact financial institutions designated as "systemically important", which designation is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving

reforms. Although, to date, the focus of reforms in respect of systemically important financial institutions principally has been on banks, there is an emerging focus on insurance companies as well. SRZ could be designated as a global systemically important financial institution. In addition, there appears to be a trend towards a more coordinated, centralised and stricter approach to insurance regulation specifically, in both the EU and the US.

Regulatory changes may also occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. These changes could increase the costs of doing business, reduce access to liquidity, limit the scope of business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

Market risk

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

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

Credit risk

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

Liquidity risks

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

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

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

Counterparty risks

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

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

Risks relating to credit rating downgrades

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

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

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

Legal and regulatory risks

The Group has been named, from time to time, as a defendant in various legal actions in connection with its operations. The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by our direct regulators, but also in respect of compliance with broader business conduct rules such as market abuse regulations, anti-bribery legislation, anti-money laundering legislation and trade sanctions legislation. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm its business.

Insurance, operational and other risks
As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, industrial accidents, explosions, industrial actions, fires and pandemics) may expose the Group to unexpected large losses, changes in the insurance industry that affect ceding companies, competitive conditions, cyclicality of the industry, risks related to emerging claims and coverage issues, risks arising from the Group's dependence on policies, procedures and expertise of ceding companies, risks related to investments in emerging markets, and risks related to the failure of operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group. Any of the foregoing, as well as other concerns in respect of the Group's business, could also give rise to reputational risk.

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

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

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

Risks related to realignment of the Swiss Re corporate structure
As Swiss Re Ltd moves to fully implement the realignment of its corporate structure in 2012 to reflect the separation of the Corporate Solutions business unit and the Admin Re® business unit from the Reinsurance business unit and the transfer of the Corporate Solutions business unit and the Admin Re® business unit from SRZ to Swiss Re Ltd, the Reinsurance business unit (comprised of SRZ and the legal entities remaining in the Group following the separation) could face operational risks relating to the full implementation of the new structure. Following full implementation, with a changed legal entity profile, the Reinsurance business unit and its constituent subsidiaries will be impacted differently than would have been the case under SRZ's historical structure, including, without limitation, in respect of legal and regulatory requirements (including as to capital and liquidity), ratings considerations, and lender and other counterparty considerations. Among other things, the realigned Group's asset base has changed, and capital, funding, reserve and cost allocations will be adjusted across the three business units, as a result of which the realigned Group's liquidity and capital profiles have changed and SRZ's SST risk ratio will change.

Cautionary note on forward-looking statements

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

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

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

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

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

Corporate calendar and contact information

Corporate calendar
9 August 2012
Second quarter 2012 results

8 November 2012
Third quarter 2012 results

21 February 2013
2012 annual results

2 May 2013
First quarter 2013 results

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Content

Swiss Reinsurance Company Ltd
Swiss Reinsurance Company Ltd is a leading and highly diversified global reinsurer and part of the Swiss Re group of companies. The company operates through offices in more than 20 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Reinsurance Company Ltd is rated AA– by Standard & Poor's, A1 by Moody's and A+ by A.M. Best.

The new Swiss Re corporate structure will be reflected in the Group financial statements beginning with the first quarter of 2012. During the first half of 2012, Swiss Reinsurance Company Ltd will transfer Corporate Solutions and Admin Re® entities through a dividend in-kind to Swiss Re Ltd. These transfers are subject to the approval of our principal regulator, the Swiss Financial Market Supervisory Authority, FINMA. Following these transfers, the Corporate Solutions and Admin Re® entities will no longer be subsidiaries of Swiss Reinsurance Company Ltd and will instead become subsidiaries of Swiss Re Ltd.

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Income statement

For the years ended 31 December

USD millions	Note	2010	**2011**
Revenues			
Premiums earned	8, 13	19 652	**21 300**
Fee income from policyholders	8, 13	918	**876**
Net investment income	2, 13	5 422	**5 469**
Net realised investment gains (total impairments for the years ended 31 December were 683 in 2010 and 439 in 2011, of which 423 and 258, respectively, were recognised in earnings)	2, 13	2 783	**409**
Other revenues	13	60	**51**
Total revenues		28 835	**28 105**
Expenses			
Claims and claim adjustment expenses	8, 13	–7 254	**–8 810**
Life and health benefits	8, 13	–8 236	**–8 414**
Return credited to policyholders	13	–3 371	**–61**
Acquisition costs	8, 13	–3 679	**–4 021**
Other expenses	13	–2 526	**–3 115**
Interest expenses	13	–1 094	**–851**
Total expenses		–26 160	**–25 272**
Income before income tax expense		2 675	**2 833**
Income tax expense	9	–541	**–83**
Net income before attribution of non-controlling interests		2 134	**2 750**
Income attributable to non-controlling interests		–154	**–172**
Net income after attribution of non-controlling interests		1 980	**2 578**
Convertible perpetual capital instrument		–1 117	**0**
Net income attributable to common shareholders		863	**2 578**

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

Balance sheet

As of 31 December

Assets

USD millions	Note	2010	**2011**
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 5 157 in 2010 and 7 034 in 2011 subject to securities lending and repurchase agreements) (amortised cost: 2010: 79 443; 2011: 86 984)		80 950	**93 770**
Trading (including 2 187 in 2010 and 620 in 2011 subject to securities lending and repurchase agreements)		11 252	**7 548**
Equity securities:			
Available-for-sale, at fair value (including 0 in 2010 and 45 in 2011 subject to securities lending and repurchase agreements) (cost: 2010: 1 241; 2011: 1 907)		1 474	**1 960**
Trading		19 513	**16 753**
Policy loans, mortgages and other loans		5 630	**8 325**
Investment real estate		2 040	**1 983**
Short-term investments, at amortised cost which approximates fair value (including 1 319 in 2010 and 87 in 2011 subject to securities lending and repurchase agreements)		21 446	**14 394**
Other invested assets		14 642	**19 821**
Total investments		156 947	**164 554**
Cash and cash equivalents (including 4 139 in 2010 and 36 in 2011 subject to securities lending)		16 928	**11 298**
Accrued investment income		1 085	**1 226**
Premiums and other receivables		11 095	**11 441**
Reinsurance recoverable on unpaid claims and policy benefits	8	12 637	**11 837**
Funds held by ceding companies		9 346	**9 064**
Deferred acquisition costs	5, 8	3 571	**3 923**
Acquired present value of future profits	5	4 565	**4 226**
Goodwill		4 083	**4 051**
Income taxes recoverable		426	**703**
Other assets		7 720	**5 797**
Total assets		228 403	**228 120**

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

Liabilities and equity

USD millions	Note	2010	**2011**
Liabilities			
Unpaid claims and claim adjustment expenses	7	64 690	**64 878**
Liabilities for life and health policy benefits	3, 8	39 551	**39 044**
Policyholder account balances	8	36 478	**34 162**
Unearned premiums		6 305	**8 299**
Funds held under reinsurance treaties		4 399	**2 436**
Reinsurance balances payable		4 376	**3 962**
Income taxes payable		708	**440**
Deferred and other non-current taxes		1 716	**2 853**
Short-term debt	6	10 798	**4 101**
Accrued expenses and other liabilities		14 049	**20 213**
Long-term debt	6	18 427	**16 541**
Total liabilities		201 497	**196 929**
Equity			
Common stock, CHF 0.10 par value			
2010: 370 704 153; 2011: 370 706 931 shares authorised and issued		35	**35**
Additional paid-in capital		10 530	**8 958**
Treasury shares, net of tax		–1 483	**–1 134**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		1 042	**4 223**
Other-than-temporary impairment, net of tax		–169	**–118**
Cumulative translation adjustments, net of tax		–3 742	**–3 924**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–522	**–775**
Total accumulated other comprehensive income		–3 391	**–594**
Retained earnings		19 651	**22 229**
Shareholders' equity		25 342	**29 494**
Non-controlling interests		1 564	**1 697**
Total equity		26 906	**31 191**
Total liabilities and equity		228 403	**228 120**

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

Statement of shareholders' equity

For the years ended 31 December

USD millions	2010	**2011**
Convertible perpetual capital instrument (CPCI)		
Balance as of 1 January	2 670	**0**
Reclassification of convertible perpetual capital instrument[1]	–2 670	
Balance as of period end	0	**0**
Common shares		
Balance as of 1 January	35	**35**
Issue of common shares		
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	10 472	**10 530**
Share-based compensation	48	**–87**
Realised gains/losses on treasury shares	10	**–421**
Sale of Swiss Re Specialised Investments Holdings (UK) Ltd[2]		**–29**
Dividends on common shares[4]		**–1 035**
Balance as of period end	10 530	**8 958**
Treasury shares, net of tax		
Balance as of 1 January	–1 477	**–1 483**
Purchase of treasury shares	–49	**–270**
Issuance of treasury shares, including share-based compensation to employees	43	**619**
Balance as of period end	–1 483	**–1 134**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	–993	**1 042**
Other changes during the period	2 070	**3 181**
Cumulative effect of adoption of ASU No. 2009-17[3]	–35	
Balance as of period end	1 042	**4 223**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–397	**–169**
Other changes during the period	228	**51**
Balance as of period end	–169	**–118**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 560	**–3 742**
Other changes during the period	–182	**–182**
Balance as of period end	–3 742	**–3 924**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–453	**–522**
Change during the period	–69	**–253**
Balance as of period end	–522	**–775**
Retained earnings		
Balance as of 1 January	19 047	**19 651**
Net income after non-controlling interests	1 980	**2 578**
Convertible perpetual capital instrument (net income)[1]	–1 117	
Dividends on common shares[4]	–319	
Cumulative effect of adoption of ASU No. 2009-17[3]	60	
Balance as of period end	19 651	**22 229**
Shareholders' equity	25 342	**29 494**
Non-controlling interests		
Balance as of 1 January	0	**1 564**
Change during the period	1 410	**–39**
Income attributable to non-controlling interests	154	**172**
Balance as of period end	1 564	**1 697**
Total equity	26 906	**31 191**

[1] The CPCI was reclassified from equity to short-term debt upon termination on 4 November 2010. The final cash settlement was made in January 2011.
[2] On 3 May 2011, Swiss Reinsurance Company Ltd sold its subsidiary Swiss Re Specialised Investments Holdings (UK) Limited to Swiss Re Ltd. As the transaction has been accounted for in a manner similar to a transaction between entities under common control, the difference between the proceeds received and the book value was accounted for as a capital transaction.
[3] The Group adopted a new accounting pronouncement, ASU No. 2009-17 (FAS167), an update to Topic 810 – Consolidation, as of 1 January 2010, which resulted in the full consolidation of certain VIEs. This resulted in a transition impact to retained earnings of USD 60 million and to net unrealised gains/losses of USD –35 million.
[4] In 2011, dividends to shareholders were paid in the form of a withholding tax exempt repayment of legal reserves from capital contributions.

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2010	**2011**
Net income before attribution of non-controlling interests	1 017[1]	**2 750**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses	2 035	**3 181**
Change in other-than-temporary impairment	228	**51**
Change in foreign currency translation	–182	**–182**
Change in adjustment for pension benefits	–69	**–253**
Total comprehensive income before attribution of non-controlling interests	3 029	**5 547**
Comprehensive income attributable to non-controlling interests	–154	**–172**
Total comprehensive income attributable to common shareholders	2 875	**5 375**

[1] After interest on convertible perpetual capital instrument.

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

Statement of cash flow

For the years ended 31 December

USD millions	2010	**2011**
Cash flows from operating activities		
Net income attributable to common shareholders	863	**2 578**
Add net income attributable to non-controlling interests	154	**172**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items[1]	2 442	**3 112**
Net realised investment gains/losses	–2 783	**–409**
Convertible perpetual capital instrument	1 117	
Change in:		
Technical provisions, net[1]	–3 915	**–4 093**
Funds held by ceding companies and other reinsurance balances	13	**–1 501**
Reinsurance recoverable on unpaid claims and policy benefits	–1 366	**275**
Other assets and liabilities, net	–1 610	**–20**
Income taxes payable/recoverable	85	**–546**
Income from equity-accounted investees, net of dividends received	–265	**–225**
Trading positions, net	1 452	**2 880**
Securities purchased/sold under agreement to resell/repurchase, net	–2 273	**–785**
Net cash provided/used by operating activities	–6 086	**1 438**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	137 361	**142 952**
Purchases	–127 848	**–145 148**
Net purchase/sale/maturities of short-term investments	–10 621	**6 952**
Equity securities:		
Sales	102	**2 351**
Purchases	–923	**–3 173**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net		**80**
Net purchases/sales/maturities of other investments	–123	**–454**
Net cash provided/used by investing activities	–2 052	**3 560**
Cash flows from financing activities		
Issuance/repayment of long-term debt	1 052	**–181**
Issuance/repayment of short-term debt		
Issuance	2 929	**114**
Repayment	–7 094	**–9 158**
Purchase/sale of treasury shares	–6	**–270**
Interest on convertible perpetual capital instrument	–323	
Dividends paid to shareholders	–319	**–1 035**
Net cash provided/used by financing activities	–3 761	**–10 530**
Total net cash provided/used	–11 899	**–5 532**
Effect of foreign currency translation	224	**–98**
Change in cash and cash equivalents	–11 675	**–5 630**
Cash and cash equivalents as of 1 January	27 810	**16 928**
Impact of adoption of ASU No. 2009-17[2]	793	
Cash and cash equivalents as of 30 September	16 928	**11 298**

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

Interest paid was USD 1 278 million and USD 1 099 million for the twelve months ended 31 December 2010 and 2011, respectively.
Tax paid was USD 476 million and USD 706 million for the twelve months ended 31 December 2010 and 2011, respectively.

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

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

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

Effective 20 May 2011, SRZ became a subsidiary of Swiss Re Ltd, a new holding company formed through an exchange offer in which SRZ shareholders were offered the opportunity to exchange their SRZ shares for shares of Swiss Re Ltd. On 8 December 2011, SRZ shares were delisted from the SIX Swiss Exchange and effective 13 December 2011, SRZ became a wholly owned subsidiary of Swiss Re Ltd. Consequently, in accordance with the relevant US GAAP guidance, no earnings per share disclosures were included in these financial statements.

During the second quarter but prior to 20 May 2011, Swiss Re Specialised Investments Holdings (UK) Ltd ("SRSIH") was transferred from SRZ to Swiss Re Ltd and became a related party of the Swiss Reinsurance Company Group. As a result of the transfer, contractual relationships between the Swiss Reinsurance Company Group and SRSIH (consisting mainly of other loans granted to SRSIH of USD 2 686 million and accrued expenses and other liabilities in respect of SRSIH of USD 2 331 million as of 31 December 2011) are presented as external party transactions in these financial statements.

The Swiss Re Group (Swiss Re Ltd and its consolidated subsidiaries) is implementing a new organisational structure which will be reflected in the financial statements of the Swiss Re Group beginning with the first quarter of 2012. During the first half of 2012, Swiss Reinsurance Company Ltd will transfer Corporate Solutions and Admin Re® entities through a dividend in-kind to Swiss Re Ltd. These transfers are subject to the approval of our principal regulator, FINMA. Following these transfers, the Corporate Solutions and Admin Re® entities will cease to be subsidiaries of Swiss Reinsurance Company Ltd and, therefore, will no longer be part of the Swiss Reinsurance Company Group; these entities will instead become subsidiaries of Swiss Re Ltd.

The new Group reporting structure will be reflected in the Group financial statements from the first quarter of 2012. It will consist of the Property & Casualty, the Life & Health and the Other segment. The Other segment will include mainly certain costs not allocated to the Reinsurance business segments, certain Treasury activities as well as the remaining non-core activities which have been in run-off since November 2007.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is

discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

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

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

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

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

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

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

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

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

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

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, receivables related to investing activities, real estate for own use, property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

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

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 judgments made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

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

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 11%. 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 2% to 9%.

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

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

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

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.

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

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

Share-based payment transactions
The Group has a long-term incentive plan, a fixed option plan, a restricted share plan, and an employee participation plan. These plans are described in more detail in Note 11. 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.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 15 March 2012. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

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

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

Also in December 2010, the FASB issued "Disclosure of Supplementary Pro Forma Information for Business Combinations" (ASU No. 2010-29), an update to Topic 805 – Business Combinations. This update specifies that an entity should disclose revenue and earnings of the combined entity as though the business combinations that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The Group adopted this update as of 1 January 2011. The adoption did not have an impact on the Group's financial statements.

In April 2011, the FASB issued "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring" (ASU No. 2011-02), an update to Topic 310 – Receivables. This update provides clarifications on the determination whether a restructuring of debt constitutes a troubled debt restructuring. The Group adopted this guidance as of 1 July 2011. The adoption did not have an impact on the Group's financial statements.

In October 2010, the FASB issued "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" (ASU No. 2010-26), an update to Topic 944 – Financial Services – Insurance. This new guidance limits the definition of deferrable acquisition costs to costs directly related to the successful acquisition or renewal of insurance contracts. The Group will adopt ASU No. 2010-26 in the first quarter of 2012. We do not expect that the adoption will have a material impact on the Group's financial statements.

2 Investments

Investment income

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

USD millions	2010	**2011**
Fixed income securities	4 031	3 688
Equity securities	509	662
Policy loans, mortgages and other loans	428	770
Investment real estate	188	213
Short-term investments	88	104
Other current investments	–32	–173
Share in earnings of equity-accounted investees	351	276
Cash and cash equivalents	102	101
Deposits with ceding companies	513	478
Gross investment income	6 178	**6 119**
Investment expenses	–591	–551
Interest charged for funds held	–165	–99
Net investment income	5 422	**5 469**

Dividends received from investments accounted for using the equity method were USD 86 million and USD 51 million for 2010 and 2011, respectively.

Net investment income includes income on unit-linked and with-profit business, which is credited to policyholders.

USD millions	2010	**2011**
Unit-linked investment income	593	685
With-profit investment income	145	158

Realised gains and losses

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

USD millions	2010	**2011**
Fixed income securities available-for-sale:		
Gross realised gains	2 193	2 599
Gross realised losses	–1 149	–612
Equity securities available-for-sale:		
Gross realised gains	22	96
Gross realised losses	–1	–234
Other-than-temporary impairments	–423	–258
Net realised investment gains/losses on trading securities	108	478
Change in net unrealised investment gains/losses on trading securities	2 372	–1 063
Other investments:		
Net realised/unrealised gains/losses	213	–935
Foreign exchange gains/losses	–552	338
Net realised investment gains/losses	2 783	**409**

Proceeds from sales of fixed income securities available-for-sale amounted to USD 118 947 million and USD 115 775 million for 2010 and 2011, respectively. Sales of equity securities available-for-sale were USD 105 million and USD 2 389 million for 2010 and 2011, respectively.

Net realised investment gains/losses include net realised gains/losses on unit-linked and with-profit business, which are credited to policyholders.

USD millions	2010	**2011**
Unit-linked realised gains/losses	2 034	–1 272
With-profit realised gains/losses	196	26

Impairment on fixed income securities related to credit losses

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

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

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

USD millions	2010	**2011**
Balance as of 1 January	1 409	829
Credit losses for which an other-than-temporary impairment was not previously recognised	196	141
Reductions for securities sold during the period	–775	–418
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	96	54
Impact of increase in cash flows expected to be collected	–69	–85
Impact of foreign exchange movements	–28	–6
Balance as of 31 December	829	**515**

Investments available-for-sale

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

2010 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	18 868	337	–539		18 666
US Agency securitised products	4 894	123	–22		4 995
States of the United States and political subdivisions of the states	172	1	–7		166
United Kingdom	12 221	332	–150		12 403
Canada	3 022	384	–18		3 388
Germany	3 369	33	–28		3 374
France	2 022	32	–21		2 033
Other	5 032	242	–90		5 184
Total	49 600	1 484	–875		50 209
Corporate debt securities	19 234	1 387	–250	–12	20 359
Residential mortgage-backed securities	4 178	180	–155	–183	4 020
Commercial mortgage-backed securities	4 364	155	–178	–37	4 304
Other asset-backed securities	2 067	79	–66	–22	2 058
Fixed income securities available-for-sale	79 443	3 285	–1 524	–254	80 950
Equity securities available-for-sale	1 241	258	–25		1 474

2011 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	20 387	1 881	–1		22 267
US Agency securitised products	3 866	144	–3		4 007
States of the United States and political subdivisions of the states	245	24	–6		263
United Kingdom	15 182	1 865	–51		16 996
Canada	3 078	806	–2		3 882
Germany	4 791	200	–51		4 940
France	3 068	45	–52		3 061
Other	6 849	453	–56	–1	7 245
Total	57 466	5 418	–222	–1	62 661
Corporate debt securities	21 467	2 065	–265	–13	23 254
Residential mortgage-backed securities	2 119	30	–154	–110	1 885
Commercial mortgage-backed securities	3 820	222	–141	–38	3 863
Other asset-backed securities	2 112	64	–54	–15	2 107
Fixed income securities available-for-sale	**86 984**	**7 799**	**–836**	**–177**	**93 770**
Equity securities available-for-sale	**1 907**	**201**	**–148**		**1 960**

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

Investments trading

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

USD millions	2010	**2011**
Debt securities issued by governments and government agencies	8 324	4 492
Corporate debt securities	2 497	2 774
Mortgage- and asset-backed securities	431	282
Fixed income securities trading	**11 252**	**7 548**
Equity securities trading	**19 513**	**16 753**

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

USD millions	2010	**2011**
Fixed income securities trading held for unit-linked business	2 302	2 354
Fixed income securities trading held for with-profit business	1 648	1 741
Fixed income securities trading	3 950	**4 095**
Equity securities trading held for unit-linked business	17 405	15 231
Equity securities trading held for with-profit business	1 135	951
Equity securities trading	18 540	**16 182**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2010 and 2011, USD 13 107 million and USD 10 274 million, respectively, of fixed income securities available-for-sale were callable.

	2010		**2011**	
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	2 342	2 379	3 020	3 040
Due after one year through five years	16 601	16 891	19 696	20 156
Due after five years through ten years	14 628	15 189	17 955	19 072
Due after ten years	30 604	31 360	38 594	43 977
Mortgage- and asset-backed securities with no fixed maturity	15 268	15 131	7 719	7 525
Total fixed income securities available-for-sale	79 443	80 950	**86 984**	**93 770**

Assets pledged

As of 31 December 2010 and 2011, investments with the carrying value of USD 1 769 million and USD 1 961 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 2010 and 2011, investments (including cash and cash equivalents) with a carrying value of approximately USD 8 573 million and USD 7 954 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

As of 31 December 2010 and 2011, securities of USD 12 802 million and USD 7 823 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 1 750 million and USD 8 681 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying amount of USD 266 million serves as collateral for short-term senior operational debt of USD 695 million.

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

As of 31 December 2010 and 2011, the fair value of the government and corporate bond securities received as collateral was USD 6 539 million and USD 4 241 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2010 and 2011 was USD nil million and USD nil million, respectively. The sources of the collateral are typically highly rated banking market counterparties.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2010 and 2011. As of 31 December 2010 and 2011, USD 25 million and USD 144 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD nil million and USD 4 million, respectively, to declines in value for more than 12 months.

2010	Less than 12 months		12 months or more		Total	
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	10 100	454	283	85	10 383	539
US Agency securitised products	2 157	20	3	2	2 160	22
States of the United States and political subdivisions of the states	117	5	11	2	128	7
United Kingdom	3 045	92	578	58	3 623	150
Canada	483	6	76	12	559	18
Germany	1 715	27	7	1	1 722	28
France	862	19	7	2	869	21
Other	1 760	59	165	31	1 925	90
Total	20 239	682	1 130	193	21 369	875
Corporate debt securities	3 696	131	699	131	4 395	262
Residential mortgage-backed securities	1 134	112	1 356	226	2 490	338
Commercial mortgage-backed securities	371	36	1 145	179	1 516	215
Other asset-backed securities	478	1	384	87	862	88
Total	25 918	962	4 714	816	30 632	1 778

2011	Less than 12 months		12 months or more		Total	
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	337	1			337	1
US Agency securitised products	500	3			500	3
States of the United States and political subdivisions of the states	37	1	40	5	77	6
United Kingdom	2 832	50	47	1	2 879	51
Canada	79	1	2	1	81	2
Germany	1 027	50	10	1	1 037	51
France	1 133	52	4		1 137	52
Other	1 210	44	142	13	1 352	57
Total	7 155	202	245	21	7 400	223
Corporate debt securities	2 760	145	700	133	3 460	278
Residential mortgage-backed securities	829	111	702	153	1 531	264
Commercial mortgage-backed securities	812	123	342	56	1 154	179
Other asset-backed securities	662	15	184	54	846	69
Total	**12 218**	**596**	**2 173**	**417**	**14 391**	**1 013**

During the second quarter of 2011 the Group reviewed the categorisation of fixed income securities available-for-sale between those securities that are in an unrealised loss position for less than 12 months and more than 12 months. Based on the review, the Group determined that the split, as presented in prior-period financial statements starting in the second quarter 2010, had to be revised. The split for the 2010 year-end comparative numbers is re-presented accordingly. As a result, additional fixed income securities with a fair value of USD 4 619 million and unrealised losses of USD 788 million are now shown in the unrealised loss position for more than 12 months as of 31 December 2010. These securities were presented in the unrealised loss position for less than 12 months in prior-period financial statements. The revision has no impact on net income, net equity or the balance sheet classification of the Group.

Mortgages, loans and real estate

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

USD millions	2010	**2011**
Policy loans	3 658	3 664
Mortgage loans	1 337	1 336
Other loans	635	3 325
Investment real estate	2 040	1 983

The fair value of the real estate as of 31 December 2010 and 2011 was USD 3 306 million and USD 3 324 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2010 and 2011, the Group's investment in mortgages and other loans included USD 270 million and USD 270 million, respectively, of loans due from employees, and USD 356 million and USD 357 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

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

Depreciation expense related to income producing properties was USD 40 million and USD 39 million for 2010 and 2011, respectively. Accumulated depreciation on investment real estate totalled USD 528 million and USD 558 million as of 31 December 2010 and 2011, respectively.

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

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3 Fair value disclosures

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

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

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

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

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

The types of instruments valued, based on quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy. The Group does not adjust the quoted price for such instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the year ended 31 December 2011, these adjustments were non-material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

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

As of 31 December 2010 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	16 043	74 278	1 881		92 202
Debt securities issued by US government and government agencies	16 043	3 041			19 084
US Agency securitised products		5 011			5 011
Debt securities issued by non-US governments and government agencies		34 438			34 438
Corporate debt securities		21 108	1 748		22 856
Residential mortgage-backed securities		4 210	7		4 217
Commercial mortgage-backed securities		4 427	3		4 430
Other asset-backed securities		2 043	123		2 166
Equity securities	19 972	812	203		20 987
Equity securities backing unit-linked and with-profit life and health policies	18 495	45			18 540
Equity securities held for proprietary investment purposes	1 477	767	203		2 447
Derivative financial instruments	579	6 850	2 417	–6 560	3 286
Interest rate contracts	389	4 000	839		5 228
Foreign exchange contracts	40	1 098	162		1 300
Derivative equity contracts	142	1 170			1 312
Credit contracts		369	1 214		1 583
Other contracts	8	213	202		423
Other assets	20	–12	1 411		1 419
Total assets at fair value	36 614	81 928	5 912	–6 560	117 894
Liabilities					
Derivative financial instruments	–577	–5 649	–4 532	5 772	–4 986
Interest rate contracts	–402	–3 579	–825		–4 806
Foreign exchange contracts	–41	–1 103	–72		–1 216
Derivative equity contracts	–123	–531	–56		–710
Credit contracts		–317	–1 007		–1 324
Other contracts	–11	–119	–2 572		–2 702
Liabilities for life and health policy benefits			–271		–271
Accrued expenses and other liabilities	–398	–1 290			–1 688
Total liabilities at fair value	–975	–6 939	–4 803	5 772	–6 945

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

As of 31 December 2011 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	20 383	79 796	1 139		101 318
Debt securities issued by US government and government agencies	20 383	2 194			22 577
US Agency securitised products		4 018			4 018
Debt securities issued by non-US governments and government agencies		40 558			40 558
Corporate debt securities		24 917	1 111		26 028
Residential mortgage-backed securities		2 031	4		2 035
Commercial mortgage-backed securities		3 962	8		3 970
Other asset-backed securities		2 116	16		2 132
Equity securities	18 161	483	69		18 713
Equity securities backing unit-linked and with-profit life and health policies	16 173	9			16 182
Equity securities held for proprietary investment purposes	1 988	474	69		2 531
Derivative financial instruments	50	7 010	2 646	–7 252	2 454
Interest rate contracts		4 147	1 512		5 659
Foreign exchange contracts	3	866	112		981
Derivative equity contracts	40	1 400			1 440
Credit contracts		391	986		1 377
Other contracts	7	206	36		249
Other assets	2 773	1 860	2 041		6 674
Total assets at fair value	**41 367**	**89 149**	**5 895**	**–7 252**	**129 159**
Liabilities					
Derivative financial instruments	–33	–4 902	–5 875	5 950	–4 860
Interest rate contracts	–16	–3 439	–1 191		–4 646
Foreign exchange contracts	–4	–764	–66		–834
Derivative equity contracts	–6	–376	–54		–436
Credit contracts		–238	–1 075		–1 313
Other contracts	–7	–85	–3 489		–3 581
Liabilities for life and health policy benefits			–341		–341
Accrued expenses and other liabilities	–2 926	–3 546	–2 331		–8 803
Total liabilities at fair value	**–2 959**	**–8 448**	**–8 547**	**5 950**	**–14 004**

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

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

As of 31 December 2010 and 2011, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

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

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

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

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

2011 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	US Agency securitised products	Other asset-backed securities
Assets					
Balance as of 1 January 2011	1 748	7	3	0	123
Realised/unrealised gains/losses:					
Included in net income	–1	–4	–5		–15
Included in other comprehensive income	–1	4			–15
Purchases[2]	76		49	10	163
Issuances[2]					
Sales[2]	–670		–30		–218
Settlements[2]	–147	–3			–12
Transfers into level 3[1]	223	4	17		10
Transfers out of level 3[1]	–99	–3	–28	–10	–21
Impact of foreign exchange movements	–18	–1	2		1
Closing balance as of 31 December 2011	**1 111**	**4**	**8**	**0**	**16**
Liabilities					
Balance as of 1 January 2011					
Realised/unrealised gains/losses:					
Included in net income					
Included in other comprehensive income					
Purchases[2]					
Issuances[2]					
Sales[2]					
Settlements[2]					
Transfers into level 3[1]					
Transfers out of level 3[1]					
Impact of foreign exchange movements					
Closing balance as of 31 December 2011					

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.
[2] ASU No. 2010-06, gross presentation of activity within level 3 roll forward, presenting separately information about purchases, issuances, sales, and settlements. The standard needs to be applied prospectively.

Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other assets	Total
203	839	162	0	1 214	202	1 411	5 912
38	851	–63	1	–77	–48	39	716
4						20	12
21	206	95	11	163		1 136	1 930
–196	–397	–85	–1	–239	–134	–501	–2 471
	13			–23	20	–1	–153
1						9	264
			–11	–52		–70	–294
–2		3			–4	–2	–21
69	**1 512**	**112**	**0**	**986**	**36**	**2 041**	**5 895**

Liabilities for life and health policy benefits	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Accrued expenses and other liabilities	Total
–271	–825	–72	–56	–1 007	–2 572	–2 349	–7 152
–69	–413	13	2	–158	–771		–1 396
		–7					–7
	46			90	8		144
	1			1	–154		–152
–1				–1		18	16
–341	**–1 191**	**–66**	**–54**	**–1 075**	**–3 489**	**–2 331**	**–8 547**

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

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

USD millions	2010	**2011**
Gains/losses included in net income for the period	–36	–680
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–825	–1 286

Other assets measured at net asset value

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

USD millions	2010 Fair value	**2011** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	646	679	351	non-redeemable	na
Hedge funds	332	1 030		redeemable[1]	90 – 180 days[2]
Private equity direct	232	171		non-redeemable	na
Real estate funds	168	172	66	non-redeemable[3]	na
Total	1 378	**2 052**	**417**		

[1] The redemption frequency varies from once a month to once every three years.
[2] Cash distribution can be delayed for up to three years depending on the sale of the underlyings.
[3] One exception is a real estate fund that can be redeemed annually based on a 90-day notice period. This fund was fully redeemed in the second quarter of 2011.

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

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

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

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

Fair value option

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

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

Fixed income securities trading

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

Equity securities trading

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

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2010 and 2011 were as follows:

USD millions	2010	**2011**
Assets		
Fixed income securities trading	11 252	7 548
of which at fair value pursuant to the fair value option	0[1]	0
Equity securities trading	19 513	16 753
of which at fair value pursuant to the fair value option	475	455
Liabilities		
Liabilities for life and health policy benefits	–39 551	–39 044
of which at fair value pursuant to the fair value option	–271	–341

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

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

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

USD millions	2010	**2011**
Fixed income securities trading	–23	0
Equity securities trading	–17	–20
Liabilities for life and health policy benefits	22	–71
Total	–18	**–91**

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

4 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

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

As of 31 December 2010 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	452 349	4 646	–4 796	–150
Foreign exchange contracts	41 372	1 270	–1 201	69
Equity contracts	13 450	1 312	–710	602
Credit contracts	53 087	1 583	–1 324	259
Other contracts	28 949	423	–2 702	–2 279
Total	589 207	9 234	–10 733	–1 499
Derivatives designated as hedging instruments				
Interest rate contracts	4 582	582	–10	572
Foreign exchange contracts	3 012	30	–15	15
Total	7 594	612	–25	587
Total derivative financial instruments	596 801	9 846	–10 758	–912
Amount offset				
Where a right of setoff exists		–5 437	5 437	
Due to cash collateral		–1 123	335	
Total net amount of derivative financial instruments		3 286	–4 986	–1 700

As of 31 December 2011 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	153 706	4 780	–4 642	138
Foreign exchange contracts	28 714	981	–766	215
Equity contracts	9 338	1 440	–436	1 004
Credit contracts	45 241	1 377	–1 313	64
Other contracts	24 039	249	–3 581	–3 332
Total	**261 038**	**8 827**	**–10 738**	**–1 911**
Derivatives designated as hedging instruments				
Interest rate contracts	2 914	879	–4	875
Foreign exchange contracts	2 077		–68	–68
Total	**4 991**	**879**	**–72**	**807**
Total derivative financial instruments	**266 029**	**9 706**	**–10 810**	**–1 104**
Amount offset				
Where a right of setoff exists		–5 756	5 756	
Due to cash collateral		–1 496	194	
Total net amount of derivative financial instruments		**2 454**	**–4 860**	**–2 406**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in other invested assets and the fair value liabilities are included in accrued expenses and other liabilities. The fair value amounts that were not offset were nil as of 31 December 2010 and 2011, respectively.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in net realised investment gains/losses in the income statement. For the years ended 31 December 2010 and 2011, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2010	**2011**
Derivatives not designated as hedging instruments		
Interest rate contracts	–64	18
Foreign exchange contracts	494	361
Equity contracts	–2	143
Credit contracts	–73	–219
Other contracts	–116	–799
Total gain/loss recognised in income	239	**–496**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2010 and 2011, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into interest rate and foreign exchange swaps to reduce the exposure to interest rate and foreign exchange volatility for certain of its issued debt positions. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in net realised investment gains/losses in the income statement. For the years ended 31 December 2010 and 2011, the gains and losses attributable to the hedged risks were as follows:

	2010		**2011**	
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	183	–147	406	–398
Foreign exchange contracts	–57	116	–69	74
Total gain/loss recognised in income	126	–31	**337**	**–324**

Hedges of the net investment in foreign operations

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

For the years ended 31 December 2010 and 2011, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 171million and a gain of USD 397 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss
In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2010 and 2011 was approximately USD 4 409 million and USD 3 950 million, respectively. The maximum potential loss is based on the positive market replacement cost, assuming non-performance of all counterparties, net of cash collateral.

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 1 975 million and USD 1 538 million as of 31 December 2010 and 2011, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 335 million and USD 194 million as of 31 December 2010 and 2011, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 1 344 million additional collateral would have had to be posted as of 31 December 2011. The total equals the amount needed to settle the instruments immediately as of 31 December 2010 and 2011, respectively.

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

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2010 and 2011, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

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

The Group has purchased protection to manage the performance/payment risks related to credit derivatives. As of 31 December 2010 and 2011, the total purchased credit protection based on notional values was USD 30 304 million and USD 26 367 million, respectively. Thereof USD 12 025 million and USD 8 159 million, respectively, were related to identical underlyings for which the Group sold credit protection. For tranched indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

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

As of 31 December 2010 and 2011, the fair values and maximum potential payout of the written credit derivatives outstanding were as follows:

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

As of 31 December 2011 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)			Total maximum potential payout
		0–5 years	5–10 years	Over 10 years	
Credit Default Swaps					
Credit spread in basis points					
0–250	–89	3 874	1 692	17	5 583
251–500	–40	95		143	238
501–1 000	–17	145		37	182
Greater than 1 000	–331	154	5	495	654
No credit spread available					0
Total	**–477**	**4 268**	**1 697**	**692**	**6 657**
Credit Index Products					
Credit spread in basis points					
0–250	–280	11 778	134		11 912
251–500	–57		106		106
501–1 000	–47	12	71		83
Greater than 1 000	–56		116		116
Total	**–440**	**11 790**	**427**	**0**	**12 217**
Total Return Swaps					
Credit spread in basis points					
No credit spread available	100	997			997
Total	**100**	**997**	**0**	**0**	**997**
Total credit derivatives written/sold	**–817**	**17 055**	**2 124**	**692**	**19 871**

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

For the years ended 31 December, the DAC and PVFP were as follows:

2010 USD millions	DAC Non-Life	Life & Health	Total	PVFP
Opening balance as of 1 January 2010	869	3 025	3 894	6 054
Deferred	1 734	313	2 047	
Effect of acquisitions/disposals and retrocessions		–212	–212	–1 154
Amortisation	–1 805	–365	–2 170	–449
Interest accrued on unamortised PVFP				247
Effect of foreign currency translation	–6	18	12	–75
Effect of change in unrealised gains/losses				–58
Closing balance as of 31 December 2010	792	2 779	3 571	4 565

2011 USD millions	DAC Non-Life	Life & Health	Total	PVFP
Opening balance as of 1 January 2011	792	2 779	3 571	4 565
Deferred	2 432	254	2 686	
Effect of acquisitions/disposals and retrocessions	–10		–10	247
Amortisation	–1 985	–314	–2 299	–631
Interest accrued on unamortised PVFP				231
Effect of foreign currency translation	–2	–23	–25	–20
Effect of change in unrealised gains/losses				–166
Closing balance as of 31 December 2011	**1 227**	**2 696**	**3 923**	**4 226**

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 8%, 8%, 7%, 7% and 7%.

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6 Debt

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

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

USD millions	2010	**2011**
Senior financial debt	33	279
Senior financial debt – convertible perpetual capital instrument	3 966	
Senior operational debt	5 018	3 822
Subordinated financial debt	1 781	
Short-term debt – financial and operational debt	**10 798**	**4 101**
Senior financial debt	2 590	2 976
Senior operational debt	6 976	4 854
Subordinated financial debt	3 634	3 587
Subordinated operational debt	5 227	5 124
Long-term debt – financial and operational debt	**18 427**	**16 541**
Total carrying value	**29 225**	**20 642**
Total fair value	**28 017**	**19 996**

Maturity of long-term debt

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

USD millions	2010	**2011**
Due in 2012	2 310	0[1]
Due in 2013	1 621	1 605
Due in 2014	1 773	1 735
Due in 2015	697	691
Due in 2016	2 456	2 304
Due after 2016	9 570	10 206
Total carrying value	**18 427**	**16 541**

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

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2013	EMTN	2009	CHF	700	4.25%	756
2013	EMTN	2009	USD	750	4.13%	773
2013	Insurance-linked placements	2007	USD	47	various	47
2014	EMTN	2009	EUR	600	7.00%	806
2014	EMTN	2009	CHF	500	3.25%	543
2014	EMTN	2009	CHF	50	2.94%	53
2014	EMTN	2010	CHF	250	1.75%	267
2015	EMTN	2001	CHF	150	4.00%	161
2015	EMTN	2010	CHF	500	2.00%	531
2016	Credit-linked note	2007	USD	235	1M Libor	235
2017	EMTN	2011	CHF	600	2.13%	636
2019	Senior note[1]	1999	USD	400	6.45%	514
2026	Senior note[1]	1996	USD	600	7.00%	888
2030	Senior note[1]	2000	USD	350	7.75%	585
Various	Payment undertaking agreements	various	USD	732	various	1 035
Total senior debt as of 31 December 2011						**7 830**
Total senior debt as of 31 December 2010						9 566

[1] Assumed in the acquisition of Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate...	... first call in	Book value in USD millions
2047	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 432	4.90%		2 225
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 866	4.78%		2 899
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 294
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	752
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	774
	2 subordinated perpetual loan notes	2007	AUD	750	various	2017	767
Total subordinated debt as of 31 December 2011							**8 711**
Total subordinated debt as of 31 December 2010							8 861

Interest expense on long-term debt

Interest expense on long-term debt for the periods ended 31 December was as follows:

USD millions	2010	**2011**
Senior financial debt	75	80
Senior operational debt	349	283
Subordinated financial debt	266	230
Subordinated operational debt	248	256
Total	**938**	**849**

Long-term debt issued in 2011

In December 2011, the Group issued CHF 600 million under the EMTN programme, due in 2017 with a coupon of 2.125%.

7 Unpaid claims and claim adjustment expenses

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

USD millions	2010	**2011**
Non-Life	53 345	53 827
Life & Health	11 345	11 051
Total	64 690	**64 878**

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

USD millions	2010	**2011**
Balance as of 1 January	57 015	53 345
Reinsurance recoverable	–6 307	–5 717
Deferred expense on retroactive reinsurance	–455	–401
Net	50 253	**47 227**
Incurred related to:		
Current year	7 255	10 322
Prior year	–240	–1 735
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	66	73
Total incurred	7 081	**8 660**
Paid related to:		
Current year	–1 202	–1 694
Prior year	–8 501	–7 899
Total paid	–9 703	**–9 593**
Foreign exchange	–562	–441
Effect of acquisitions, disposals, new retroactive reinsurance and other items	158	1 044
Net	47 227	46 897
Reinsurance recoverable	5 717	6 610
Deferred expense on retroactive reinsurance	401	320
Balance as of 31 December	53 345	**53 827**

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, however, the Group cannot exclude the need to make further additions to these provisions in the future.

At the end of 2011, the Group carried net reserves for US asbestos, environmental and other long-latent health hazards equal to USD 2 214 million. During 2011, the Group incurred net losses of USD 128 million and paid net against these liabilities USD 183 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 were driven by favourable experience in property, liability, credit and other specialty lines. Some reserve strengthening was absorbed in the overall number, on US Workers' Compensation business, UK Motor business and an increase for US asbestos and environmental losses. The adverse development cover with Berkshire Hathaway, which covers losses from 2008 or earlier, remains in place but had no impact on the result for 2011, as it was already recognised at the minimum commutation value at year-end 2010 and remains recognised at that value.

8 Reinsurance information

For the years ended 31 December

Premiums written, premiums earned and fees assessed against policyholders

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	**2011** Total
Premiums written						
Direct	1 760	1 222	2 982	1 940	1 169	3 109
Assumed	12 023	9 751	21 774	15 241	10 314	25 555
Ceded	–3 114	–2 209	–5 323	–3 610	–2 186	–5 796
Total premiums written	10 669	8 764	19 433	**13 571**	**9 297**	**22 868**
Premiums earned						
Direct	1 721	1 220	2 941	1 837	1 165	3 002
Assumed	12 157	9 752	21 909	13 539	10 251	23 790
Ceded	–2 985	–2 213	–5 198	–3 301	–2 191	–5 492
Total premiums earned	10 893	8 759	19 652	**12 075**	**9 225**	**21 300**
Fee income from policyholders						
Direct		682	682		650	650
Assumed		254	254		238	238
Ceded		–18	–18		–12	–12
Total fee income from policyholders		918	918		**876**	**876**

Claims and claim adjustment expenses

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	**2011** Total
Claims paid						
Gross	–11 460	–10 475	–21 935	–11 401	–11 241	–22 642
Retro	1 757	1 831	3 588	1 808	2 381	4 189
Net	–9 703	–8 644	–18 347	–9 593	–8 860	–18 453
Change in unpaid claims and claim adjustment expenses; life and health benefits						
Gross	3 285	–79	3 206	194	535	729
Retro	–836	487	–349	589	–89	500
Net	2 449	408	2 857	783	446	1 229
Claims and claim adjustment expenses; life and health benefits	–7 254	–8 236	–15 490	**–8 810**	**–8 414**	**–17 224**

Acquisition costs

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	**2011** Total
Acquisition costs						
Acquisition costs, gross	–2 739	–2 155	–4 894	–3 050	–2 330	–5 380
Acquisition costs, retro	886	329	1 215	1 015	344	1 359
Acquisition costs, net	–1 853	–1 826	–3 679	**–2 035**	**–1 986**	**–4 021**

Reinsurance assets and liabilities

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

USD millions	Non-Life	Life & Health	2010 Total	Non-Life	Life & Health	**2011** Total
Assets						
Reinsurance recoverable	5 717	6 920	12 637	6 610	5 227	11 837
Deferred acquisition costs	793	2 778	3 571	1 227	2 696	3 923
Liabilities						
Unpaid claims and claim adjustment expenses	53 345	11 345	64 690	53 827	11 051	64 878
Life and health policy benefits		39 551	39 551		39 044	39 044
Policyholder account balances		36 478	36 478		34 162	34 162

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2010	**2011**
Premium receivables invoiced	1 598	1 916
Receivables invoiced from ceded re/insurance business	695	512
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	568	707
Recognised allowance	–152	–132

Sales inducements

Sales inducements are offered to contract holders of certain universal life and annuity products. The amounts deferred equal the sum of persistency bonuses credited to the account value plus the non-interest related increase in the persistency bonus liability. These costs are amortised in constant proportion to estimated gross profits over the life of the contract, using the credited interest rates as the discount rate.

Sales inducements as of 31 December were as follows:

USD millions	2010	**2011**
Balance as of 1 January	1 035	1 019
Sales inducements deferred	234	265
Sales inducements amortised	–219	–257
Impact of foreign exchange and other movements	–31	–7
Unamortised balance of sales inducements	1 019	**1 020**

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits was 7% in 2010 and 2011. The amount of policyholder dividend expense in 2010 and 2011 was USD 110 million and USD 134 million, respectively.

9 Income taxes

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

USD millions	2010	**2011**
Current taxes	696	112
Deferred taxes	–155	–29
Income tax expense	541	**83**

Tax rate reconciliation

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

USD millions	2010	**2011**
Income tax at the Swiss statutory tax rate of 21.0%	562	596
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	39	138
Impact of foreign exchange movements	65	–38
Disallowed expenses	2	7
Tax exempt income/dividends received deduction	–47	–45
Change in valuation allowance	68	–143
Basis differences in subsidiaries		–368
Change in statutory tax rates	14	–122
Change in liability for unrecognised tax benefits including interest and penalties	–50	99
Life tax adjustments	14	–9
Other, net	–126	–32
Total	541	**83**

For 2011, the Group reported a tax expense of USD 83 million. This represents an effective tax rate of 2.9%, compared to an effective tax rate of 20.2% in the prior year. The decrease in the tax rate was primarily due to a non-recurring benefit from the change in tax basis in a subsidiary based on a write-down in the value of a Group subsidiary required in 2011 local statutory statements, changes in local country tax rates and the release of valuation allowances.

Deferred and other non-current taxes

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

USD millions	2010	**2011**
Deferred tax assets		
Income accrued/deferred	606	599
Technical provisions	785	1 531
Unrealised losses on investments	63	10
Pension provisions	243	292
Benefit on loss carryforwards	4 222	3 965
Currency translation adjustments	483	481
Other	1 004	1 368
Gross deferred tax asset	7 406	8 246
Valuation allowance	–1 602	–1 337
Total	5 804	**6 909**
Deferred tax liabilities		
Present value of future profits	–1 059	–1 082
Income accrued/deferred	–591	–629
Bond amortisation	–184	–139
Deferred acquisition costs	–538	–687
Technical provisions	–1 642	–2 446
Unrealised gains on investments	–529	–1 932
Untaxed realised gains	–336	–373
Foreign exchange provisions	–416	–418
DFI losses	–99	–17
Other	–930	–783
Total	–6 324	**–8 506**
Deferred income taxes	–520	**–1 597**
Liability for unrecognised tax benefits including interest and penalties	–1 196	**–1 256**
Deferred and other non-current taxes	–1 716	**–2 853**

As of 31 December 2011, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised, amount to approximately USD 3 850 million. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2011, the Group had USD 12 829 million net operating tax loss carryforwards, expiring as follows: USD 8 million in 2012, USD 218 million in 2015, USD 1 million in 2016, USD 7 169 million in 2017 and beyond, and USD 5 433 million never expire. The Group also had capital loss carryforwards of USD 46 million, expiring as follows: USD 1 million in 2013 and USD 45 million in 2014. Net operating tax losses of USD 730 million were utilised or expired during the period ended 31 December 2011.

Income taxes paid in 2011 and 2010 were USD 707 million and USD 476 million, respectively.

Unrecognised tax benefits

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

USD millions	2010	**2011**
Balance as of 1 January	1 138	980
Additions based on tax positions of current year	69	373
Additions for tax positions of prior years	–126	9
Reductions for tax positions of prior years	46	–219
Settlements	–147	–1
Lapse of statute of limitations		–95
Balance as of 31 December	980	**1 047**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 630 million and USD 726 million at 31 December 2010 and 2011, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such benefit for the period ending 31 December 2011 was USD 6 million (USD 21 million for the period ending 31 December 2010). As of 31 December 2010 and 2011, USD 216 million and USD 209 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2011 is included within the deferred and other non-current taxes section reflected above and in the statement of financial position.

The balance of gross unrecognised tax benefits as of 31 December 2011 presented in the table above is less than the liability for unrecognised tax benefits reflected in the deferred and other non-current taxes section due to the removal of interest expense (USD 209 million).

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

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

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

Australia	2004–2011	Korea	2008–2011
Brazil	2007–2011	Malaysia	2005–2011
Canada	2006–2011	Mexico	2007–2011
China	2003–2011	Netherlands	2009–2011
Denmark	2008–2011	New Zealand	2006–2011
France	2007–2011	Singapore	2004–2011
Germany	2007–2011	Slovakia	2007–2011
Hong Kong	1994–2011	South Africa	2010–2011
India	2005–2011	Spain	2007–2011
Ireland	2010–2011	Switzerland	2007–2011
Israel	2008–2011	United Kingdom	2003, 2004, 2008–2011
Italy	2007–2011	United States	2009–2011
Japan	2008–2011		

10 Benefit plans

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

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

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

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	2 688	1 915	305	4 908
Service cost	82	12	6	100
Interest cost	84	101	13	198
Amendments			–7	–7
Actuarial gains/losses	157	–18	12	151
Benefits paid	–149	–61	–13	–223
Employee contribution	20			20
Acquisitions/disposals/additions		1	–3	–2
Effect of curtailment and termination benefits	3	–4		–1
Effect of foreign currency translation	317	–44	17	290
Benefit obligation as of 31 December	3 202	1 902	330	5 434
Fair value of plan assets as of 1 January	2 723	1 670		4 393
Actual return on plan assets	128	149		277
Company contribution	73	58	15	146
Benefits paid	–149	–61	–14	–224
Employee contribution	20			20
Acquisitions/disposals/additions	3		–1	2
Effect of foreign currency translation	306	–38		268
Fair value of plan assets as of 31 December	3 104	1 778	0	4 882
Funded status	–98	–124	–330	–552

2011 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 202	1 902	330	5 434
Service cost	113	10	5	128
Interest cost	91	102	13	206
Amendments	–39			–39
Actuarial gains/losses	118	31	32	181
Benefits paid	–163	–69	–15	–247
Employee contribution	25			25
Acquisitions/disposals/additions				0
Effect of curtailment and termination benefits	1			1
Effect of foreign currency translation	–20	–24	–2	–46
Benefit obligation as of 31 December	**3 328**	**1 952**	**363**	**5 643**
Fair value of plan assets as of 1 January	3 104	1 778		4 882
Actual return on plan assets	–71	73		2
Company contribution	91	58	15	164
Benefits paid	–163	–69	–15	–247
Employee contribution	25			25
Acquisitions/disposals/additions	1			1
Effect of foreign currency translation	–4	–26		–30
Fair value of plan assets as of 31 December	**2 983**	**1 814**	**0**	**4 797**
Funded status	**–345**	**–138**	**–363**	**–846**

Amounts recognised in the balance sheet, as of 31 December 2010 and 2011, respectively, were as follows:

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		96		96
Current liabilities		–1	–15	–16
Non-current liabilities	–98	–219	–315	–632
Net amount recognised	–98	–124	–330	–552

2011 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		78		78
Current liabilities		–2	–16	–18
Non-current liabilities	–345	–214	–347	–906
Net amount recognised	**–345**	**–138**	**–363**	**–846**

Amounts recognised in accumulated other comprehensive income, gross of tax, in 2010 and 2011, respectively, were as follows:

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	671	224	–143	752
Prior service cost/credit	44		–122	–78
Total	715	224	–265	674

2011 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	951	271	–100	1 122
Prior service cost/credit	–1		–111	–112
Total	**950**	**271**	**–211**	**1 010**

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December 2010 and 2011, respectively, were as follows:

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	82	12	6	100
Interest cost	84	101	13	198
Expected return on assets	–126	–106		–232
Amortisation of:				
Net gain/loss	10	16	–11	15
Prior service cost	6		–11	–5
Effect of settlement, curtailment and termination	3	–1	–1	1
Net periodic benefit cost	59	22	–4	77

2011 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	113	10	5	128
Interest cost	91	102	13	206
Expected return on assets	–128	–106		–234
Amortisation of:				
Net gain/loss	37	17	–11	43
Prior service cost	6		–11	–5
Effect of settlement, curtailment and termination	1		–2	–1
Net periodic benefit cost	**120**	**23**	**–6**	**137**

Other changes in plan assets and benefit obligations recognised in other comprehensive income were as follows:

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	155	–61	11	105
Prior service cost/credit			–7	–7
Amortisation of:				
Net gain/loss	–10	–19	11	–18
Prior service cost	–6		11	5
Exchange rate gain/loss recognised during the year		–8		–8
Total recognised in other comprehensive income, gross of tax	139	–88	26	77
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	198	–66	22	154

2011 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	317	64	32	413
Prior service cost/credit	–39			–39
Amortisation of:				
Net gain/loss	–37	–17	11	–43
Prior service cost	–6		11	5
Exchange rate gain/loss recognised during the year		–1		–1
Total recognised in other comprehensive income, gross of tax	**235**	**46**	**54**	**335**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**355**	**69**	**48**	**472**

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2012 are USD 54 million and USD nil million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2012 was USD 7 million and USD 11 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 5 035 million and USD 5 185 million as of 31 December 2010 and 2011, respectively.

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

USD millions	2010	**2011**
Projected benefit obligation	4 607	4 275
Accumulated benefit obligation	4 562	4 235
Fair value of plan assets	4 290	3 717

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2010	**2011**	2010	**2011**	2010	**2011**
Assumptions used to determine obligations at the end of the year						
Discount rate	2.8%	2.4%	5.4%	4.9%	4.0%	3.5%
Rate of compensation increase	2.3%	2.3%	2.5%	2.2%	4.1%	3.9%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	3.3%	2.8%	5.6%	5.4%	4.5%	4.0%
Expected long-term return on plan assets	4.5%	4.0%	6.4%	6.0%		
Rate of compensation increase	2.3%	2.3%	3.5%	2.5%	4.1%	4.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.5%	6.3%
Medical trend – ultimate rate					4.7%	4.7%
Year that the rate reaches the ultimate trend rate					2015	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 healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2011:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	–1
Effect on post-retirement benefit obligation	29	–24

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 2010 and 2011, is as follows:

	Swiss plan allocation			Foreign plans allocation		
	2010	**2011**	**Target allocation**	2010	**2011**	**Target allocation**
Asset category						
Equity securities	30%	27%	25%	40%	36%	38%
Debt securities	41%	44%	48%	54%	54%	56%
Real estate	18%	20%	21%	2%	2%	2%
Other	11%	9%	6%	4%	8%	4%
Total	100%	**100%**	**100%**	100%	**100%**	**100%**

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

Equity securities include Swiss Re common stock of USD 4 million (0.1% of total plan assets) and USD 3 million (0.1% of total plan assets) as of 31 December 2010 and 2011, respectively.

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

Assets measured at fair value
For a description of the different fair value levels and valuation techniques see Note 3 Fair value disclosures.

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

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

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

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

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

2010 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 204		2 204
Debt securities issued by the US government and government agencies		27		27
Debt securities issued by non-US governments and government agencies		996		996
Corporate debt securities		1 046		1 046
Residential mortgage-backed securities		113		113
Commercial mortgage-backed securities		7		7
Other asset-backed securities		15		15
Equity securities:				
Equity securities held for proprietary investment purposes	1 042	612		1 654
Derivative financial instruments	57			57
Real estate	28	38	539	605
Other assets	2	49	113	164
Total assets at fair value	1 129	2 903	652	4 684
Cash	198			198
Total plan assets	1 327	2 903	652	4 882

2011 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 355		2 355
Debt securities issued by the US government and government agencies		40		40
Debt securities issued by non-US governments and government agencies		1 140		1 140
Corporate debt securities		1 116		1 116
Residential mortgage-backed securities		50		50
Commercial mortgage-backed securities		5		5
Other asset-backed securities		4		4
Equity securities:				
Equity securities held for proprietary investment purposes	804	650		1 454
Derivative financial instruments	–47			–47
Real estate	51	41	549	641
Other assets	2	48	119	169
Total assets at fair value	**810**	**3 094**	**668**	**4 572**
Cash	225			225
Total plan assets	**1 035**	**3 094**	**668**	**4 797**

Assets measured at fair value using significant unobservable inputs (Level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2010 USD millions	Real estate	Other assets	Total
Balance as of 1 January	465	95	560
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	16	8	24
Relating to assets sold during the period			0
Purchases, issuances and settlements			0
Transfers in and/or out of Level 3	5	12	17
Impact of foreign exchange movements	53	–2	51
Closing balance as of 31 December	539	113	652

2011 USD millions	Real estate	Other assets	Total
Balance as of 1 January	539	113	652
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	6	–9	–3
Relating to assets sold during the period		1	1
Purchases, issuances and settlements	7	16	23
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	–3	–2	–5
Closing balance as of 31 December	**549**	**119**	**668**

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2012 to the defined benefit pension plans are USD 150 million and to the post-retirement benefit plan are USD 16 million.

As of 31 December 2011, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2012	149	70	16	235
2013	148	72	17	237
2014	153	74	18	245
2015	152	77	18	247
2016	159	80	19	258
Years 2017–2021	818	450	108	1 376

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 2010 and 2011 was USD 39 million and USD 58 million, respectively.

11 Share-based payments

Group Compensation awards settled in equity are settled in Swiss Re Ltd shares.

As of 31 December 2010 and 2011, the Group had the share-based compensation plans described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 129 million and USD 52 million in 2010 and 2011, respectively. The related tax benefit was USD 34 million and USD 16 million, respectively.

Stock option plans
Stock option plans include a fixed-option plan and an additional grant to certain members of executive management. No options were granted under these plans from 2007 onwards.

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

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

2011	Weighted average exercise price in CHF	Number of shares
Outstanding as of 1 January	116	5 255 044
Options sold	73	–51 350
Options forfeited or expired	186	–990 960
Reclassification to liabilities	88	–1 849 000
Outstanding as of 31 December	**109**	**2 363 734**
Exercisable as of 31 December	109	2 363 734

The following table summarises the status of stock options outstanding as of 31 December 2011:

Range of exercise prices in CHF	Number of options	Weighted average remaining contractual life in years	Weighted average exercise price in CHF
67–100	1 152 252	2.3	72
144 - 166	1 211 482	1.0	145
67–166	**2 363 734**	**1.7**	**109**

All stock options outstanding are also exercisable and the status of these exercisable options is reflected in the table above.

The fair value of each option grant was estimated on the date of grant using a binomial option pricing model.

Restricted shares
The Group issued 3 727 and 14 834 restricted shares to selected employees in 2010 and 2011, respectively. Moreover, as an alternative to the Group's cash bonus programme, 234 560 and 425 154 shares were issued during 2010 and 2011, respectively.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans as of 31 December 2011 is as follows:

	Number of shares	Weighted average grant date fair value in CHF
Non-vested at 1 January	1 303 913	65
Granted	439 988	58
Delivery of restricted shares	–963 713	76
Outstanding as of 31 December	**780 188**	**48**

The weighted average fair value of restricted shares, which equals the market price of the shares on the date of the grant, was CHF 65 and CHF 48 in 2010 and 2011, respectively.

Performance share plan
In 2009 and 2010, the Group granted a share plan for the Chairman and Vice Chairman of the Board of Directors. The Group did not grant a further plan in 2011. The plans have a requisite service period of three years and are settled in shares. The plans are measured based on Swiss Re's Total Shareholder Return (TSR), representing the share price performance plus paid dividend in any performance period, against a selected peer group. The final number of shares to be released upon vesting can vary between 0% and 150% of the original grant. The fair value of the 2009 and 2010 plans were based on the share price as of the date of grant, which was CHF 36.00 and CHF 53.60, respectively. 111 111 and 83 957 units were issued under these plans in 2009 and 2010, respectively, and the same number of units remains outstanding as of 31 December 2011.

Long-term Incentive plan
The Group annually grants a Long-term Incentive plan (LTI) to selected employees with a three-year vesting period. The requisite service period as well as the maximum contractual term for each plan is three years and the final payment, if any, occurs at the end of this performance measurement period. The plan includes a payout factor which is derived from return on equity (ROE) and earnings per share (EPS) targets over the vesting period. The payout ratio can vary between 0 and 2 and the final payment for each plan will depend on whether the performance targets have been achieved over the plan period. The fair value of the plans are based on stochastic models which consider the likelihood of achieving performance targets and the impact of dividends. Each of the plan grants that were outstanding during 2011 is described below.

The 2008 LTI grant was expected to be settled in cash. The payout factors are driven by average ROE and EPS compound annual growth over the vesting period. The LTI grant from 2008 vested in March 2011 and there was no payout as the plan performance targets were not achieved.

The LTI plan granted in 2009 is expected to be settled in shares. The payout factor is driven by average ROE and EPS compound annual growth over the vesting period. At grant, the plan was expected to be settled in cash; however, the Group subsequently changed its intention to settle in shares. As a result, the share price used for measurement was CHF 42.40 which was set as of the date the share settlement decision was made in November 2009.

The LTI plans granted in 2010 and 2011 are expected to be settled in shares. The payout factors are driven by average ROE and average EPS over the vesting period. The share price used for measurement is based on the date of grant and was CHF 48.15 and CHF 39.39 for the 2010 and 2011 plans, respectively.

Value alignment incentive
In 2009, the Group issued a compensation plan to selected employees. The plan has a requisite service period of three years and is expected to be settled in cash and shares. The settlement is based on a three-year risk-free interest rate, the Swiss Re share price performance and dividend yield over the vesting period. The grant price was based on the closing share price as of 19 February 2009 of CHF 16.74. A total of 140 570 units were outstanding as of 1 January 2011, and after forfeitures during 2011, 131 361 units were outstanding as of 31 December 2011.

Stock appreciation rights
In 2006, the Group issued 3 million stock appreciation rights (SAR) as an extraordinary grant following the Insurance Solutions acquisition. The plan was expected to be settled in cash. The requisite service period was two years, while the maximum contractual term was five years. The plan vested in 2008; however, holders of the award were still able to exercise their rights until the maximum contractual period expired, in 2011. The fair value of the appreciation rights were estimated at date of grant using a binomial option-pricing model and was revised at every balance sheet date until exercise. The plan expired in 2011 with no value.

Unrecognised compensation costs
As of 31 December 2011, the total unrecognised compensation cost (net of expected forfeitures) related to non-vested, share-based compensation awards was USD 31 million, and the weighted average period over which that cost is expected to be recognised was 1.7 years.

The number of shares authorised for the Group's share-based payments to employees was 12 619 829 and 11 351 951 as of 31 December 2010 and 2011, respectively.

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

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

In 2010 and 2011, 656 569 and 1 878 895 options, respectively, were issued to employees and the Group contributed USD 67 million and USD 77 million, respectively, to the plan.

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12 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 2011	USD millions
2012	75
2013	76
2014	71
2015	68
2016	60
After 2016	395
Total operating lease commitments	**745**
Less minimum non-cancellable sublease rentals	–63
Total net future minimum lease commitments	**682**

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

USD millions	2010	**2011**
Minimum rentals	52	60
Sublease rental income	–3	–3
Total	49	**57**

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 2011 were USD 1 243 million.

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

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

13 Information on business segments

The Group provides reinsurance, insurance and capital market solutions for clients that complement its re/insurance offering throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating result of the Group.

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

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

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

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

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

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

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

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

a) Business segment results

For the years ended 31 December

2010 USD millions	Property & Casualty	Life & Health	Asset Management	Group items	Allocation	Total
Revenues						
Premiums earned	10 871	8 759		22		19 652
Fee income from policyholders		918				918
Net investment income/loss	1 738	3 052	3 639	319	–3 326	5 422
Net realised investment gains/losses	110	2 331	808	–466		2 783
Other revenues			25	35		60
Total revenues	12 719	15 060	4 472	–90	–3 326	28 835
Expenses						
Claims and claim adjustment expenses; life and health benefits	–7 200	–8 236		–54		–15 490
Return credited to policyholders		–3 371				–3 371
Acquisition costs	–1 859	–1 826		6		–3 679
Other expenses	–1 184	–817		–525		–2 526
Interest expenses				–1 094		–1 094
Total expenses	–10 243	–14 250	0	–1 667	0	–26 160
Operating income/loss	2 476	810	4 472	–1 757	–3 326	2 675

2011 USD millions	Property & Casualty	Life & Health	Asset Management	Group items	Allocation	Total
Revenues						
Premiums earned	12 046	9 225		29		21 300
Fee income from policyholders		876				876
Net investment income/loss	1 421	3 081	3 750	225	–3 008	5 469
Net realised investment gains/losses	48	–1 230	1 264	327		409
Other revenues	2		25	24		51
Total revenues	**13 517**	**11 952**	**5 039**	**605**	**–3 008**	**28 105**
Expenses						
Claims and claim adjustment expenses; life and health benefits	–8 812	–8 414		2		–17 224
Return credited to policyholders		–61				–61
Acquisition costs	–2 027	–1 986		–8		–4 021
Other expenses	–1 389	–1 025		–701		–3 115
Interest expenses				–851		–851
Total expenses	**–12 228**	**–11 486**	**0**	**–1 558**	**0**	**–25 272**
Operating income/loss	**1 289**	**466**	**5 039**	**–953**	**–3 008**	**2 833**

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

USD millions, for the year ended 31 December 2010	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1 588	1 738	0	–3 326

USD millions, for the year ended 31 December 2011	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1 310	1 698	0	–3 008

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

For the years ended 31 December

2010 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	4 575	3 292	2 621	10 488	383	10 871
Net investment income	115	1 202	266	1 583	155	1 738
Net realised investment gains/losses	–80		103	23	87	110
Other revenues	–2			–2	2	0
Total revenues	4 608	4 494	2 990	12 092	627	12 719
Expenses						
Claims and claim adjustment expenses	–2 904	–2 692	–1 346	–6 942	–258	–7 200
Acquisition costs	–571	–655	–551	–1 777	–82	–1 859
Other expenses	–489	–424	–220	–1 133	–51	–1 184
Total expenses	–3 964	–3 771	–2 117	–9 852	–391	–10 243
Operating income	644	723	873	2 240	236	2 476
Claims ratio in %	63.4	81.8	51.4	66.2		
Expense ratio in %	23.2	32.8	29.4	27.7		
Combined ratio in %	86.6	114.6	80.8	93.9		

2011 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	5 220	3 875	2 568	11 663	383	12 046
Net investment income	71	1 001	182	1 254	167	1 421
Net realised investment gains/losses	–52		3	–49	97	48
Other revenues					2	2
Total revenues	**5 239**	**4 876**	**2 753**	**12 868**	**649**	**13 517**
Expenses						
Claims and claim adjustment expenses	–5 088	–2 566	–920	–8 574	–238	–8 812
Acquisition costs	–623	–804	–516	–1 943	–84	–2 027
Other expenses	–542	–491	–297	–1 330	–59	–1 389
Total expenses	**–6 253**	**–3 861**	**–1 733**	**–11 847**	**–381**	**–12 228**
Operating income/loss	**–1 014**	**1 015**	**1 020**	**1 021**	**268**	**1 289**
Claims ratio in %	97.5	66.2	35.8	73.5		
Expense ratio in %	22.3	33.4	31.7	28.1		
Combined ratio in %	119.8	99.6	67.5	101.6		

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

For the year ended 31 December

2010 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	5 869	2 110	780	8 759
Fee income from policyholders	64		854	918
Net investment income	668	303	2 081	3 052
Net realised investment gains/losses	97	–3	2 237	2 331
Other revenues				
Total revenues	6 698	2 410	5 952	15 060
Expenses				
Claims and claim adjustment expenses; life and health benefits	–4 492	–1 543	–2 201	–8 236
Return credited to policyholders	–69		–3 302	–3 371
Acquisition costs	–1 244	–355	–227	–1 826
Other expenses	–377	–149	–291	–817
Total expenses	–6 182	–2 047	–6 021	–14 250
Operating income/loss	516	363	–69	810
Net investment income – unit-linked	36		557	593
Net investment income – with-profit business			145	145
Net investment income – non-participating	632	303	1 379	2 314
Net realised investment gains/losses – unit-linked	–23		2 057	2 034
Net realised investment gains/losses – with-profit business			196	196
Net realised investment gains/losses – non-participating	120	–3	–16	101
Operating revenues[1]	6 565	2 413	3 013	11 991
Management expense ratio in %	5.7	6.2	9.7	6.8
Benefit ratio[2] in %				88.7

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.

[2] The benefit ratio is calculated as claims paid and claims adjustment expenses in relation to premiums earned, both of which exclude unit-linked and with-profit business. Additionally, the impact of guaranteed minimum death benefit (GMDB) products is excluded, as this ratio is not indicative of the operating performance of such products.

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

2011 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	6 071	2 363	791	9 225
Fee income from policyholders	64		812	876
Net investment income	640	274	2 167	3 081
Net realised investment gains/losses	–20	–8	–1 202	–1 230
Other revenues				
Total revenues	**6 755**	**2 629**	**2 568**	**11 952**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–4 871	–1 632	–1 911	–8 414
Return credited to policyholders	–6		–55	–61
Acquisition costs	–1 250	–446	–290	–1 986
Other expenses	–415	–162	–448	–1 025
Total expenses	**–6 542**	**–2 240**	**–2 704**	**–11 486**
Operating income/loss	**213**	**389**	**–136**	**466**
Net investment income – unit-linked	30		655	685
Net investment income – with-profit business			158	158
Net investment income – non-participating	610	274	1 354	2 238
Net realised investment gains/losses – unit-linked	–55		–1 217	–1 272
Net realised investment gains/losses – with-profit business			26	26
Net realised investment gains/losses – non-participating	35	–8	–11	16
Operating revenues[1]	**6 745**	**2 637**	**2 957**	**12 339**
Management expense ratio in %	6.2	6.1	15.2	8.3
Benefit ratio[2] in %				87.9

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

d) Asset Management

For the years ended 31 December

2010 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	3 316	323	3 639
Net realised investment gains/losses	769	39	808
Other revenues		25	25
Total revenues	4 085	387	4 472
Operating income	4 085	387	4 472

2011 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	3 397	353	3 750
Net realised investment gains/losses	1 368	–104	1 264
Other revenues		25	25
Total revenues	**4 765**	**274**	**5 039**
Operating income	**4 765**	**274**	**5 039**

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

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

USD millions	2010	**2011**
Americas	9 105	9 275
Europe (including Middle East and Africa)	8 476	8 613
Asia-Pacific	2 989	4 288
Total	20 570	**22 176**

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

USD millions	2010	**2011**
United States	7 244	7 205
United Kingdom	2 921	2 925
Australia	1 111	1 511
China	684	1 383
Canada	1 107	1 237
Germany	945	1 109
France	718	770
Japan	574	643
Italy	581	504
Netherlands	452	458
Switzerland	417	446
Other	3 816	3 985
Total	20 570	**22 176**

14 Subsidiaries, equity investees and variable interest entities

Subsidiaries and equity investees	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2011	Method of consolidation
Europe				
Belgium				
Swiss Re Treasury (Belgium) N.V., Brussels	0	0	100	f
Denmark				
Swiss Re Denmark Services A/S, Copenhagen	0	0	100	f
France				
Protegys Assurance, Paris	32	30	34	e
Germany				
ASS Assekuranz, Service-und Sachverständigengesellschaft mbH, Sundern	0	0	100	e
EXTREMUS Versicherungs-Aktiengesellschaft, Cologne	65	61	15	e
Paarl Grundbesitzverwaltung GmbH & Co. KG Objekt Köln Sterrenhofweg, Munich	6	6	22	e
ROLAND Partner Beteiligungsverwaltung GmbH, Cologne	0	0	20	e
Swiss Re Germany AG, Unterföhring bei München	58	55	100	f
Hungary				
Swiss Re Treasury (Hungary) Group Financing Limited Liability Company, Budapest	0	0	100	f
Ireland				
Swiss Re International Treasury (Ireland) Ltd., Dublin	0	0	100	f
Liechtenstein				
Elips Life AG, Vaduz	13	12	100	f
Elips Versicherungen AG, Vaduz	5	5	100	f
Luxembourg				
Swiss Re Europe Holdings S.A., Luxembourg	136	127	100	f
Swiss Re Europe S.A., Luxembourg	454	425	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	0	0	100	f
Swiss Re Funds (Lux) I, Senningerberg[1]	10 410	9 735	100	f
Swiss Re International SE, Luxembourg	236	221	100	f

Method of consolidation
f full
e equity
[1] Net asset value instead of share capital

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2011	Method of consolidation
Netherlands				
Algemene Levensherverzekering Maatschappij N.V., Amsterdam	1	1	100	f
Switzerland				
European Reinsurance Company of Zurich Ltd, Zurich	274	256	100	f
Swiss Re Asset Management Geneva SA, Geneva	0	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	119	111	100	f
Swiss Re Life Capital Ltd, Zurich	0	0	100	f
Tertianum AG, Zurich	10	10	21	e
United Kingdom				
Admin Re UK Limited, Shropshire	114	106	100	f
Banian Investments UK Limited, St. Helier	0	0	100	f
BL Telford Limited, Shropshire	47	44	100	f
European Credit and Guarantee Insurance PCC Limited, St. Peter Port	0	0	100	f
NM Insurance Holdings Limited, Shropshire	204	191	100	f
NM Life Group Limited, Shropshire	233	218	100	f
NM Life Limited, Shropshire	148	138	100	f
NM Pensions Limited, Shropshire	209	195	100	f
Reassure Life Limited, London	23	22	100	f
Reassure Limited, Shropshire	409	382	100	f
Reassure UK Life Assurance Company Limited, London	43	40	100	f
SR Delta Investments (UK) Limited, London	6	5	100	f
Swiss Re BHI Limited, London	0	0	100	e
Swiss Re Capital Markets Limited, London	60	56	100	f
Swiss Re Frankona LM Limited, London	11	10	100	e
Swiss Re GB Limited, London	0	0	100	f
Swiss Re Services Limited, London	4	3	100	f
Swiss Re Specialty Insurance (UK) Limited, London	28	26	100	f
The Mercantile & General Reinsurance Company Limited, Glasgow	0	0	100	f
The Palatine Insurance Company Limited, London	12	11	100	f
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	3 089	2 888	100	f
European International Holding Company Ltd., Bridgetown	0	0	100	f
European International Reinsurance Company Ltd., Bridgetown	1	1	100	f
Gasper Funding Corporation, Bridgetown	17	16	100	f
Milvus I Reassurance Limited, Bridgetown	0	0	100	f

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2011	Method of consolidation
Bermuda				
CORE Reinsurance Company Limited, Hamilton	0	0	100	f
Old Fort Insurance Company, Ltd., Hamilton	0	0	100	f
Swiss Re Global Markets Limited, Hamilton	0	0	100	f
Swiss Re Capital Management (Bermuda) Ltd., Hamilton	0	0	100	f
Swiss Re Investments (Bermuda) Ltd., Hamilton	0	0	100	f
Brazil				
UBF Seguros S.A., Sao Paulo	48	45	84	f
Canada				
7547552 Canada Inc., Toronto	0	0	100	e
SwissRe Holdings (Canada) Inc., Toronto	0	0	100	e
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	932	872	100	f
SR Alternative Financing II SPC, George Town	0	0	100	f
SR Cayman Holdings Ltd, George Town	0	0	100	f
Swiss Re Strategic Investments UK Limited, George Town	0	0	100	f
United States				
Facility Insurance Corporation, Austin	0	0	100	f
Facility Insurance Holding Corporation, Dallas	0	0	100	f
First Specialty Insurance Corporation, Jefferson City	5	5	100	f
North American Capacity Insurance Company, Manchester	4	4	100	f
North American Elite Insurance Company, Manchester	4	3	100	f
North American Specialty Insurance Company, Manchester	13	12	100	f
Reassure America Life Insurance Company, Fort Wayne	3	2	100	f
Rialto Re I Inc, Burlington	0	0	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	0	0	100	f
Sterling Re Inc., Burlington	0	0	100	f
Swiss Re America Holding Corporation, Wilmington	0	0	100	f
Swiss Re Atrium Corporation, Wilmington	1	0	100	f
Swiss Re Capital Markets Corporation, New York	0	0	100	f
Swiss Re Financial Products Corporation, Wilmington	2 116	1 979	100	f
Swiss Re Financial Services Corporation, Wilmington	0	0	100	f
Swiss Re Life & Health America Holding Company, Wilmington	0	0	100	f
Swiss Re Life & Health America Inc., Hartford	4	4	100	f
Swiss Re Partnership Holding, LLC, Dover	368	344	100	f
Swiss Re Solutions Holding Corporation, Wilmington	9	8	100	f
Swiss Re Treasury (US) Corporation, Wilmington	0	0	100	f
Swiss Reinsurance America Corporation, Armonk	6	6	100	f
Washington International Insurance Company, Manchester	4	4	100	f
Westport Insurance Corporation, Jefferson City	6	6	100	f

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2011	Method of consolidation
Australia				
Swiss Re Australia Ltd, Sydney	21	19	100	f
Swiss Re Life & Health Australia Limited, Sydney	159	149	100	f
Africa				
South Africa				
Eastern Foreshore Investments Limited, Cape Town	1	1	100	f
Swiss Re Life and Health Africa Limited, Cape Town	0	0	100	f
Asia				
China				
Beijing Prestige Health Consulting Services Company Limited, Beijing	6	6	100	e
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	48	45	25	e

Variable interest entities

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

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

The party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

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

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

Modified coinsurance agreement

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

The total assets of the modified coinsurance vehicles in which the Group is the primary beneficiary were USD 3 473 million as of 31 December 2011.

Insurance-linked and credit-linked securitisations

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

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

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

As of 31 December 2011, the total assets of the insurance-linked and credit-linked securitisation vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 587 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 730 million.

Swaps in trusts

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

Debt financing vehicles

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

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

The total assets of the debt financing vehicles in which the Group is the primary beneficiary were USD 7 051 million as of 31 December 2011.

Other

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

As of 31 December 2011, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 3 684 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 712 million.

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

Consolidated VIEs

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

USD millions	2010 Carrying value	2010 Whereof restricted:	**2011** Carrying value	**2011** Whereof restricted:
Fixed income securities:				
Available-for-sale	8 842	8 842	9 254	9 254
Policy loans, mortgages and other loans	596	203	191	191
Short-term investments	1 329	1 329	998	998
Other invested assets	2 045	195	202	202
Cash and cash equivalents	968	966	928	928
Accrued investment income	82	82	78	78
Premiums and other receivables	10	10	9	9
Reinsurance recoverable on unpaid claims and policy benefits	11	11	7	7
Funds held by ceding companies	6	6	2	2
Income taxes recoverable	19	19	1	1
Acquired present value of future profits	36	36	23	23
Other assets	63	63	273	253
Total assets	14 007	11 762	**11 966**	**11 946**
	Carrying value	Whereof limited recourse:	Carrying value	Whereof limited recourse:
Unpaid claims and claim adjustment expenses	23	23	15	15
Liabilities for life and health policy benefits	1 182	1 182	1 165	1 165
Policyholder account balances	1 440	1 440	1 365	1 365
Funds held under reinsurance treaties	133	133		
Reinsurance balances payable	8	8	5	5
Deferred and other non-current taxes	76	76	180	180
Short-term debt	3 200	1 485	973	973
Accrued expenses and other liabilities	530	136	633	633
Long-term debt	5 938	5 938	5 172	5 172
Total liabilities	12 530	10 421	**9 508**	**9 508**

As of 31 December 2011, the consolidation of the VIEs resulted in non-controlling interests in the balance sheet of USD 414 million (31 December 2010: USD 402 million). The net non-controlling interests in income were USD 6 million and USD 12 million net of tax for 2010 and 2011, respectively.

Non-consolidated VIEs

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

USD millions	2010	**2011**
Fixed income securities:		
Available-for-sale	60	99
Trading	9	20
Other invested assets	1 406	680
Premiums and other receivables	2	
Reinsurance recoverable	1 631	
Deferred acquisition costs	2	
Total assets	3 110	**799**
Funds held under reinsurance treaties	1 614	
Short-term debt	406	393
Accrued expenses and other liabilities	885	509
Total liabilities	2 905	**902**

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

	2010				**2011**			
USD millions	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities
Insurance-linked/ credit-linked securitisations	1 890	1 665	2 197	532	261		1 168	1 168
Swaps in trusts	423	643	–[1]	–	212	316	–[1]	–
Debt financing	468		126	126				
Other	329	597	1 184	587	326	586	1 152	566
Total	3 110	2 905	–[1]	–	**799**	**902**	**–**[1]	**–**

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

In 2011, an insurance-linked securitisation vehicle in which the Group held a variable interest, but was not the primary beneficiary, was restructured in order to unwind the related structure. As a result, the vehicle no longer qualified as a VIE and was consolidated as a voting interest entity from the third quarter of 2011. A further unconsolidated insurance-linked securitisation vehicle was being unwound as of end of December 2011, at which time the Swiss Re Group no longer had any variable interests in the entity. Consequently, neither vehicle was part of the VIE disclosures as of 31 December 2011.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities of USD 586 million recognised for the "Other" category relate mainly to collateral received.

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15 Restructuring provision

In 2011, the Group set up total provisions of USD 26 million, related to the cost savings and efficiency programmes announced in early 2010, and released USD 7 million.

The increase of the provision in the Property & Casualty and the Life & Health business segments of USD 10 million and USD 14 million, respectively, in 2011 are related to leaving benefits, office structure simplification costs and cost for the concentration of support resources allocated to the Property & Casualty and the Life & Health business segments.

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

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

2010

USD millions	Property & Casualty	Life & Health	Asset Management	Total
Balance as of 1 January	87	24	45	156
Increase in provision	55	27	11	93
Release of provision	–9	–5	–2	–16
Costs incurred	–73	–41	–22	–136
Balance as of 31 December	60	5	32	97

2011

USD millions	Property & Casualty	Life & Health	Asset Management	Total
Balance as of 1 January	60	5	32	97
Increase in provision	10	14	2	26
Release of provision	–3	–1	–3	–7
Costs incurred	–30	–17	–15	–62
Balance as of 31 December	**37**	**1**	**16**	**54**

16 Risk assessment

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

The bodies and committees mentioned below belong to the Swiss Re Group as the identification, assessment and control of risk exposures of the Swiss Reinsurance Company Group is integrated in and covered by the Group risk management organisation and processes of Swiss Re Group.

The Board of Directors of Swiss Re Ltd is ultimately responsible for the Group's governance principles and policies, including approval of the Group's overall risk tolerance. The Board mainly deals with risk management through two committees:

- The Finance and Risk Committee is responsible for reviewing the Group Risk Policy and capacity limits, as well as for monitoring risk tolerance and reviewing top risk issues and exposures.
- The Audit Committee is responsible for overseeing internal controls and compliance procedures.

The Group Executive Committee (Group EC) is responsible for implementing the risk management framework through four further committees:

- The Group Risk and Capital Committee has responsibility for allocating capital and insurance risk capacity, approving investment risk limits, and determining changes to the internal risk and capital methodology.
- The Group Asset-Liability Committee oversees the management of Swiss Re's balance sheet, in particular its liquidity, capital and funding positions and related policies.
- The Group Products and Limits Committee determines Swiss Re's product policy and standards, sets reinsurance and counterparty credit risk limits, and decides on large or non-standard transactions.
- The Group Regulatory Committee is the central information and coordination platform for regulatory matters and compliance. It ensures a consistent approach to external communication on regulatory issues.

The Group Chief Risk Officer, who is a member of the Group EC, reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. The Group Chief Risk Officer participates in the four committees described above and chairs both the Group Risk and Capital Committee and the Group Regulatory Committee. In addition, the Group Chief Risk Officer leads the global Risk Management function, which is responsible for risk oversight and control across the Group.

The global Risk Management function operates through dedicated units for property and casualty risk, life and health risk, and financial market and credit risk. Each unit is entrusted with Group-wide responsibility for identifying, assessing and controlling their allocated risks and for risk governance at the risk category level. The units also work closely with each other, where necessary, on transaction reviews and other cross-category issues. Actuarial management is an integral part of the insurance risk units, ensuring reserving adequacy.

Senior managers of business and corporate units are responsible for managing operational risks in their area of activity, based on a centrally coordinated methodology. Their self-assessments are reviewed and challenged by operational risk specialists in partnership with the dedicated risk management units. Risk management experts also review the Group's underwriting decision processes.

Liquidity risk, capital adequacy, and emerging risks are managed at Group level. Risk management activities that are also performed globally at Group level, across all risk categories include risk governance, risk modelling, risk reporting and the steering of the Group's regulatory activities. Swiss Re's Group Internal Audit department carries out independent, objective assessments of the adequacy and effectiveness of internal control systems. It evaluates the execution of processes within Swiss Re, including those within Risk Management.

The Compliance function is principally responsible for overseeing Swiss Re's compliance with applicable laws, regulations, rules and the Code of Conduct, as well as management of Compliance Risk. It serves to assist the Board of Directors, the Executive Committee and Management in discharging their respective duties to effectively identify, mitigate and manage Compliance Risks.

The Risk Management function continuously reviews Swiss Re's organisation in order to ensure alignment with the Group's structure.

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Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Reinsurance Company Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements
As statutory auditor, we have audited the consolidated financial statements of Swiss Re Group, which comprise the income statement, balance sheet, statement of shareholders' equity, statement of comprehensive income, statement of cash flow, and notes (pages 3 to 85) for the year ended 31 December 2011.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2011 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Alex Finn
Audit expert
Auditor in charge

Dawn M Kink

Zurich, 15 March 2012

Annual Report
Swiss Reinsurance Company Ltd

Reinsurance and sub-holding company
Swiss Reinsurance Company Ltd (the Company), domiciled in Zurich, Switzerland, performs a dual role within the Swiss Re Group as both a reinsurance company and a sub-holding company.

In conjunction with the restructuring of the Swiss Re Group, Swiss Re Ltd was incorporated on 2 February 2011 and established as the new ultimate holding company of the Swiss Re Group through an exchange offer. Swiss Reinsurance Company Ltd shareholders were offered the opportunity to exchange their shares in Swiss Reinsurance Company Ltd for shares in Swiss Re Ltd on a one-for-one basis. Effective 20 May 2011, Swiss Re Ltd became the ultimate holding company of the Swiss Re Group, and hence Swiss Reinsurance Company Ltd became a fully owned subsidiary of Swiss Re Ltd. The shares of Swiss Reinsurance Company Ltd were delisted from the SIX Swiss Exchange on 8 December 2011.

Financial year 2011
The after-tax loss for the 2011 financial year amounted to CHF 63 million, compared to a profit of CHF 380 million in the previous year.

The business year under report was characterised by the establishment of the new corporate structure. Hence, the Company's investment portfolio in subsidiaries and affiliated companies showed considerable movements, as well as impacted the corresponding income statement lines. Along with the restructuring, the technical result was impacted by various recaptures of reinsurance treaties by affiliated companies of the Company in the life and health business.

Property and casualty was significantly impacted by the extraordinary accumulation of natural catastrophe events but benefited from successful renewals and new business written following these losses.

In 2011, the Swiss franc fluctuated against the majority of the main currencies which markedly affected the comparison of year-on-year reported income statement and balance sheet figures.

Reinsurance result
The total reinsurance result amounted to a gain of CHF 3.0 billion, compared to a gain of CHF 1.3 billion in 2010.

Premiums earned decreased from CHF 12.2 billion to CHF 8.8 billion in the year under report. Without the effect of foreign exchange movements, total premiums earned amounted to CHF 10.1 billion in 2011. Property and casualty premiums earned declined from CHF 6.3 billion in 2010 to CHF 5.6 billion in 2011, mainly driven by a weakening of most of our underlying business currencies against the Swiss franc resulting in a negative impact of CHF 0.8 billion. This deterioration was partially offset by successful renewals and new business written, notably with large clients in Asia.

Premium volume for life and health business decreased significantly from CHF 5.9 billion in 2010 to CHF 3.2 billion in 2011, driven by non-recurring initial premiums received in 2010 for the integration of the life and health portfolio of a subsidiary of the Company into a branch of Swiss Reinsurance Company Ltd. Excluding this one-off transaction and foreign exchange movements, life and health premiums earned increased by 4%.

Claims and claim adjustment expenses increased significantly from CHF 7.8 billion in 2010 to CHF 10.0 billion in 2011. Without the effect of foreign exchange movements, total claims and claim adjustment expenses amounted to CHF 11.6 billion in 2011. This financial year was driven by extraordinary natural catastrophe losses including floods and cyclones in Australia, earthquakes in New Zealand, earthquakes and tsunami in Japan, tornados and hurricane Irene in the US, and floods in Thailand. Nevertheless, claims and claim adjustment expenses for property and casualty decreased during 2011 by CHF 1.0 billion to CHF 3.1 billion benefiting from more retrocession coverage, positive claims experience as well as the deterioration of most currencies against the Swiss franc with an impact of CHF 0.5 billion.

Life and health claims and claim adjustment expenses rose by CHF 3.2 billion to CHF 6.9 billion in 2011, primarily driven by recaptures of reinsurance treaties with affiliated companies of the Company, but partially offset by the recapture of the external retrocession treaty with ALPSII. In return, these transactions reduced the Company's liability for life and health benefits, partially offset by less favourable mortality, of CHF 6.4 billion. In the financial year 2010, life and health claims and claim adjustment expenses as well as life and health benefits, included in the result of the initial recognition of the technical provisions assumed at the inception of a portfolio from a subsidiary of the Company, offset the initial premium received.

Investment result
The net investment result declined by CHF 2.6 billion to a loss of CHF 2.3 billion in 2011.

Investment income increased by CHF 1.6 billion to CHF 4.9 billion. This increase was mostly driven by higher dividend income and higher realised gains on derivative financial instruments which hedged the life and health variable annuity business.

In 2011, investment expenses increased by CHF 4.5 billion to CHF 6.6 billion, mainly as a result of valuation adjustments on investments in subsidiaries and affiliated companies in conjunction with the restructuring of the Swiss Re Group and higher valuation adjustments on derivative financial instruments related to reinsurance business.

Other income and expenses
Other net expenses decreased by CHF 0.5 billion to CHF 0.6 billion in 2011. The decrease mainly consisted of the one-time termination expense in 2010 for the convertible perpetual capital instrument (CPCI) issued to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., and reduced trademark license fee income. Since the establishment of the new ultimate holding company, Swiss Reinsurance Company Ltd did not receive any trademark license fee income, but paid license fees to Swiss Re Ltd instead.

The Company has revised the classification between certain income statement categories. Specifically, the capital tax and indirect taxes of CHF 68 million were reclassified in 2011 from tax expense to other expenses. Therefore, the previously reported 2010 figures of tax expense and other expenses with a respective amount of CHF 60 million have been reclassified accordingly.

Assets
Compared to 2010, total assets decreased 12% to CHF 83.9 billion. Without the effect of foreign exchange movements, total assets amounted to CHF 84.1 billion.

As a result of the restructuring, investments in subsidiaries and affiliated companies increased by CHF 1.2 billion reflecting various capital contributions, partially offset by valuation adjustments as well as capital repayments.

The repayment of the CPCI to National Indemnity Company in early 2011 resulted in higher balances of cash and short-term investments as of 2010, compared to the year under report.

Various recaptures of reinsurance treaties in the life and health business caused the funds held to decrease by CHF 6.3 billion to CHF 11.4 billion. The increase in other assets related mostly to security lending collateral and reverse repurchase transactions.

Liabilities
In comparison to 2010, total liabilities decreased 13% to CHF 66.2 billion. Without the effect of foreign exchange movements, total liabilities amounted to CHF 66.4 billion.

Technical provisions declined 13% to CHF 37.9 billion. Life and health policy benefits decreased significantly, mainly as a result of the recaptures of reinsurance treaties by affiliated companies of the Company, partially offset by the recapture of the retrocession treaty with ALPSII. Life and health unpaid claims remained stable compared to 2010. Property and casualty gross unpaid claims increased by 8% mainly due to the 2011 natural catastrophe events. As a result of these losses the equalisation provision of CHF 0.6 billion was completely released in the year under report.

Debts decreased significantly to CHF 7.0 billion as a result of the redemption of the CPCI issued in 2009 to National Indemnity Company. The redemption agreement was signed effective 2010 with a repayment of CHF 3.7 billion in early 2011. Liabilities from derivative financial instruments increased mainly due to derivatives in connection with the life and health variable annuity business.

Shareholder's equity
As of 31 December 2010, shareholder's equity amounted to CHF 18.8 billion before allocation of the disposable profit. After the dividend payment of CHF 943 million for 2010, and the inclusion of the loss for the 2011 financial year, shareholder's equity decreased to CHF 17.8 billion at the end of 2011.

As a result of guidance issued by the Swiss Federal Tax Administration in connection with the capital contribution principle introduced in Swiss Tax Law, which became effective as of 1 January 2011, the Annual General Meeting on 15 April 2011 approved a reclassification of reserves of CHF 9 762 million from other reserves to legal reserves from capital contributions on the Company's stand-alone balance sheet as of 31 December 2010.

As of 31 December 2011, legal reserves from capital contributions decreased to CHF 8 995 million due to the net effect of the dividend payment of CHF 943 million, the inclusion of additional reserves from newly issued shares and a reclassification from other reserves to legal reserves from capital contributions of issuance costs related to capital increases in previous years.

The nominal share capital of the Company increased slightly due to newly issued shares from the conditional capital for employee participation programmes. As of 31 December 2011, the nominal share capital amounted to CHF 37 million.

Income statement
Swiss Reinsurance Company Ltd

For the years ended 31 December

CHF millions	Notes	2010	**2011**
Reinsurance	1		
Premiums earned		12 173	**8 825**
Claims and claim adjustment expenses		–7 774	**–9 970**
Life and health benefits		–1 868	**4 538**
Change in equalisation provision		–	**550**
Acquisition costs		–1 584	**–867**
Other reinsurance result		412	**271**
Operating costs		–912	**–914**
Allocated investment return		858	**592**
Reinsurance result		1 305	**3 025**
Investments	2		
Investment income		3 327	**4 927**
Investment expenses		–2 151	**–6 648**
Allocated investment return		–858	**–592**
Investment result		318	**–2 313**
Other income and expenses			
Other interest income		67	**67**
Other interest expenses		–792	**–410**
Other income		655	**69**
Other expenses		–984	**–330**
Result from other income and expenses		–1 054	**–604**
Income before income tax expense		569	**108**
Income tax expense		–189	**–171**
Net income/loss		380	**–63**

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

Balance sheet
Swiss Reinsurance Company Ltd

As of 31 December

Assets

CHF millions	Notes	2010	**2011**
Non-current assets			
Investments			
Investment real estate		1 130	**1 095**
Investments in subsidiaries and affiliated companies		21 389	**22 552**
Loans to subsidiaries and affiliated companies		4 227	**4 636**
Mortgages and other loans		705	**714**
Equity securities		1 585	**1 708**
Fixed income securities		17 109	**17 179**
Short-term investments		6 714	**3 726**
Alternative investments		2 335	**2 430**
Assets in derivative financial instruments		120	**214**
Total investments		55 314	**54 254**
Tangible assets		711	**696**
Intangible assets		35	**26**
Total non-current assets		56 060	**54 976**
Current assets			
Premiums and other receivables from reinsurance	3	5 067	**5 865**
Funds held by ceding companies	3	17 655	**11 385**
Deferred acquisition costs	3	565	**592**
Cash and cash equivalents		6 247	**3 527**
Other receivables		3 591	**2 981**
Other assets		5 837	**4 422**
Accrued income		165	**173**
Total current assets		39 127	**28 945**
Total assets		95 187	**83 921**

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

Liabilities and shareholder's equity

CHF millions	Notes	2010	**2011**
Liabilities			
Technical provisions			
Unpaid claims	4	27 548	**26 895**
Liabilities for life and health policy benefits	4	12 658	**7 892**
Unearned premiums	4	2 677	**3 002**
Provisions for profit commissions	4	162	**143**
Equalisation provision	4	550	**–**
Total technical provisions		43 595	**37 932**
Non-technical provisions			
Provision for taxation		128	**53**
Provision for currency fluctuation		1 465	**1 735**
Other provisions		513	**441**
Total non-technical provisions		2 106	**2 229**
Debt			
Debentures		8 214	**4 459**
Loans		2 109	**2 571**
Total debt		10 323	**7 030**
Funds held under reinsurance treaties	4	4 801	**4 029**
Reinsurance balances payable	4	2 785	**2 686**
Liabilities from derivative financial instruments		2 637	**3 466**
Other liabilities		10 013	**8 613**
Accrued expenses		170	**185**
Total liabilities		76 430	**66 170**
Shareholder's equity	5		
Share capital		37	**37**
Other legal reserves		650	**650**
Reserve for own shares		1 449	**748**
Legal reserves from capital contributions		9 762	**8 995**
Other reserves		6 429	**7 334**
Retained earnings brought forward		50	**50**
Profit/loss for the financial year		380	**–63**
Total shareholder's equity		18 757	**17 751**
Total liabilities and shareholder's equity		95 187	**83 921**

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

Notes
Swiss Reinsurance Company Ltd

Significant accounting principles

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

Time period
The 2011 financial year comprises the accounting period from 1 January 2011 to 31 December 2011.

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

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

Income and expenses are converted into Swiss francs at average exchange rates for the reporting year.

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 to the provision for currency fluctuation. Recognition through the income statement only occurs when the provision is not sufficient to absorb a negative difference.

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 (other than zero bonds)
- Investments in funds
- Alternative investments
- Assets in derivative financial instruments

Subsequent recoveries of previously recorded downward value adjustments may be recognised up to the lower of historical cost or market value at the balance sheet date. The valuation rules prescribed by the Swiss Financial Market Supervisory Authority FINMA are observed.

Zero bonds reported under fixed income securities are valued at their amortised cost values.

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 an original duration between three months and one year. Such investments are generally held until maturity and are maintained at their amortised cost values.

Loans to subsidiaries and affiliated companies, mortgages and other loans are carried at nominal value. Value adjustments are recorded where the expected 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, as well as receivables in connection with securities lending collateral and reverse repurchase transactions, which are carried at nominal value.

Other current assets
Other current assets are carried at nominal value 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 where an offsetting amount has been paid and is recoverable from the ceding company.

Modified coinsurance arrangements are treated on a gross basis with the separate recognition of the funds withheld, as well as the liabilities for life and health policy benefits.

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 under "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.

Liabilities assumed and consideration provided in connection with portfolio transactions are established through the respective lines in the income statement. The initial recognition of assumed outstanding claims is recorded as change in unpaid claims, with the consideration being recognised as negative claims paid. The assumption of the provision for unearned premiums is established through the change in unearned premiums, with the respective consideration accounted for as premiums written. The liability for life and health policy benefits is established as a charge against life and health benefits, with the initial premium consideration recorded as premiums written.

The initial set up of assets and liabilities in respect of property and casualty retroactive treaties with external counterparties is accounted for as a balance sheet transaction.

Non-technical provisions
The provision for taxation reflects the related tax expense for the financial year under report.

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. Decreases in the liability amounts prior to expiration or settlement are only recognised as income for contracts for which hedges are in place.

Other liabilities
Other liabilities include payables in connection with repurchase agreements and securities lending transactions, which are held at redemption value.

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
Overall management expenses are allocated to the reinsurance business, the investment business and to other expenses on an imputed basis.

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

Income tax expense
The income tax expense relates to the financial year under report.

Income statement classification
The Company has revised the classification between certain income statement categories. Specifically, the capital tax and indirect taxes were reclassified from tax expense to other expenses. Therefore, the previously reported 2010 figures of tax expense and other expenses have been changed accordingly.

Notes
Swiss Reinsurance Company Ltd

Additional information on the financial statements

1 Reinsurance result

CHF millions	2010 Gross	2010 Retro	2010 Net	2011 Gross	2011 Retro	2011 Net
Premiums written	15 541	–3 486	12 055	**13 850**	**–4 696**	**9 154**
Change in unearned premiums	–20	138	118	**–1 244**	**915**	**–329**
Premiums earned	15 521	–3 348	12 173	**12 606**	**–3 781**	**8 825**
Claims paid and claim adjustment expenses	–7 568	–152	–7 720	**–13 930**	**3 528**	**–10 402**
Change in unpaid claims	157	–211	–54	**–2 220**	**2 652**	**432**
Claims and claim adjustment expenses	–7 411	–363	–7 774	**–16 150**	**6 180**	**–9 970**
Life and health benefits	–3 825	1 957	–1 868	**5 751**	**–1 213**	**4 538**
Change in equalisation provision	–	–	–	**550**	**–**	**550**
Fixed commissions	–2 323	975	–1 348	**–1 717**	**1 052**	**–665**
Profit commissions	–276	40	–236	**–242**	**40**	**–202**
Acquisition costs	–2 599	1 015	–1 584	**–1 959**	**1 092**	**–867**
Other reinsurance income and expenses	248	–81	167	**148**	**–51**	**97**
Result from cash deposits	863	–618	245	**574**	**–400**	**174**
Other reinsurance result	1 111	–699	412	**722**	**–451**	**271**
Operating costs			–912			**–914**
Allocated investment return			858			**592**
Reinsurance result			1 305			**3 025**

2 Investment result

CHF millions	2010	2011
Income from real estate investment	100	**98**
Income from subsidiaries and affiliated companies	556	**2 335**
Income from equity securities	13	**33**
Income from fixed income securities, mortgages and other loans	621	**638**
Income from derivative financial instruments	72	**23**
Income from short-term investments	52	**65**
Income from alternative investments	46	**61**
Income from investment services	71	**40**
Valuation readjustments on investments	440	**29**
Realised gains on sale of investments	1 356	**1 605**
Investment income	3 327	**4 927**
Expenses from derivative financial instruments	–	**–13**
Investment management expenses	–300	**–268**
Valuation adjustments on investments	–1 527	**–6 082**
Realised losses on sale of investments	–324	**–285**
Investment expenses	–2 151	**–6 648**
Allocated investment return	–858	**–592**
Investment result	318	**–2 313**

3 Assets from reinsurance

CHF millions	Gross	Retro	2010 Net	Gross	Retro	2011 Net
Premiums and other receivables from reinsurance	5 007	60	5 067	**5 668**	**197**	**5 865**
Funds held by ceding companies	17 655	–	17 655	**11 385**	**–**	**11 385**
Deferred acquisition costs	850	–285	565	**1 324**	**–732**	**592**
Assets from reinsurance	23 512	–225	23 287	**18 377**	**–535**	**17 842**

4 Liabilities from reinsurance

CHF millions	Gross	Retro	2010 Net	Gross	Retro	2011 Net
Unpaid claims	31 427	–3 879	27 548	**33 597**	**–6 702**	**26 895**
Liabilities for life and health policy benefits	16 073	–3 415	12 658	**9 987**	**–2 095**	**7 892**
Unearned premiums	3 799	–1 122	2 677	**5 146**	**–2 144**	**3 002**
Provisions for profit commissions	211	–49	162	**176**	**–33**	**143**
Equalisation provision	550	–	550	**–**	**–**	**–**
Funds held under reinsurance treaties	2	4 799	4 801	**1**	**4 028**	**4 029**
Reinsurance balances payable	1 155	1 630	2 785	**769**	**1 917**	**2 686**
Liabilities from reinsurance	53 217	–2 036	51 181	**49 676**	**–5 029**	**44 647**

5 Shareholder's equity

Change in shareholder's equity

CHF millions	2010	2011
Shareholder's equity as of 1 January	18 720	**18 757**
Dividend paid for the previous year	–343	**–943**[1]
Capital increase including premium	0	**0**
Profit/Loss for the financial year	380	**–63**
Shareholder's equity on 31 December before dividend payments	18 757	**17 751**
Dividend payments	–942[1]	**–6 838**[2]
Shareholder's equity on 31 December after dividend payments	17 815	**10 913**

[1] The number of registered shares eligible for dividend at the dividend payment date increased since the proposal for allocation of profit, dated 22 March 2011, due to the issuance of 2 778 new registered shares from options being exercised and the transfer of 347 512 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 963 298 compared to the Board of Directors' proposal.
[2] Details on the dividend payments for the financial year 2011 are disclosed on page 103.

6 Further notes to the financial statements

Contingent liabilities
Swiss Reinsurance Company Ltd has issued a number of guarantees to several of its subsidiaries in support of their business activities by securing either their overall capital positions or specific transactions. These guarantees are generally not limited by a nominal amount but rather by the exposure of the underlying business.

In addition, as a component of the Swiss Re Group's financing structure, the Company has guaranteed CHF 5 678 million (2010: CHF 6 020 million) of debt issued by certain subsidiaries and letter of credit facilities benefiting various subsidiaries of which no amount was utilised as of 31 December 2011 and 2010, respectively.

Unfunded commitments
As a participant in limited investment partnerships, the Company commits itself to making available certain amounts of investment funding, callable by the partnerships in general for periods of up to 10 years. As of 31 December 2011, total commitments remaining uncalled were CHF 660 million (2010: CHF 854 million).

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

CHF millions	2010	**2011**
2011	17	**–**
2012	13	**22**
2013	12	**21**
2014	11	**18**
2015	10	**15**
After 2016	14	**35**
Total operating leases, net	77	**111**

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 10 million (2010: CHF 16 million) are included in tangible assets and other liabilities, respectively.

Security deposits
To secure the technical provisions at the 2011 balance sheet date, securities with a value of CHF 9 486 million (2010: CHF 9 858 million) were deposited in favour of ceding companies, of which CHF 9 200 million (2010: CHF 9 297 million) referred to affiliated companies of the Company.

In addition, a real estate portfolio with a carrying amount of CHF 673 million (2010: CHF 676 million) serves as collateral for short-term senior operational debt of CHF 650 million with an external counterparty.

Securities lending and repurchase agreements
To enhance the performance of its investment portfolio, the Company enters into securities lending and reverse repurchase transactions. In the context of such transactions securities are transferred to the counterparty.

Additionally, the Company performs the role of the collateral clearer for the Swiss Re Group, centrally managing and reducing counterpart credit exposure for the asset holding entities, providing funding diversification and enabling secured cash investment. As such the Company acts as principal in collateral transactions, borrowing securities from its affiliated companies and entering into lending and borrowing as well as repurchase and reverse repurchase agreements with third parties. As a matter of policy, the Company requires that collateral, consisting of cash or securities, is provided to cover the assumed counterparty risk associated with such transactions.

An overview of the fair value of securities transferred under securities lending and borrowing as well as repurchase agreements is provided in the following table as of 31 December:

CHF millions	2010	**2011**
Fair value of securities transferred to third parties	954	**5 646**
Fair value of securities transferred to affiliated companies	–	**5 682**
Total	954	**11 328**

These securities were transferred with the right to be sold or pledged by the borrowing entity. The securities which were held and lent by investment funds are excluded from the table above.

Investment funds
As of 31 December 2011, fixed income securities of CHF 4 581 million (2010: CHF 5 881 million) were held in investment funds, which are owned by its affiliated companies. 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 2011, the insurance value of tangible assets, comprising the real estate portfolio and other tangible assets, amounted to CHF 2 555 million (2010: CHF 2 563 million).

Obligations towards employee pension fund
Other liabilities include CHF 5 million (2010: CHF 5 million) payable to the employee pension fund.

Public placed debentures
As of 31 December 2011, the following public placed debentures were outstanding:

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity/ First call in	Book value CHF millions
Senior bond	2011	CHF	600	2.125%	2017	600
Senior bond	2010	CHF	500	2.000%	2015	500
Senior bond	2009	CHF	700	4.250%	2013	700

Investments in subsidiaries
Details on the Company's subsidiaries are disclosed on pages 74 to 77.

Own shares
As of 31 December 2011, the Swiss Re Group held 370 706 931 Swiss Reinsurance Company Ltd shares, of which Swiss Re Ltd owned 344 052 565 shares and the Company owned directly 26 654 366 shares.

In connection with the exchange offer Swiss Reinsurance Company Ltd contributed all its own shares to Swiss Re Ltd in exchange for an equivalent number of new Swiss Re Ltd shares. The total of contributed shares was 26 654 366, including 20 000 Swiss Reinsurance Company Ltd shares that were contributed by a third party on behalf of Swiss Reinsurance Company Ltd, with a total book value of CHF 747 830 958. This book value consisted of 11 678 802 shares contributed with a par value of CHF 0.10 per share and 14 975 564 shares contributed with an average price of CHF 49.86 per share.

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

CHF millions	2010	**2011**
Reinsurance result	80	**41**
Premiums and other receivables from reinsurance	469	**263**
Funds held by ceding companies	66	**55**
Funds held under reinsurance treaties	2	**1**
Reinsurance balances payable	617	**396**

Claims on and obligations towards affiliated companies of the Company

CHF millions	2010	**2011**
Premiums and other receivables from reinsurance	986	**1 183**
Funds held by ceding companies	15 524	**9 074**
Other receivables	2 435	**2 836**
Other assets	1 347	**77**
Loans	1 459	**1 921**
Funds held under reinsurance treaties	3 189	**3 862**
Reinsurance balances payable	962	**1 330**
Other liabilities	7 404	**6 519**

Conditional capital and authorised capital

At Swiss Reinsurance Company Ltd's Annual General Meeting, held in Zurich 15 April 2011, shareholders approved the adaptation of the conditional capital and authorised capital structure as described below.

As of 31 December 2011, the Company has therefore the following conditional capital and authorised capital:

Conditional capital for Equity-Linked Financing Instruments

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

Authorised capital

The Board of Directors is authorised to increase the share capital of the Company at any time up to 20 May 2013 by an amount not exceeding CHF 8 500 000 through the issuance of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non exercised subscription rights will be determined by the Board of Directors.

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

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

Release of undisclosed reserves
In the year under report, no net undisclosed reserves on investments or on provisions were released (2010: CHF 88 million).

Major shareholders
As of 31 December 2011, the Company was a fully owned subsidiary of Swiss Re Ltd.

Personnel information
As of 31 December 2011, Swiss Reinsurance Company Ltd employed a worldwide staff of 3 654 (2010: 3 513). Personnel expenses for the 2011 financial year amounted to CHF 885 million (2010: CHF 967 million).

Management fee contribution
In 2011, management expenses of CHF 282 million (2010: CHF 171 million) were recharged to affiliated companies of the Company and invoiced to third parties. These recharges were reported net under "Operating costs", "Investment expenses" and "Other expenses".

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

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

Details are disclosed on page 84.

Outlook 2012
As a result of the new Swiss Re Group corporate structure, during the first half of 2012, Swiss Reinsurance Company Ltd will transfer its investments in Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd through a dividend in-kind to Swiss Re Ltd. These transfers are subject to the approval of Swiss Re's principal regulator, Swiss Financial Market Supervisory Authority FINMA. Following these transfers, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd will no longer be subsidiaries of Swiss Reinsurance Company Ltd and will instead become direct subsidiaries of Swiss Re Ltd.

Proposal for allocation of disposable profit/loss

The Annual General Meeting of Swiss Reinsurance Company Ltd to be held in Zurich on 19 March 2012 has at its disposal the following loss:

In CHF	2010	**2011**
Retained earnings brought forward	50 211 859	**50 431 171**
Profit/loss for the financial year	380 219 312	**–63 439 410**
Disposable profit/loss	430 431 171	**–13 008 239**

The Board of Directors proposes to the Annual General Meeting of Swiss Reinsurance Company Ltd to allocate the disposable loss and to pay dividends as follows:

In CHF	2010	**2011**
Balance carried forward	50 431 171	**–13 008 239**
Allocati on to other reserves	380 000 000	**–**
Withdrawal from other reserves for dividend payments	–	**–6 837 899 198**
Reclassification of legal reserves from capital contributions to other reserves	–942 206 438[1]	**–**
Dividend payment out of other reserves	942 206 438[1]	**1 028 209 497**
Dividend in-kind of Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd out of other reserves[2]	–	**5 809 689 701**
Disposable profit/loss	430 431 171	**–13 008 239**

[1] The number of registered shares eligible for dividend at the dividend payment date increased since the proposal for allocation of profit, dated 22 March 2011, due to the issuance of 2 778 new registered shares from options being exercised and the transfer of 347 512 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 963 298 compared to the Board of Directors' proposal.
[2] Subject to FINMA approval

Dividends

If this Board of Directors' proposal for allocation is accepted, the following dividends will be paid:

- a cash dividend of CHF 1 028 209 497 out of other reserves
- a dividend in-kind of Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd of total CHF 5 809 689 701 out of other reserves

Zurich, 15 March 2012

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Reinsurance Company Ltd
Zurich

Report of the statutory auditor on the Financial Statements
As statutory auditor, we have audited the financial statements of Swiss Reinsurance Company Ltd, which comprise the income statement, balance sheet and notes (pages 91 to 102), for the year ended 31 December 2011.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

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

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

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

PricewaterhouseCoopers AG

Alex Finn
Audit expert
Auditor in charge

Dawn M Kink

Zurich, 15 March 2012

Financial statements

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Income statement

For the years ended 31 December

USD millions	Note	2009[1]	**2010**
Revenues			
Premiums earned	8, 15	22 664	**19 652**
Fee income from policyholders	8, 15	847	**918**
Net investment income	2, 15	6 399	**5 422**
Net realised investment gains/losses (total impairments for the years ended 31 December were 3 450 in 2009 and 683 in 2010, of which 1 784 and 423, respectively, were recognised in earnings)	2, 15	875	**2 783**
Other revenues	15	178	**60**
Total revenues		30 963	**28 835**
Expenses			
Claims and claim adjustment expenses	8, 15	–8 336	**–7 254**
Life and health benefits	8, 15	–8 639	**–8 236**
Return credited to policyholders	15	–4 597	**–3 371**
Acquisition costs	8, 15	–4 495	**–3 679**
Other expenses	15	–2 965	**–2 526**
Interest expenses	15	–1 011	**–1 094**
Total expenses		–30 043	**–26 160**
Income before income tax expense		920	**2 675**
Income tax expense	10	–221	**–541**
Net income before attribution of non-controlling interests		699	**2 134**
Income attributable to non-controlling interests			**–154**
Net income after attribution of non-controlling interests		699	**1 980**
Convertible perpetual capital instrument		–203	**–1 117**
Net income attributable to common shareholders		496	**863**
Earnings per share in USD			
Basic	9	1.46	**2.52**
Diluted	9	1.45	**2.43**
Earnings per share in CHF[2]			
Basic	9	1.49	**2.64**
Diluted	9	1.48	**2.54**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.
[2] The translation from USD to CHF is shown for informational purposes only and has been calculated at the Group's average exchange rates for the years ended 31 December 2009 and 2010, respectively.

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

Balance sheet

As of 31 December

Assets

USD millions	Note	2009[1]	**2010**
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 9 011 in 2009 and 5 157 in 2010 subject to securities lending and repurchase agreements) (amortised cost: 2009: 89 031; 2010: 79 443)		87 182	**80 950**
Trading (including 518 in 2009 and 2 187 in 2010 subject to securities lending and repurchase agreements)		11 562	**11 252**
Equity securities:			
Available-for-sale, at fair value (cost: 2009: 392; 2010: 1 241)		554	**1 474**
Trading		19 591	**19 513**
Policy loans, mortgages and other loans		5 606	**5 630**
Investment real estate		2 052	**2 040**
Short-term investments, at amortised cost which approximates fair value (including 673 in 2009 and 1 319 in 2010 subject to securities lending and repurchase agreements)		10 144	**21 446**
Other invested assets		14 650	**14 642**
Total investments		151 341	**156 947**
Cash and cash equivalents (including 4 314 in 2009 and 4 139 in 2010 subject to securities lending)		27 810	**16 928**
Accrued investment income		1 565	**1 085**
Premiums and other receivables		11 773	**11 095**
Reinsurance recoverable on unpaid claims and policy benefits	8	11 251	**12 637**
Funds held by ceding companies		9 605	**9 346**
Deferred acquisition costs	5, 8	3 894	**3 571**
Acquired present value of future profits	5	6 054	**4 565**
Goodwill		4 134	**4 083**
Income taxes recoverable		601	**426**
Other assets		4 720	**7 720**
Total assets		232 748	**228 403**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.

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

Liabilities and equity

USD millions	Note	2009[1]	**2010**
Liabilities			
Unpaid claims and claim adjustment expenses	7	68 412	**64 690**
Liabilities for life and health policy benefits	3, 8	39 944	**39 551**
Policyholder account balances	8	36 692	**36 478**
Unearned premiums		6 528	**6 305**
Funds held under reinsurance treaties		4 029	**4 399**
Reinsurance balances payable		4 756	**4 376**
Income taxes payable		608	**708**
Deferred and other non-current taxes		928	**1 716**
Short-term debt[2]	6	8 105	**10 798**
Accrued expenses and other liabilities		18 218	**14 049**
Long-term debt	6	19 184	**18 427**
Total liabilities		207 404	**201 497**
Equity			
Convertible perpetual capital instrument[2]		2 670	
Common stock, CHF 0.10 par value			
2009: 370 701 168; 2010: 370 704 153 shares authorised and issued		35	**35**
Additional paid-in capital		10 472	**10 530**
Treasury shares, net of tax		–1 477	**–1 483**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		–993	**1 042**
Other-than-temporary impairment, net of tax		–397	**–169**
Cumulative translation adjustments, net of tax		–3 560	**–3 742**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–453	**–522**
Total accumulated other comprehensive income		–5 403	**–3 391**
Retained earnings		19 047	**19 651**
Shareholders' equity		25 344	**25 342**
Non-controlling interests			**1 564**
Total equity		25 344	**26 906**
Total liabilities and equity		232 748	**228 403**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.
[2] The CPCI was reclassified from equity to short-term debt upon termination in the fourth quarter of 2010. Please refer to Note 9 Earnings per share for details on the accounting for the CPCI.

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

Statement of shareholders' equity

For the years ended 31 December

USD millions	2009[1]	2010
Convertible perpetual capital instrument		
Balance as of 1 January	0	**2 670**
Issued	2 670	
Reclassification of convertible perpetual capital instrument[2]		**–2 670**
Balance as of period end	2 670	**0**
Common shares		
Balance as of 1 January	34	**35**
Issue of common shares	1	
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	10 125	**10 472**
Issue of common shares[3]	311	
Convertible perpetual capital instrument issuance costs	–9	
Share-based compensation	–10	**48**
Realised gains/losses on treasury shares	55	**10**
Balance as of period end	10 472	**10 530**
Treasury shares, net of tax		
Balance as of 1 January	–1 540	**–1 477**
Cumulative effect of adoption of EITF 07-5[4]	60	
Purchase of treasury shares	–54	**–49**
Sales of treasury shares	57	**43**
Balance as of period end	–1 477	**–1 483**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	–2 262	**–993**
Other changes during the period	1 269	**2 070**
Cumulative effect of adoption of ASU No. 2009-17[5]		**–35**
Balance as of period end	–993	**1 042**
Other-than-temporary impairment, net of tax		
Balance as of 1 January[6]	–263	**–397**
Other changes during the period	–134	**228**
Balance as of period end	–397	**–169**
Foreign currency translation, net of tax		
Balance as of 1 January	–4 709	**–3 560**
Other changes during the period	1 149	**–182**
Balance as of period end	–3 560	**–3 742**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–497	**–453**
Change during the period	44	**–69**
Balance as of period end	–453	**–522**
Retained earnings		
Balance as of 1 January	18 069	**19 047**
Net income after non-controlling interests	699	**1 980**
Convertible perpetual capital instrument (net income)[2]	–203	**–1 117**
Dividends on common shares	–30	**–319**
Cumulative effect of adoption of FSP SFAS 115-2[6]	334	
Cumulative effect of adoption of EITF 07-5[4]	178	
Cumulative effect of adoption of ASU No. 2009-17[5]		**60**
Balance as of period end	19 047	**19 651**
Shareholders' equity	25 344	**25 342**
Non-controlling interests[7]		
Balance as of 1 January	0	**0**
Change during the period		**1 410**
Income attributable to non-controlling interests		**154**
Balance as of period end	0	**1 564**
Total equity	25 344	**26 906**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.
[2] The CPCI was reclassified from equity to short-term debt upon termination in the fourth quarter of 2010. Please refer to Note 9 Earnings per share for details on the accounting for the CPCI.
[3] The balance represents the premium from the conversion of mandatory convertible bonds that matured in June 2009.
[4] The Group adopted a new accounting pronouncement, EITF 07-5, as of 1 January 2009, which resulted in a change in accounting principle for certain types of instruments and embedded features linked to Swiss Re's own shares. The cumulative impact upon adoption resulted in a net increase in retained earnings of USD 178 million, a decrease in treasury shares of USD 60 million, an increase in other invested assets of USD 285 million and a tax income of USD 47 million.
[5] The Group adopted a new accounting pronouncement, ASU No. 2009-17 (FAS167), an update to Topic 810 – Consolidation, as of 1 January 2010, which resulted in the full consolidation of certain VIEs. This resulted in a transition impact to retained earnings of USD 60 million and to net unrealised gains/losses of USD –35 million, and other balance sheet items. Please refer to Note 16 for more details.
[6] Retained earnings as of 31 December 2008 were increased by USD 71 million to reflect the release of a valuation allowance against deferred tax assets associated with investment impairment losses.
[7] Non-controlling interests relate to a modified coinsurance treaty and the acquisition of the management company of private equity funds, resulting in the consolidation of all the investees' assets and liabilities even though the Group does not own the majority of the equity.

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2009[1]	**2010**
Net income before attribution of non-controlling interests[2]	496	**1 017**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses (tax: –38 in 2009 and –930 in 2010)	1 269	**2 035**
Change in other-than-temporary impairment (tax: 58 in 2009 and –115 in 2010)	–397	**228**
Change in foreign currency translation (tax: –63 in 2009 and –226 in 2010)	1 149	**–182**
Change in adjustment for pension benefits (tax: –8 in 2009 and 8 in 2010)	44	**–69**
Total comprehensive income before attribution of non-controlling interests	2 561	**3 029**
Comprehensive income attributable to non-controlling interests		**–154**
Total comprehensive income attributable to common shareholders	2 561	**2 875**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.
[2] After interest on convertible perpetual capital instrument.

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

Statement of cash flow

For the years ended 31 December

USD millions	2009[1]	2010
Cash flows from operating activities		
Net income attributable to common shareholders	496	**863**
Add net income attributable to non-controlling interests		**154**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	–13	**272**
Net realised investment gains/losses	–875	**–2 783**
Convertible perpetual capital instrument	203	**1 117**
Change in:		
Technical provisions, net	–3 434	**–1 745**
Funds held by ceding companies and other reinsurance balances	–508	**13**
Reinsurance recoverable on unpaid claims and policy benefits	–194	**–1 366**
Other assets and liabilities, net	–254	**–1 610**
Income taxes payable/recoverable	–561	**85**
Income from equity-accounted investees, net of dividends received	–187	**–265**
Trading positions, net	295	**1 452**
Securities purchased/sold under agreement to resell/repurchase, net	–2 664	**–2 273**
Net cash provided/used by operating activities	–7 696	**–6 086**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	178 268	**137 361**
Purchases	–161 825	**–127 848**
Net purchase/sale/maturities of short-term investments	–4 118	**–10 621**
Equity securities:		
Sales	544	**102**
Purchases	–108	**–923**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net	99	
Net purchases/sales/maturities of other investments	1 224	**–123**
Net cash provided/used by investing activities	14 084	**–2 052**
Cash flows from financing activities		
Issuance/repayment of long-term debt	3 134	**1 052**
Issuance/repayment of short-term debt	–1 235	**–4 165**
Equity issued	1	
Proceeds from the issuance of convertible perpetual capital instrument, net of issuance cost	2 661	
Purchase/sale of treasury shares	3	**–6**
Interest on convertible perpetual capital instrument	–222	**–323**
Dividends paid to shareholders	–30	**–319**
Net cash provided/used by financing activities	4 312	**–3 761**
Total net cash provided/used	10 700	**–11 899**
Effect of foreign currency translation	885	**224**
Change in cash and cash equivalents	11 585	**–11 675**
Cash and cash equivalents as of 1 January	16 225	**27 810**
Impact of adoption of ASU No. 2009-17[2]		**793**
Cash and cash equivalents as of 31 December	27 810	**16 928**

[1] The Group changed its reporting currency from CHF to USD. Please refer to Note 1.
[2] The Group adopted a new accounting pronouncement, ASU No. 2009-17 (FAS167), an update to Topic 810 – Consolidation, as of 1 January 2010, which resulted in the full consolidation of certain VIEs.

Interest paid during 2009 and 2010 was USD 957 million and USD 1 278 million, respectively. Tax paid was USD 696 million and USD 476 million for the twelve months ended 31 December 2009 and 2010, respectively.

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

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

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

From 1 January 2010, Swiss Re changed its presentation currency from Swiss francs (CHF) to US dollars (USD). US dollar is the currency in which a significant part of the reinsurance business of the Group is written and assets are invested. Comparative periods have been retranslated at the closing rates for balance sheet items and at average rates for income statement items.

Following the acquisition of certain private equity funds in the first quarter of 2010, the Group presents interests attributable to non-controlling owners of its subsidiaries in its statement of equity as a separate component. The income attributable to the non-controlling interests is presented as a deduction from net income on the face of the income statement.

Principles of consolidation
The Group's financial statements include the consolidated financial statements of Swiss Re Zurich and its subsidiaries. Voting entities which Swiss Re Zurich directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Variable interest entities (VIEs) are consolidated when the Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE's economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which 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's accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

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

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

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

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Whilst management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2010, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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, receivables related to investing activities, real estate for own use, property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

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

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 judgments made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

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

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 12%. 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 9%.

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

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

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

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.

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

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

Share-based payment transactions
The Group has a long-term incentive plan, a 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.

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

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 23 March 2011. This is the date on which the financial statements are available to be issued.

Financial Review 2010
Swiss Re published its unaudited Financial Review for the year 2010 on 17 February 2011. In the Financial Report, the Group has revised the disclosure on unpaid claims and claims adjustment expenses. The split between claims incurred for the current year and the prior year has been updated accordingly. The change had no impact on the net income or shareholders' equity.

The Group also updated Note 19 Subsequent events to reflect the announcement made by the Group on 2 March 2011 regarding the provisional estimate for its claims cost from the earthquake in New Zealand on 22 February 2011, the Australian cyclone Yasi (announced by the Group on 17 February 2011), and for the earthquake and the tsunami in Japan, on 11 March 2011 (announced by the Group on 21 March 2011).

Recent accounting guidance

In June 2009, the Financial Accounting Standards Board ("FASB") issued "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (VIEs)" (ASU No. 2009-17), an update to Topic 810 – Consolidation. This ASU requires companies to assess VIEs under a new method for consolidation. The Group adopted this new standard as of 1 January 2010. Please refer to Note 16 for further information.

Also in June 2009, the FASB issued "Accounting for Transfers of Financial Assets" (ASU No. 2009-16), an update to Topic 860 – Transfers and Servicing. This ASU requires additional disclosures about transfer of financial assets and continuing exposure to the risks related to transferred assets. It also changes the requirements for derecognising financial assets. The Group adopted this new standard as of 1 January 2010. The adoption did not have a material impact on the Group's financial statements.

In January 2010, the FASB issued "Improving Disclosures about Fair Value Measurements" (ASU No. 2010-06), an update to Topic 820 – Fair Value Measurements and Disclosures. This new standard implements additional disclosure requirements for the three fair value levels. The requirements, which are applicable from 1 January 2010 on, are disclosed in Note 3.

In February 2010, the FASB issued "Amendments to Certain Recognition and Disclosure Requirements"(ASU No. 2010-9), an update to Topic 855 – Subsequent Events. As the Swiss Re Group is not a SEC filer, only the clarification on the reissuance disclosure provisions related to subsequent events applies to the Group. The Group adopted this standard as of the first quarter of 2010. It did not have an impact on the Group's financial statements.

In March 2010, the FASB issued "Scope Exception Related to Embedded Credit Derivatives" (ASU No. 2010-11), an update to Topic 815 – Derivatives and Hedging. This ASU clarifies how embedded credit-derivative features should be analysed to determine whether those features should be accounted for separately. The Group adopted this new standard as of 1 July 2010. The adoption did not have a material impact on the Group's financial statements.

In July 2010, the FASB issued "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" (ASU No. 2010-20), an update to Topic 310 – Receivables. This ASU requires additional disclosures about an entity's allowance for credit losses and the credit quality of its financing receivables. The Group adopted this update as of the fourth quarter of 2010. The new disclosure requirements are included in Notes 1, 2 and 8.

2 Investments

Investment income

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

USD millions	2009	**2010**
Fixed income securities	5 073	4 031
Equity securities	498	509
Policy loans, mortgages and other loans	413	428
Investment real estate	184	188
Short-term investments	42	88
Other current investments	93	–32
Share in earnings of equity-accounted investees	239	351
Cash and cash equivalents	77	102
Deposits with ceding companies	624	513
Gross investment income	7 243	**6 178**
Investment expenses	–575	–591
Interest charged for funds held	–269	–165
Net investment income	6 399	**5 422**

Dividends received from investments accounted for using the equity method were USD 53 million and USD 86 million for 2009 and 2010, respectively.

Net investment income includes income on unit-linked and with-profit business, which is credited to policyholders.

USD millions	2009	**2010**
Unit-linked investment income	549	593
With-profit investment income	152	145

Realised gains and losses

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

USD millions	2009	**2010**
Fixed income securities available-for-sale:		
Gross realised gains	3 608	2 193
Gross realised losses	–1 758	–1 149
Equity securities available-for-sale:		
Gross realised gains	199	22
Gross realised losses	–31	–1
Other-than-temporary impairments	–1 784	–423
Net realised investment gains/losses on trading securities	–18	108
Change in net unrealised investment gains/losses on trading securities	4 469	2 372
Other investments:		
Net realised/unrealised gains/losses	–2 581	213
Foreign exchange gains/losses	–1 229	–552
Net realised investment gains/losses	875	**2 783**

Proceeds from sales of fixed income securities available-for-sale amounted to USD 176 286 million and USD 118 947 million for 2009 and 2010, respectively. Sales of equity securities available-for-sale were USD 559 million and USD 105 million for 2009 and 2010, respectively.

Net realised investment gains/losses include net realised gains/losses on unit-linked and with-profit business, which are credited to policyholders.

USD millions	2009	**2010**
Unit-linked realised gains/losses	3 332	2 034
With-profit realised gains/losses	289	196

Impairment on fixed income securities related to credit losses

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

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

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

USD millions	2009	**2010**
Balance as of 1 January	551	1 409
Credit losses for which an other-than-temporary impairment was not previously recognised	984	196
Reductions for securities sold during the period	–528	–775
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	417	96
Impact of increase in cash flows expected to be collected	–17	–69
Impact of foreign exchange movements	2	–28
Balance as of 31 December	1 409	**829**

Investments available-for-sale

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

2009 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	25 951	263	–933		25 281
States of the United States and political subdivisions of the states	57	2	–4		55
United Kingdom	11 833	276	–476		11 633
Canada	2 300	232	–70		2 462
Germany	2 911	23	–20		2 914
France	2 211	24	–12		2 223
Other	5 909	209	–136		5 982
Total	51 172	1 029	–1 651		50 550
Corporate debt securities	17 419	1 107	–383	–24	18 119
Residential mortgage-backed securities	5 677	115	–713	–359	4 720
Commercial mortgage-backed securities	6 281	49	–871	–119	5 340
Agency securitised products	4 197	162	–7	–8	4 344
Other asset-backed securities	4 285	106	–190	–92	4 109
Fixed income securities available-for-sale	89 031	2 568	–3 815	–602	87 182
Equity securities available-for-sale	392	188	–26		554

2010 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	18 868	337	–539		18 666
States of the United States and political subdivisions of the states	172	1	–7		166
United Kingdom	12 221	332	–150		12 403
Canada	3 022	384	–18		3 388
Germany	3 369	33	–28		3 374
France	2 022	32	–21		2 033
Other	5 032	242	–90		5 184
Total	44 706	1 361	–853		45 214
Corporate debt securities	19 234	1 387	–250	–12	20 359
Residential mortgage-backed securities	4 178	180	–155	–183	4 020
Commercial mortgage-backed securities	4 364	155	–178	–37	4 304
Agency securitised products	4 894	123	–22		4 995
Other asset-backed securities	2 067	79	–66	–22	2 058
Fixed income securities available-for-sale	**79 443**	**3 285**	**–1 524**	**–254**	**80 950**
Equity securities available-for-sale	**1 241**	**258**	**–25**		**1 474**

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

Investments trading

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

USD millions	2009	**2010**
Debt securities issued by governments and government agencies	7 671	8 308
Corporate debt securities	2 248	2 497
Mortgage- and asset-backed securities	1 643	447
Fixed income securities trading	11 562	**11 252**
Equity securities trading	19 591	**19 513**

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

USD millions	2009	**2010**
Fixed income securities trading held for unit-linked business	2 380	2 302
Fixed income securities trading held for with-profit business	1 619	1 648
Fixed income securities trading	3 999	**3 950**
Equity securities trading held for unit-linked business	17 333	17 405
Equity securities trading held for with-profit business	1 203	1 135
Equity securities trading	18 536	**18 540**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2009 and 2010, USD 18 181 million and USD 13 107 million, respectively, of fixed income securities available-for-sale were callable.

	2009		**2010**	
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	4 345	4 352	2 342	2 379
Due after one year through five years	19 152	19 281	16 601	16 891
Due after five years through ten years	15 097	15 401	14 628	15 189
Due after ten years	29 902	29 525	30 604	31 360
Mortgage- and asset-backed securities with no fixed maturity	20 535	18 623	15 268	15 131
Total fixed income securities available-for-sale	89 031	87 182	**79 443**	**80 950**

Assets pledged

As of 31 December 2009 and 2010, investments with the carrying value of USD 1 706 million and USD 1 769 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 2009 and 2010, investments (including cash and cash equivalents) with a carrying value of approximately USD 9 015 million and USD 8 573 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

As of 31 December 2009 and 2010, securities of USD 14 516 million and USD 12 802 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 5 005 million and USD 1 750 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying amount of USD 274 million serves as collateral for short-term senior operational debt of USD 697 million.

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

As of 31 December 2009 and 2010, the fair value of the government bond, corporate bond and equity securities received as collateral was USD 12 221 million and USD 6 539 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2009 and 2010 was USD 758 million and USD nil million, respectively, which is used to settle short government bond positions. The sources of the collateral are typically highly rated banking market counterparties.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2009 and 2010. As of 31 December 2009 and 2010, USD 15 million and USD 25 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 11 million and USD nil million, respectively, to declines in value for more than 12 months.

2009	Less than 12 months		12 months or more		Total	
USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	17 622	933	129		17 751	933
States of the United States and political subdivisions of the states	26	1	16	3	42	4
United Kingdom	6 396	395	700	81	7 096	476
Canada	944	70	64		1 008	70
Germany	1 291	20			1 291	20
France	769	12			769	12
Other	2 166	132	53	4	2 219	136
Total	29 214	1 563	962	88	30 176	1 651
Corporate debt securities	3 529	294	1 015	113	4 544	407
Residential mortgage-backed securities	2 727	795	1 244	277	3 971	1 072
Commercial mortgage-backed securities	3 281	640	1 365	350	4 646	990
Agency securitised products	416	12	113	3	529	15
Other asset-backed securities	1 780	246	212	36	1 992	282
Total	40 947	3 550	4 911	867	45 858	4 417

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

Mortgages, loans and real estate

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

USD millions	2009	**2010**
Policy loans	3 577	3 658
Mortgage loans	1 343	1 337
Other loans	686	635
Investment real estate	2 052	2 040

The fair value of the real estate as of 31 December 2009 and 2010 was USD 2 961 million and USD 3 306 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2009 and 2010, the Group's investment in mortgages and other loans included USD 187 million and USD 270 million, respectively, of loans due from employees, and USD 400 million and USD 356 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2009 and 2010, investments in real estate included USD 7 million and USD 6 million, respectively, of real estate held for sale.

Depreciation expense related to income producing properties was USD 41 million and USD 40 million for 2009 and 2010, respectively. Accumulated depreciation on investment real estate totalled USD 499 million and USD 528 million as of 31 December 2009 and 2010, respectively.

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

3 Fair value disclosures

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

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

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

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

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

The types of instruments valued, based on quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy. The Group does not adjust the quoted price for such instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the year ended 31 December 2010, these adjustments were non-material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2009 and 2010, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

As of 31 December 2009 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	22 930	70 099	5 715		98 744
Debt securities issued by US government and government agencies	22 930	2 482			25 412
Debt securities issued by non-US governments and government agencies		32 727	82		32 809
Corporate debt securities		18 281	2 085		20 366
Residential mortgage-backed securities		3 894	1 302		5 196
Commercial mortgage-backed securities		5 285	199		5 484
Agency securitised products		4 365			4 365
Other asset-backed securities		3 065	2 047		5 112
Equity securities	19 117	858	170		20 145
Equity securities backing unit-linked and with-profit life and health policies	18 495	41			18 536
Equity securities held for proprietary investment purposes	622	817	170		1 609
Derivative financial instruments	582	8 538	3 821	–8 961	3 980
Other assets	25	1	1 321		1 347
Total assets at fair value	42 654	79 496	11 027	–8 961	124 216
Liabilities					
Derivative financial instruments	–458	–7 558	–5 038	6 879	–6 175
Liabilities for life and health policy benefits			–293		–293
Accrued expenses and other liabilities	–594	–1 333			–1 927
Total liabilities at fair value	–1 052	–8 891	–5 331	6 879	–8 395

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

As of 31 December 2010 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	16 043	74 278	1 881		92 202
Debt securities issued by US government and government agencies	16 043	3 041			19 084
Debt securities issued by non-US governments and government agencies		34 438			34 438
Corporate debt securities		21 108	1 748		22 856
Residential mortgage-backed securities		4 210	7		4 217
Commercial mortgage-backed securities		4 427	3		4 430
Agency securitised products		5 011			5 011
Other asset-backed securities		2 043	123		2 166
Equity securities	19 972	812	203		20 987
Equity securities backing unit-linked and with-profit life and health policies	18 495	45			18 540
Equity securities held for proprietary investment purposes	1 477	767	203		2 447
Derivative financial instruments	579	6 850	2 417	–6 560	3 286
Interest rate contracts	389	4 000	839		5 228
Foreign exchange contracts	40	1 098	162		1 300
Derivative equity contracts	142	1 170			1 312
Credit contracts		369	1 214		1 583
Other contracts	8	213	202		423
Other assets	20	–12	1 411		1 419
Total assets at fair value	**36 614**	**81 928**	**5 912**	**–6 560**	**117 894**
Liabilities					
Derivative financial instruments	–577	–5 649	–4 532	5 772	–4 986
Interest rate contracts	–402	–3 579	–825		–4 806
Foreign exchange contracts	–41	–1 103	–72		–1 216
Derivative equity contracts	–123	–531	–56		–710
Credit contracts		–317	–1 007		–1 324
Other contracts	–11	–119	–2 572		–2 702
Liabilities for life and health policy benefits			–271		–271
Accrued expenses and other liabilities	–398	–1 290			–1 688
Total liabilities at fair value	**–975**	**–6 939**	**–4 803**	**5 772**	**–6 945**

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

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

As of 31 December 2009 and 2010, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2009 USD millions	Debt securities issued by non-US governments and government agencies	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Agency securitised products	Other asset-backed securities	Equity securities held for proprietary investment purposes	Derivative financial instruments	Other assets	Total
Assets										
Balance as of 1 January 2009	144	6 084	1 687	458		2 451	207	13 422	1 484	25 937
Realised/unrealised gains/losses:										
Included in net income	–10	290	–206	–23	–7	77	111	–10 673	–200	–10 641
Included in other comprehensive income	–15	293	181	16	–3	189	–25		39	675
Purchases, issuances, and settlements	–35	–1 035	163	–69	23	–885	–188	1 662	8	–356
Transfers in and/or out of level 3	–59	–3 482	–965	–245	–13	497	81	–641	–59	–4 886
Impact of foreign exchange movements	57	–65	442	62		–282	–16	51	49	298
Closing balance as of 31 December 2009	82	2 085	1 302	199	0	2 047	170	3 821	1 321	11 027

	Liabilities for life and health policy benefits	Derivative financial instruments	Total
Liabilities			
Balance as of 1 January 2009	–464	–16 833	–17 297
Realised/unrealised gains/losses:			
Included in net income	172	10 699	10 871
Included in other comprehensive income			
Purchases, issuances, and settlements		237	237
Transfers in and/or out of level 3		877	877
Impact of foreign exchange movements	–1	–18	–19
Closing balance as of 31 December 2009	–293	–5 038	–5 331

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

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

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

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

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

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

USD millions	2009	**2010**
Gains/losses included in net income for the period	194	–36
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	1 676	–825

Other assets measured at net asset value

Other assets measured at net asset value as of 31 December 2009 and 2010, respectively, were as follows:

USD millions	2009 Fair value	**2010** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	492	646	514	non-redeemable	na
Hedge funds	356	332		redeemable[1]	90–120 days[2]
Private equity direct	236	232		non-redeemable	na
Real estate funds	132	168	65	non-redeemable[3]	na
Total	1 216	**1 378**	**579**		

[1] The redemption frequency varies from monthly to up to three years.
[2] Cash distribution can be delayed for up to three years depending on the sale of the underlyings.
[3] One exception is a real estate fund that can be redeemed annually based on a 90-day notice period. This redeemable fund had a fair value of USD 15.1 million as of 31 December 2010.

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

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

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

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

Fair value option

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

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

Fixed income securities trading

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

Equity securities trading

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

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2009 and 2010 were as follows:

USD millions	2009	**2010**
Assets		
Fixed income securities trading	11 562	11 252
of which at fair value pursuant to the fair value option	782	0[1]
Equity securities trading	19 591	19 513
of which at fair value pursuant to the fair value option	492	475
Liabilities		
Liabilities for life and health policy benefits	–39 944	39 551
of which at fair value pursuant to the fair value option	–293	–271

[1] These fixed income securities matured in the second quarter of 2010.

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

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

USD millions	2009	**2010**
Fixed income securities trading	142	–23
Equity securities trading	379	–17
GMDB reserves	171	22
Total	692	**–18**

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

4 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2009 and 2010, the fair values and notional amounts of the derivatives outstanding were as follows:

As of 31 December 2009 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	370 280	4 702	–4 529	173
Foreign exchange contracts	43 398	1 107	–2 155	–1 048
Equity contracts	23 612	2 855	–1 297	1 558
Credit contracts	70 427	2 673	–2 181	492
Other contracts	42 711	1 059	–2 892	–1 833
Total	550 428	12 396	–13 054	–658
Derivatives designated as hedging instruments				
Interest rate contracts	5 071[1]	402		402
Foreign exchange contracts	2 339[1]	143		143
Total	7 410	545	0	545
Total derivative financial instruments	557 838	12 941	–13 054	–113
Amount offset				
Where a right of setoff exists		–6 475	6 475	
Due to cash collateral		–2 486	404	
Total net amount of derivative financial instruments		3 980	–6 175	–2 195

[1] The Group has revised its classification of hedging contracts and, as a result, the notionals of some contracts that were previously classified as foreign exchange contracts are now classified as interest rate contracts.

As of 31 December 2010 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	452 349	4 646	–4 796	–150
Foreign exchange contracts	41 372	1 270	–1 201	69
Equity contracts	13 450	1 312	–710	602
Credit contracts	53 087	1 583	–1 324	259
Other contracts	28 949	423	–2 702	–2 279
Total	**589 207**	**9 234**	**–10 733**	**–1 499**
Derivatives designated as hedging instruments				
Interest rate contracts	4 582	582	–10	572
Foreign exchange contracts	3 012	30	–15	15
Total	**7 594**	**612**	**–25**	**587**
Total derivative financial instruments	**596 801**	**9 846**	**–10 758**	**–912**
Amount offset				
Where a right of setoff exists		–5 437	5 437	
Due to cash collateral		–1 123	335	
Total net amount of derivative financial instruments		**3 286**	**–4 986**	**–1 700**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in other invested assets and the fair value liabilities are included in accrued expenses and other liabilities. The fair value amounts that were not offset were nil as of 31 December 2009 and 2010, respectively.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in net realised investment gains/losses in the income statement. For the years ended 31 December 2009 and 2010, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2009	**2010**
Derivatives not designated as hedging instruments		
Interest rate contracts	–85	–64
Foreign exchange contracts	1	494
Equity contracts	–955	–2
Credit contracts	–2 723	–73
Other contracts	744	–116
Total gain/loss recognised in income	–3 018	**239**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2009 and 2010, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into interest rate and foreign exchange swaps to reduce the exposure to interest rate and foreign exchange volatility for certain of its issued debt positions. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in net realised investment gains/losses in the income statement. For the years ended 31 December 2009 and 2010, the gains and losses attributable to the hedged risks were as follows:

	2009		**2010**	
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	–605	684	183	–147
Foreign exchange contracts	93	–23	–57	116
Total gain/loss recognised in income	–512	661	**126**	**–31**

Hedges of the net investment in foreign operations

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

For the years ended 31 December 2009 and 2010, the Group recorded an accumulated net unrealised foreign currency remeasurement loss of USD 44 million and a gain of USD 171 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss
In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2009 and 2010 was approximately USD 6 466 million and USD 4 409 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, net of cash collateral.

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 3 970 million and USD 1 975 million as of 31 December 2009 and 2010, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 403 million and USD 335 million as of 31 December 2009 and 2010, respectively. In the event of a reduction of the Group's credit rating to below investment grade, additional collateral would need to be posted with a fair value of USD 3 567 million and USD 1 640 million as of 31 December 2009 and 2010, respectively. The total equals the amount needed to settle the instruments immediately as of 31 December 2009 and 2010, respectively.

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

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2009 and 2010, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

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

The Group has purchased protection to manage the performance/payment risks related to credit derivatives. As of 31 December 2009 and 2010, the total purchased credit protection based on notional values was USD 45 462 million and USD 30 304 million, respectively. Thereof USD 14 091 million and USD 12 025 million, respectively, were related to identical underlyings for which the Group sold credit protection. For tranched indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

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

As of 31 December 2009 and 2010, the fair values and maximum potential payout of the written credit derivatives outstanding were as follows:

As of 31 December 2009 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0 – 250	18	7 429	1 836	131	9 396
251 – 500	–33	17		188	205
501 – 1 000	–30	24		90	114
Greater than 1 000	–631	392		838	1 230
No credit spread available		1 033			1 033
Total	–676	8 895	1 836	1 247	11 978
Credit Index Products					
Credit spread in basis points					
0 – 250	–386	3 920	8 080	194	12 194
251 – 500	44	95	138		233
501 – 1 000	–3	422	29		451
Greater than 1 000	–78	109			109
Total	–423	4 546	8 247	194	12 987
Total Return Swaps					
Credit spread in basis points					
No credit spread available	82	5 414	581		5 995
Total	82	5 414	581	0	5 995
Total credit derivatives written/sold	–1 017	18 855	10 664	1 441	30 960

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

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

For the years ended 31 December, the DAC and PVFP were as follows:

2009			DAC	PVFP
USD millions	Non-Life	Life & Health	Total	Total
Opening balance as of 1 January 2009	1 086	2 964	4 050	5 768
Cumulative effect of adoption of FSP SFAS 115-2				5
Cumulative effect of adoption of SFAS 163		–23	–23	
Deferred	1 903	171	2 074	
Effect of acquisitions/disposals and retrocessions				372
Amortisation	–2 153	–287	–2 440	–483
Interest accrued on unamortised PVFP				119
Effect of foreign currency translation	33	200	233	267
Effect of change in unrealised gains/losses				6
Closing balance as of 31 December 2009	869	3 025	3 894	6 054

2010			DAC	PVFP
USD millions	Non-Life	Life & Health	Total	Total
Opening balance as of 1 January 2010	869	3 025	3 894	6 054
Deferred	1 734	313	2 047	
Effect of acquisitions/disposals and retrocessions		–212	–212	–1 154
Amortisation	–1 805	–365	–2 170	–449
Interest accrued on unamortised PVFP				247
Effect of foreign currency translation	–6	18	12	–75
Effect of change in unrealised gains/losses				–58
Closing balance as of 31 December 2010	**792**	**2 779**	**3 571**	**4 565**

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 decrease in PVFP in the current year is primarily due to the impact of the US individual life retrocession agreement announced in the first quarter of 2010.

The percentage of PVFP which is expected to be amortised in each of the next five years is 8%, 7%, 8%, 7% and 7%.

6 Debt

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

As of 1 January 2010, the Group adopted ASU No.2009-17 relating to consolidation of variable interest entities. For more information on the transition impact on debt, please refer to Note 16.

The Group's debt as of 31 December 2009 and 2010 was as follows:

USD millions	2009	**2010**
Senior financial debt		33
Senior financial debt – convertible perpetual capital instrument[1]		3 966
Senior operational debt	8 024	5 018
Subordinated financial debt	81	1 781
Short-term debt – financial and operational debt	8 105	**10 798**
Senior financial debt	1 487	2 590
Senior operational debt	7 005	6 976
Subordinated financial debt	5 370	3 634
Subordinated operational debt	5 322	5 227
Long-term debt – financial and operational debt	19 184	**18 427**
Total carrying value	27 289	**29 225**
Total fair value	25 391	**28 017**

[1] The CPCI was reclassified from equity to short-term debt upon termination in the fourth quarter of 2010. Please refer to Note 9 Earnings per share for details on the accounting for the CPCI.

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2009 and 2010, debt related to operational leverage and financial intermediation amounted to USD 20.4 billion (thereof USD 6.0 billion limited recourse) and USD 17.2 billion (thereof USD 7.5 billion limited recourse), respectively.

Maturity of long-term debt

As of 31 December 2009 and 2010, long-term debt as reported above had the following maturities:

USD millions	2009	**2010**
Due in 2011	2 064	0[1]
Due in 2012	1 623	2 310
Due in 2013	1 565	1 621
Due in 2014	1 656	1 773
Due in 2015	150	697
Due after 2015	12 126	12 026
Total carrying value	19 184	**18 427**

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

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2012	EMTN	2009	EUR	1 000	6.00%	1 354
2012	EMTN	2010	CHF	250	3M Libor +45bps	268
2013	EMTN	2009	CHF	700	4.25%	765
2013	EMTN	2009	USD	750	4.13%	778
2014	EMTN	2009	EUR	600	7.00%	822
2014	EMTN	2009	CHF	500	3.25%	552
2014	EMTN	2009	CHF	50	2.94%	54
2014	EMTN	2010	CHF	250	1.75%	267
2015	EMTN	2001	CHF	150	4.00%	162
2015	EMTN	2010	CHF	500	2.00%	532
2016	Credit-linked note	2007	USD	382	1M Libor	347
2019	Senior note[1]	1999	USD	400	6.45%	480
2026	Senior note[1]	1996	USD	600	7.00%	766
2030	Senior note[1]	2000	USD	350	7.75%	487
Various	Payment undertaking agreements	various	USD	1 025	various	1 248
Various	Insurance-linked placements[2]	various	USD	366	various	373
Various	Insurance-linked placements[2]	various	EUR	227	various	311
Total senior debt as of 31 December 2010						**9 566**
Total senior debt as of 31 December 2009						8 492

[1] Assumed in the acquisition of Insurance Solutions.
[2] These instruments were consolidated as of 1 January 2010 under ASU No.2009-17 relating to the consolidation of variable interest entities. For more information, refer to Note 16.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate...	...first call in	Book value in USD millions
2047	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 481	4.90%		2 319
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 858	4.77%		2 908
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 336
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	752
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	780
	2 subordinated perpetual loan notes	2007	AUD	750	various	2017	766
Total subordinated debt as of 31 December 2010							**8 861**
Total subordinated debt as of 31 December 2009							10 692

Interest expense on long-term debt

Interest expense on long-term debt for the periods ended 31 December 2009 and 2010 was as follows:

USD millions	2009	**2010**
Senior financial debt	46	75
Senior operational debt	272	349
Subordinated financial debt	272	266
Subordinated operational debt	253	248
Total	843	**938**

Long-term debt issued in 2010

In June 2010, the Group issued CHF 500 million under the EMTN programme with a five-year maturity and a coupon of 2% and CHF 250 million, due in 2012, bearing interest of three-month CHF Libor plus 45 basis points.

In July 2010, the Group issued CHF 250 million under the EMTN programme, with a four-year maturity and a coupon of 1.75%.

Additional funding resources

As additional resources to meet funding requirements, the Group has 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:

USD millions	2009	**2010**
Non-life	57 015	53 345
Life & Health	11 397	11 345
Total	68 412	**64 690**

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

USD millions	2009	**2010**
Balance as of 1 January	59 005	57 015
Reinsurance recoverable	–4 417	–6 307
Deferred expense on retroactive reinsurance	–508	–455
Net	54 080	**50 253**
Incurred related to:[1]		
Current year	7 937	7 255
Prior year	128	–240
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	59	66
Total incurred	8 124	**7 081**
Paid related to:		
Current year	–1 426	–1 202
Prior year	–10 250	–8 501
Total paid	–11 676	**–9 703**
Foreign exchange	1 802	–562
Effect of acquisitions, disposals, new retroactive reinsurance and other items	–2 077	158
Net	50 253	47 227
Reinsurance recoverable	6 307	5 717
Deferred expense on retroactive reinsurance	455	401
Balance as of 31 December	57 015	**53 345**

[1] The Group has updated the allocation of claims incurred between current and prior year for 2010 compared to the information published in the financial review on 17 February 2011. Please refer to the section "Financial Review" in Note 1 "Organisation and summary of significant accounting policies" on page 124 for further information.

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, however, the Group cannot exclude the need to make further additions to these provisions in the future.

At the end of 2010, the Group carried net reserves for US asbestos, environmental and other long-latent health hazards equal to USD 2 226 million. During 2010, the Group incurred net losses of USD 1 million and paid net against these liabilities USD 27 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 incurred development on prior years includes the impact of the adverse development cover (ADC) entered into with Berkshire Hathaway, covering non-life claims reserves for accident years 2008 and prior, with limited exceptions. The net prior-year development after the ADC cover was influenced by the reserves release below the ADC minimum commutation value, some adverse development on accident year 2009, and a release from the provisions for future claims expenses.

8 Reinsurance information

For the years ended 31 December

Premiums written, premiums earned and fees assessed against policyholders

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	**2010** Total
Premiums written						
Direct	1 837	1 404	3 241	1 760	1 222	2 982
Assumed	13 775	9 242	23 017	12 023	9 751	21 774
Ceded	–3 729	–772	–4 501	–3 114	–2 209	–5 323
Total premiums written	11 883	9 874	21 757	**10 669**	**8 764**	**19 433**
Premiums earned						
Direct	1 892	1 406	3 298	1 721	1 220	2 941
Assumed	14 728	9 212	23 940	12 157	9 752	21 909
Ceded	–3 813	–761	–4 574	–2 985	–2 213	–5 198
Total premiums earned	12 807	9 857	22 664	**10 893**	**8 759**	**19 652**
Fee income from policyholders						
Direct		675	675		682	682
Assumed		252	252		254	254
Ceded		–80	–80		–18	–18
Total fee income from policyholders		847	847		**918**	**918**

Claims and claim adjustment expenses

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	**2010** Total
Claims paid						
Gross	–13 627	–11 166	–24 793	–11 460	–10 475	–21 935
Retro	1 951	954	2 905	1 757	1 831	3 588
Net	–11 676	–10 212	–21 888	–9 703	–8 644	–18 347
Change in unpaid claims and claim adjustment expenses; life and health benefits						
Gross	3 678	1 806	5 484	3 285	–79	3 206
Retro	–338	–233	–571	–836	487	–349
Net	3 340	1 573	4 913	2 449	408	2 857
Claims and claim adjustment expenses; life and health benefits	–8 336	–8 639	–16 975	**–7 254**	**–8 236**	**–15 490**

Acquisition costs

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	**2010** Total
Acquisition costs						
Acquisition costs, gross	–3 234	–2 433	–5 667	–2 739	–2 155	–4 894
Acquisition costs, retro	1 031	141	1 172	886	329	1 215
Acquisition costs, net	–2 203	–2 292	–4 495	**–1 853**	**–1 826**	**–3 679**

Reinsurance assets and liabilities

USD millions	Non-Life	Life & Health	2009 Total	Non-Life	Life & Health	**2010** Total
Assets						
Reinsurance recoverable	6 307	4 944	11 251	5 717	6 920	12 637
Deferred acquisition costs	869	3 025	3 894	793	2 778	3 571
Liabilities						
Unpaid claims and claim adjustment expenses	57 015	11 397	68 412	53 345	11 345	64 690
Life and health policy benefits		39 944	39 944		39 551	39 551
Policyholder account balances		36 692	36 692		36 478	36 478

Premium receivables invoiced were USD 1 598 million as of 31 December 2010. The recognised allowance for these receivables was USD 37 million. Claims receivables invoiced from ceded reinsurance business were USD 614 million as of 31 December 2010. The recognised allowance for these receivables was USD 77 million. Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables were USD 568 million. No allowance has been recognised related to those contracts.

Sales inducements are offered to contract holders of certain universal life and annuity products. The amounts deferred equal the sum of persistency bonuses credited to the account value plus the non-interest related increase in the persistency bonus liability. These costs are amortised in constant proportion to estimated gross profits over the life of the contract, using the credited interest rates as the discount rate. The unamortised balance of sales inducements as of 1 January 2009 and 2010 was USD 901 million and USD 1 035 million, respectively. In the course of 2009 and 2010, USD 272 million and USD 234 million, respectively, of sales inducements were deferred and USD 245 million and USD 219 million, respectively, were amortised. The unamortised balance of sales inducements as of 31 December 2009 and 2010 was USD 1 035 million and USD 1 019 million, respectively.

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits was 7% in 2009 and 2010. The amount of policyholder dividend expenses in 2009 and 2010 was USD 105 million and USD 110 million, respectively.

9 Earnings per share

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

Dividends are declared in Swiss francs. For the years ended 31 December 2009 and 2010, the Group´s dividends per share were CHF 0.10 and CHF 1.00, respectively.

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

USD millions (except share data)	2009	**2010**
Basic earnings per share		
Net income	699	**2 134**
Non-controlling interests		**–154**
Interest on convertible perpetual capital instrument	–203	**–1 117**
Net income attributable to common shareholders	496	**863**
Weighted average common shares outstanding	339 543 341	**342 524 717**
Net income per share in USD	1.46	**2.52**
Net income per share in CHF[1]	1.49	**2.64**
Effect of dilutive securities		
Change in income available to common shares due to convertible bonds		**229**
Change in average number of shares due to convertible bonds and employee options	2 846 457	**106 778 101**
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	496	**1 092**
Weighted average common shares outstanding	342 389 798	**449 302 818**
Net income per share in USD	1.45	**2.43**
Net income per share in CHF[1]	1.48	**2.54**

[1] The translation from USD to CHF is shown for informational purposes only and has been calculated at the Group´s average exchange rates for the years ended 31 December 2009 and 2010, respectively.

In March 2009, Swiss Re Zurich issued to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc, a convertible perpetual capital instrument. The instrument has an aggregate face value of CHF 3 000 000 000, with a fixed coupon at a rate of 12% per annum. The coupon could be settled in cash or shares/warrants in lieu of cash at the option of Swiss Re.

As announced on 4 November 2010, the convertible perpetual capital instrument was terminated in the fourth quarter of 2010. The final cash settlement was made in January 2011. As a result, an amount of USD 2 670 million was reclassified from shareholders' equity to short-term debt due in January 2011.

The impact of early termination in earnings is recognised net of tax in the "Convertible perpetual capital instrument" line. This includes the 20% premium due on redemption under the original contract of USD 613 million and a foreign exchange loss of USD 393 million. The interest on the convertible perpetual capital instrument before 4 November 2010 amounts to USD 290 million for the period between 1 January 2010 and 3 November 2010. An income tax benefit of USD 179 million is recognised in the same line.

Interest expenses of USD 113 million related to the period between 4 November 2010 and 31 December 2010 is recognised gross of tax in the "Interest expenses" line. An additional foreign exchange loss of USD 198 million related to the same period is recognised gross of tax in "Net realised investment gains/losses".

The effect of the potential instrument conversion up until 4 November 2010, which totalled 101 000 000 shares, was included in the diluted earnings per share calculation.

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:

USD millions	2009	**2010**
Current taxes	659	696
Deferred taxes	–438	–155
Income tax expense	221	**541**

Tax rate reconciliation

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

USD millions	2009	**2010**
Income tax at the Swiss statutory tax rate of 21.0%	191	562
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	–110	39
Impact of foreign exchange movements	–17	65
Disallowed expenses	10	2
Tax exempt income/dividends received deduction	–45	–47
Change in valuation allowance	67	68
Basis differences in subsidiaries	37	0
Change in statutory tax rates	19	14
Change in liability for unrecognised tax benefits including interest and penalties	115	–50
Life tax adjustments	–6	14
Other, net	–40	–126
Total	221	**541**

Deferred and other non-current taxes

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

USD millions	2009	**2010**
Deferred tax assets		
Income accrued/deferred	666	606
Technical provisions	919	785
Unrealised losses on investments	475	63
Pension provisions	236	243
Benefit on loss carryforwards	3 989	4 222
Currency translation adjustments	519	483
Other	1 466	1 004
Gross deferred tax asset	8 270	7 406
Valuation allowance	–1 603	–1 602
Total	6 667	**5 804**
Deferred tax liabilities		
Present value of future profits	–1 522	–1 059
Income accrued/deferred	–622	–591
Bond amortisation	–224	–184
Deferred acquisition costs	–628	–538
Technical provisions	–1 636	–1 642
Unrealised gains on investments	–93	–529
Untaxed realised gains	–448	–336
Foreign exchange provisions	–517	–416
DFI losses	–128	–99
Other	–563	–930
Total	–6 381	**–6 324**
Deferred income taxes	286	**–520**
Liability for unrecognised tax benefits including interest and penalties	–1 214	**–1 196**
Deferred and other non-current taxes	–928	**–1 716**

As of 31 December 2010, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 2 200 million. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2010, the Group had USD 13 013 million net operating tax loss carryforwards, expiring as follows: USD 42 million in 2011, USD 9 million in 2012, USD 0 million in 2013, USD 7 605 million in 2014 and beyond and USD 5 357 million never expire. The Group also had capital loss carryforwards of USD 485 million, expiring as follows: USD 0 million in 2011, USD 0 million in 2012, USD 177 million in 2013, USD 202 million in 2014 and beyond and USD 106 million never expire. Net operating tax losses of USD 438 million were utilised or expired during the period ended 31 December 2010.

Income taxes paid in 2010 and 2009 were USD 476 million and USD 707 million, respectively.

Unrecognised tax benefits

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

USD millions	2009	**2010**
Balance as of 1 January	1 323	1 138
Additions based on tax positions of current year	–21	69
Additions for tax positions of prior years	99	–126
Reductions for tax positions of prior years	–262	46
Settlements	–1	–147
Balance as of 31 December	1 138	**980**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 961 million and USD 630 million at 31 December 2009 and 31 December 2010, respectively. The movement between the opening and closing balance in 2010 includes a significant amount which did not impact the 2010 effective tax rate, due to an equal write-off of certain loss carryforwards previously recorded net of the unrecognised tax benefit.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such benefit for the period ending 31 December 2010 was USD 21 million (USD 23 million for the period ending 31 December 2009). As of 31 December 2009 and 31 December 2010, USD 237 million and USD 216 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2010 is included within the deferred and other non-current taxes section reflected above and in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2010 presented in the table above is less than the liability for unrecognised tax benefits reflected in the deferred and other non-current taxes section due to the removal of interest expense (USD 216 million).

During the year, certain tax positions and audits in Switzerland, the United Kingdom and the United States were effectively settled.

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

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

Switzerland	2005 – 2010
Germany	1997 – 2010
United States	2005 – 2010
United Kingdom	2005 – 2010
Canada	2003 – 2010
Mexico	2007 – 2010
Malaysia	1996 – 2010
India	2004 – 2010

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.

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

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

2009 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	2 656	1 543	305	4 504
Service cost	92	40	8	140
Interest cost	85	92	14	191
Amendments			–1	–1
Actuarial gains/losses	–20	253	–13	220
Benefits paid	–201	–64	–13	–278
Employee contribution	19	1		20
Acquisitions/disposals/additions		1		1
Effect of curtailment and termination benefits	–18	–63	–2	–83
Effect of foreign currency translation	75	112	7	194
Benefit obligation as of 31 December	2 688	1 915	305	4 908
Fair value of plan assets as of 1 January	2 514	1 280		3 794
Actual return on plan assets	236	220		456
Company contribution	70	126	13	209
Benefits paid	–201	–64	–13	–278
Employee contribution	19	1		20
Acquisitions/disposals/additions	4	–1		3
Effect of foreign currency translation	81	108		189
Fair value of plan assets as of 31 December	2 723	1 670	0	4 393
Funded status	35	–245	–305	–515

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	2 688	1 915	305	4 908
Service cost	82	12	6	100
Interest cost	84	101	13	198
Amendments			–7	–7
Actuarial gains/losses	157	–18	12	151
Benefits paid	–149	–61	–13	–223
Employee contribution	20			20
Acquisitions/disposals/additions		1	–3	–2
Effect of curtailment and termination benefits	3	–4		–1
Effect of foreign currency translation	317	–44	17	290
Benefit obligation as of 31 December	**3 202**	**1 902**	**330**	**5 434**
Fair value of plan assets as of 1 January	2 723	1 670		4 393
Actual return on plan assets	128	149		277
Company contribution	73	58	15	146
Benefits paid	–149	–61	–14	–224
Employee contribution	20			20
Acquisitions/disposals/additions	3		–1	2
Effect of foreign currency translation	306	–38		268
Fair value of plan assets as of 31 December	**3 104**	**1 778**	**0**	**4 882**
Funded status	**–98**	**–124**	**–330**	**–552**

Amounts recognised in the balance sheet, as of 31 December 2009 and 2010, respectively, were as follows:

2009 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets	35	99		134
Current liabilities			–15	–15
Non-current liabilities		–344	–290	–634
Net amount recognised	35	–245	–305	–515

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		96		96
Current liabilities		–1	–15	–16
Non-current liabilities	–98	–219	–315	–632
Net amount recognised	**–98**	**–124**	**–330**	**–552**

Amounts recognised in accumulated other comprehensive income, gross of tax, in 2009 and 2010, respectively, were as follows:

2009 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	526	312	–165	673
Prior service cost/credit	50		–126	–76
Total	576	312	–291	597

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	671	224	–143	752
Prior service cost/credit	44		–122	–78
Total	**715**	**224**	**–265**	**674**

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December 2009 and 2010, respectively, were as follows:

2009 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	92	40	8	140
Interest cost	85	92	14	191
Expected return on assets	–137	–101		–238
Amortisation of:				
Net gain/loss	9	7	–12	4
Prior service cost	7		–13	–6
Effect of settlement, curtailment and termination	8	–1	–11	–4
Net periodic benefit cost	64	37	–14	87

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	82	12	6	100
Interest cost	84	101	13	198
Expected return on assets	–126	–106		–232
Amortisation of:				
Net gain/loss	10	16	–11	15
Prior service cost	6		–11	–5
Effect of settlement, curtailment and termination	3	–1	–1	1
Net periodic benefit cost	**59**	**22**	**–4**	**77**

Other changes in plan assets and benefit obligations recognised in other comprehensive income were as follows:

2009 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	–119	134	–13	2
Prior service cost/credit			–1	–1
Amortisation of:				
Net gain/loss	–31	–68	11	–88
Prior service cost	–10	–1	21	10
Exchange rate gain/loss recognised during the year	37	–9	–3	25
Total recognised in other comprehensive income, gross of tax	–123	56	15	–52
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	–59	93	1	35

2010 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	155	–61	11	105
Prior service cost/credit			–7	–7
Amortisation of:				
Net gain/loss	–10	–19	11	–18
Prior service cost	–6		11	5
Exchange rate gain/loss recognised during the year		–8		–8
Total recognised in other comprehensive income, gross of tax	**139**	**–88**	**26**	**77**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**198**	**–66**	**22**	**154**

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2011 are USD 55 million and USD 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 in 2011 is USD 11 million and USD 12 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 4 481 million and USD 5 035 million as of 31 December 2009 and 2010, respectively.

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

USD millions	2009	**2010**
Projected benefit obligation	1 430	4 607
Accumulated benefit obligation	1 364	4 562
Fair value of plan assets	1 085	4 290

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2009	**2010**	2009	**2010**	2009	**2010**
Assumptions used to determine obligations at the end of the year						
Discount rate	3.3%	2.8%	5.6%	5.4%	4.5%	4.0%
Rate of compensation increase	2.3%	2.3%	3.5%	2.5%	4.1%	4.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	3.3%	3.3%	5.9%	5.6%	4.6%	4.5%
Expected long-term return on plan assets	5.0%	4.5%	6.3%	6.4%		
Rate of compensation increase	2.3%	2.3%	3.3%	3.5%	4.1%	4.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.9%	6.5%
Medical trend – ultimate rate					4.8%	4.7%
Year that the rate reaches the ultimate trend rate					2015	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 healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2010:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	–1
Effect on post-retirement benefit obligation	30	–25

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 2009 and 2010, is as follows:

	Swiss plan allocation			Foreign plans allocation		
	2009	**2010**	**Target allocation**	2009	**2010**	**Target allocation**
Asset category						
Equity securities	23%	30%	31%	46%	40%	40%
Debt securities	53%	41%	45%	48%	54%	54%
Real estate	18%	18%	17%	2%	2%	3%
Other	6%	11%	7%	4%	4%	3%
Total	100%	**100%**	**100%**	100%	**100%**	**100%**

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

Equity securities include Swiss Re common stock of USD 4 million (0.1% of total plan assets) and USD 4 million (0.1% of total plan assets) as of 31 December 2009 and 2010, respectively.

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

Assets measured at fair value
For a description of the different fair value levels and valuation techniques see Note 3 Fair value disclosures.

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

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

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

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

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

2009 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:	5	2 243		2 248
Debt securities issued by the US government and government agencies	5	21		26
Debt securities issued by non-US governments and government agencies		1 006		1 006
Corporate debt securities		1 022		1 022
Residential mortgage-backed securities		155		155
Commercial mortgage-backed securities		8		8
Other asset-backed securities		31		31
Equity securities:				
Equity securities held for proprietary investment purposes	783	592		1 375
Derivative financial instruments				0
Real estate	22	40	465	527
Other assets	2	50	95	147
Total assets at fair value	812	2 925	560	4 297
Cash	96			96
Total plan assets	908	2 925	560	4 393

2010 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 204		2 204
Debt securities issued by the US government and government agencies		27		27
Debt securities issued by non-US governments and government agencies		996		996
Corporate debt securities		1 046		1 046
Residential mortgage-backed securities		113		113
Commercial mortgage-backed securities		7		7
Other asset-backed securities		15		15
Equity securities:				
Equity securities held for proprietary investment purposes	1 042	612		1 654
Derivative financial instruments	57			57
Real estate	28	38	539	605
Other assets	2	49	113	164
Total assets at fair value	**1 129**	**2 903**	**652**	**4 684**
Cash	198			198
Total plan assets	**1 327**	**2 903**	**652**	**4 882**

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

2009 USD millions	Real estate	Other assets	Total
Balance as of 1 January	431	106	537
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	1	–26	–25
Relating to assets sold during the period			0
Purchases, issuances and settlements			0
Transfers in and/or out of Level 3	19	14	33
Impact of foreign exchange movements	14	1	15
Closing balance as of 31 December	465	95	560

2010 USD millions	Real estate	Other assets	Total
Balance as of 1 January	465	95	560
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	16	8	24
Relating to assets sold during the period			0
Purchases, issuances and settlements			0
Transfers in and/or out of Level 3	5	12	17
Impact of foreign exchange movements	53	–2	51
Closing balance as of 31 December	**539**	**113**	**652**

Expected contributions and estimated future benefit payments
The employer contributions expected to be made in 2011 to the defined benefit pension plans are USD 128 million and to the post-retirement benefit plan are USD 15 million.

As of 31 December 2010, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2011	141	64	15	220
2012	145	67	16	228
2013	144	70	16	230
2014	150	73	17	240
2015	154	76	18	248
Years 2016 – 2020	795	438	102	1335

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 2009 and in 2010 was USD 39 million and USD 39 million, respectively.

12 Share-based payments

As of 31 December 2009 and 2010, the Group had the share-based compensation plans described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 104 million and USD 129 million in 2009 and 2010, respectively. The related tax benefit was USD 28 million and USD 34 million, respectively.

Stock option plans
Stock option plans include a fixed-option plan and an additional grant to certain members of executive management. No options were granted under these plans from 2007 onwards.

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

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

2010	Weighted average exercise price in CHF	Number of shares
Outstanding as of 1 January	117	6 320 914
Options sold	87	–163 450
Options forfeited or expired	129	–902 420
Outstanding as of 31 December	**116**	**5 255 044**
Exercisable as of 31 December	116	5 255 044

The following table summarises the status of stock options outstanding as of 31 December 2010:

Range of exercise prices in CHF	Number of options	Weighted average remaining contractual life in years	Weighted average exercise price in CHF
67–99	3 014 102	5.0	82
100–187	2 240 942	2.6	162
67–187	**5 255 044**	**4.0**	**116**

All stock options outstanding are also exercisable and the status of these exercisable options is reflected in the table above.

The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model.

Restricted shares
The Group issued 153 109 and 3 727 restricted shares to selected employees in 2009 and 2010, respectively. Moreover, as an alternative to the Group's cash bonus programme, 400 663 and 234 560 shares were issued during 2009 and 2010, respectively.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans as of 31 December 2010 were:

	Number of shares	Weighted average grant date fair value in CHF
Non-vested at 1 January [1]	1 447 190	57
Granted	247 078	48
Delivery of restricted shares	–384 424	25
Forfeited	–5 931	55
Outstanding as of 31 December	**1 303 913**	**65**

[1] The number of shares unvested as of 1 January 2010 was revised to include incentive shares vesting over a four-year period in certain jurisdictions.

The weighted average fair value of restricted shares, which equals the market price of the shares on the date of the grant, was CHF 57 and CHF 65 in 2009 and 2010, respectively.

Performance share plan
In 2009, the Group introduced a new share plan for the Chairman and Vice Chairman of the Board of Directors. The plan has a requisite service period of three years and is settled in shares. The plan is measured based on Swiss Re's Total Shareholder Return (TSR), representing the share price performance plus paid dividend in any performance period, against a selected peer group. The final number of shares to be released upon vesting can vary between 0% and 150% of the original grant. The fair value of the 2009 and 2010 plans was based on the share price as of the date of grant, which was CHF 36.00 and CHF 53.60, respectively. 111 111 and 83 957 units were issued under these plans in 2009 and 2010, respectively.

Long-term Incentive plan
The Group annually grants a Long-term Incentive plan (LTI) to selected employees with a three-year vesting period. The requisite service period as well as the maximum contractual term for each plan is three years and the final payment, if any, occurs at the end of this performance measurement period. The plan includes a payout factor which is derived from Return on Equity (ROE) and Earnings per Share (EPS) targets over the vesting period. The payout ratio can vary between 0 and 2 and the final payment for each plan will depend on whether the performance targets have been achieved over the plan period. Each of the plan grants that were outstanding during 2010 are described below.

The LTI grants from 2007 and 2008 were expected to be settled in cash. The payout factors were driven by average ROE and EPS compound annual growth over the vesting period. The LTI grant from 2007 vested in March 2010 and there was no payout as the plan performance targets were not achieved. As of 31 December 2010, the LTI plan granted in 2008 is also expected to expire without value.

The LTI plan granted in 2009 is expected to be settled in shares. The payout factor is driven by average ROE and EPS compound annual growth over the vesting period. At grant, the plan was expected to be settled in cash; however, the Group subsequently changed its intention to settle in shares. As a result, the share price used for measurement was CHF 42.40 which was set as of the date the share settlement decision was made in November 2009.

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

In 2010, the Group changed the valuation methodology of the payout factor to a stochastic model which considers the likelihood of achieving the performance targets and the impact of dividends. This valuation approach has been applied to all unvested plans as of 31 December 2010 which did not result in a significant change to the prior period valuations.

Value alignment incentive
In 2009, the Group issued a compensation plan to selected employees. The plan has a requisite service period of three years and is paid out in cash. The payout is based on a three-year risk free interest rate, the Swiss Re share price performance and dividend yield over the vesting period. The grant price was based on the closing share price as of 19 February 2009 of CHF 16.74. A total of 337 427 units were granted in 2009, and as of 31 December 2010 140 570 units were outstanding.

Stock appreciation rights
In 2006, the Group issued 3 million stock appreciation rights (SAR) as an extraordinary grant following the Insurance Solutions acquisition. The plan will be settled in cash. The requisite service period is two years, while the maximum contractual term is five years. The plan vested in 2008; however, holders of the award are still able to exercise their rights until the maximum contractual period expires. The fair value of the appreciation rights are estimated at date of grant using a binomial option-pricing model and is revised at every balance sheet date until exercise.

Unrecognised compensation costs
As of 31 December 2010, the total unrecognised compensation cost (net of expected forfeitures) related to non-vested, share-based compensation awards was USD 84 million and the weighted average period over which that cost is expected to be recognised was 1.2 years.

The number of shares authorised for the Group's share-based payments to employees was 10 052 510 and 12 619 829 as of 31 December 2009 and 2010, respectively.

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

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

In 2009 and 2010, 8 703 959 and 656 569 options, respectively, were issued to employees and the Group contributed USD 58 million and USD 67 million, respectively, to the plan.

13 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Company Law in respect of management compensation to the members of the Board of Directors and of the Executive Committee of the Group, as well as to closely related persons, are detailed on pages 207–212 of the Annual Report of Swiss Reinsurance Company Ltd.

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 2010	USD millions
2011	71
2012	62
2013	55
2014	53
2015	53
After 2015	425
Total operating lease commitments	**719**
Less minimum non-cancellable sublease rentals	–82
Total net future minimum lease commitments	**637**

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

USD millions	2009	**2010**
Minimum rentals	74	52
Sublease rental income	–4	–3
Total	70	**49**

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 in general for periods of up to 10 years. The total commitments remaining uncalled as of 31 December 2010 were USD 1 617 million.

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

Legal proceedings
In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these 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.

Federal securities class action lawsuit
In 2009, Plumbers' Union Local No. 12 Pension Fund, a Swiss Re shareholder, filed a federal securities law class action against Swiss Re, Swiss Re's former Chief Executive Officer and Swiss Re's Chief Financial Officer arising out of Swiss Re's announcement in November 2007 that it would report a USD 1 billion mark-to-market loss on two credit default swaps. By order dated 1 October 2010, all claims against Swiss Re and the individual defendants in that action were dismissed with prejudice. Plaintiff's deadline to file an appeal has lapsed.

15 Information on business segments

The Group provides reinsurance, insurance and capital market solutions for clients that complement its re/insurance offering throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating result of the Group.

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

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

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

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

The Legacy business segment encompasses non-core activities, which have been in run-off since November 2007 and are managed separately from the Asset Management division. Legacy includes Financial Guarantee Re business, and assets in the Group's former trading book, including credit correlation, collateralised fund obligations and other non-core activities.

Group items include certain costs of Corporate Centre functions not allocated to the business segments, certain foreign exchange items, interest expenses on operating and financial debt and other items not considered for the performance of the operating segments.

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

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

The accounting policies of the business segments are in line with those described in the summary of significant accounting policies. Please refer to Note 1.

a) Business segment results

For the years ended 31 December

2009 USD millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	12 769	9 857		38			22 664
Fee income from policyholders		847					847
Net investment income/loss	2 257	3 171	4 270	409	291	–3 999	6 399
Net realised investment gains/losses	22	3 121	–717	39	–1 590		875
Other revenues	34		71	8	65		178
Total revenues	15 082	16 996	3 624	494	–1 234	–3 999	30 963
Expenses							
Claims and claim adjustment expenses; life and health benefits	–7 970	–8 639		–366			–16 975
Return credited to policyholders		–4 597					–4 597
Acquisition costs	–2 203	–2 292					–4 495
Other expenses	–1 396	–781			–736	–52	–2 965
Interest expenses					–1 011		–1 011
Total expenses	–11 569	–16 309	0	–366	–1 747	–52	–30 043
Operating income/loss	3 513	687	3 624	128	–2 981	–4 051	920

2010 USD millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	10 871	8 759		22			19 652
Fee income from policyholders		918					918
Net investment income/loss	1 738	3 052	3 639	203	116	–3 326	5 422
Net realised investment gains/losses	110	2 331	808	–191	–275		2 783
Other revenues			25		35		60
Total revenues	**12 719**	**15 060**	**4 472**	**34**	**–124**	**–3 326**	**28 835**
Expenses							
Claims and claim adjustment expenses; life and health benefits	–7 200	–8 236		–54			–15 490
Return credited to policyholders		–3 371					–3 371
Acquisition costs	–1 859	–1 826		6			–3 679
Other expenses	–1 184	–817			–525		–2 526
Interest expenses					–1 094		–1 094
Total expenses	**–10 243**	**–14 250**	**0**	**–48**	**–1 619**	**0**	**–26 160**
Operating income/loss	**2 476**	**810**	**4 472**	**–14**	**–1 743**	**–3 326**	**2 675**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the years ended 31 December of 2009 and 2010 as follows:

USD millions, for the year ended 31 December 2009	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	2 035	2 016	–52	–3 999

USD millions, for the year ended 31 December 2010	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1 588	1 738	0	–3 326

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

For the years ended 31 December

2009 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	4 913	4 120	3 220	12 253	516	12 769
Net investment income	192	1 464	309	1 965	292	2 257
Net realised investment gains/losses	39	32		71	–49	22
Other revenues					34	34
Total revenues	5 144	5 616	3 529	14 289	793	15 082
Expenses						
Claims and claim adjustment expenses	–2 318	–3 087	–1 990	–7 395	–575	–7 970
Acquisition costs	–741	–704	–685	–2 130	–73	–2 203
Other expenses	–371	–622	–281	–1 274	–122	–1 396
Total expenses	–3 430	–4 413	–2 956	–10 799	–770	–11 569
Operating income	1 714	1 203	573	3 490	23	3 513
Claims ratio in %	47.4	74.8	62.1	60.5		
Expense ratio in %	22.7	32.0	30.0	27.8		
Combined ratio in %	70.1	106.8	92.1	88.3		

2010 USD millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	4 575	3 292	2 621	10 488	383	10 871
Net investment income	115	1 202	266	1 583	155	1 738
Net realised investment gains/losses	–80		103	23	87	110
Other revenues	–2			–2	2	0
Total revenues	**4 608**	**4 494**	**2 990**	**12 092**	**627**	**12 719**
Expenses						
Claims and claim adjustment expenses	–2 904	–2 692	–1 346	–6 942	–258	–7 200
Acquisition costs	–571	–655	–551	–1 777	–82	–1 859
Other expenses	–489	–424	–220	–1 133	–51	–1 184
Total expenses	**–3 964**	**–3 771**	**–2 117**	**–9 852**	**–391**	**–10 243**
Operating income	**644**	**723**	**873**	**2 240**	**236**	**2 476**
Claims ratio in %	63.4	81.8	51.4	66.2		
Expense ratio in %	23.2	32.8	29.4	27.7		
Combined ratio in %	86.6	114.6	80.8	93.9		

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

For the years ended 31 December

2009 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	7 048	1 971	838	9 857
Fee income from policyholders	61		786	847
Net investment income	727	366	2 078	3 171
Net realised investment gains/losses	–78	192	3 007	3 121
Other revenues				
Total revenues	7 758	2 529	6 709	16 996
Expenses				
Claims and claim adjustment expenses; life and health benefits	–5 297	–1 185	–2 157	–8 639
Return credited to policyholders	–496		–4 101	–4 597
Acquisition costs	–1 581	–421	–290	–2 292
Other expenses	–348	–139	–294	–781
Total expenses	–7 722	–1 745	–6 842	–16 309
Operating income/loss	36	784	–133	687
Net investment income – unit-linked	27		522	549
Net investment income – with-profit business			152	152
Net investment income – non-participating	700	366	1 404	2 470
Net realised investment gains/losses – unit-linked	446		2 886	3 332
Net realised investment gains/losses – with-profit business			289	289
Net realised investment gains/losses – non-participating	–524	192	–168	–500
Operating revenues[1]	7 809	2 337	3 028	13 174
Management expense ratio in %	4.5	5.9	9.7	5.9
Benefit ratio[2] in %				83.8

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders. Operating revenues also exclude net realised investment gains/losses from non-participating business.

[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business. The benefit ratio was refined in 2010 to exclude the impact of guaranteed minimum death benefit (GMDB) products, as this ratio is not indicative of the operating performance of such products. The comparative for the 2009 benefit ratio has been adjusted accordingly.

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

2010 USD millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	5 869	2 110	780	8 759
Fee income from policyholders	64		854	918
Net investment income	668	303	2 081	3 052
Net realised investment gains/losses	97	–3	2 237	2 331
Other revenues				
Total revenues	**6 698**	**2 410**	**5 952**	**15 060**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–4 492	–1 543	–2 201	–8 236
Return credited to policyholders	–69		–3 302	–3 371
Acquisition costs	–1 244	–355	–227	–1 826
Other expenses	–377	–149	–291	–817
Total expenses	**–6 182**	**–2 047**	**–6 021**	**–14 250**
Operating income/loss	**516**	**363**	**–69**	**810**
Net investment income – unit-linked	36		557	593
Net investment income – with-profit business			145	145
Net investment income – non-participating	632	303	1 379	2 314
Net realised investment gains/losses – unit-linked	–23		2 057	2 034
Net realised investment gains/losses – with-profit business			196	196
Net realised investment gains/losses – non-participating	120	–3	–16	101
Operating revenues[1]	**6 565**	**2 413**	**3 013**	**11 991**
Management expense ratio in %	5.7	6.2	9.7	6.8
Benefit ratio[2] in %				88.7

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

d) Asset Management

For the years ended 31 December

2009 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	4 209	61	4 270
Net realised investment gains/losses	–571	–146	–717
Other revenues	69	2	71
Total revenues	3 707	–83	3 624
Operating income/loss	3 707	–83	3 624

2010 USD millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	3 316	323	3 639
Net realised investment gains/losses	769	39	808
Other revenues		25	25
Total revenues	**4 085**	**387**	**4 472**
Operating income	**4 085**	**387**	**4 472**

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

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

USD millions	2009	**2010**
Americas	10 825	9 105
Europe (including Middle East and Africa)	9 905	8 476
Asia-Pacific	2 781	2 989
Total	23 511	**20 570**

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

USD millions	2009	**2010**
United States	9 732	7 244
United Kingdom	2 915	2 921
Australia	913	1 111
Canada	916	1 107
Germany	1 208	945
France	912	718
China	703	684
Italy	800	581
Japan	568	574
Netherlands	568	452
Switzerland	604	417
Other	3 672	3 816
Total	23 511	**20 570**

16 Subsidiaries, equity investees and variable interest entities

Subsidiaries and equity investees	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2010	Method of consolidation
Europe				
Belgium				
Swiss Re Treasury (Belgium) N.V., Brussels	0	0	100	f
Denmark				
Swiss Re Denmark H ApS, Copenhagen	0	0	100	f
Swiss Re Denmark Services A/S, Copenhagen	0	0	100	f
France				
Protegys Assurance, Paris	33	31	34	e
Germany				
ASS Assekuranz, Service-und Sachverständigengesellschaft mbH, Sundern	0	0	49	e
EXTREMUS Versicherungs-Aktiengesellschaft, Cologne	67	63	15	e
Paarl Grundbesitzverwaltung GmbH & Co. KG Objekt Köln Sterrenhofweg, Munich	0	0	22	e
ROLAND Partner Beteiligungsverwaltung GmbH, Cologne	0	0	20	e
Swiss Re Germany AG, Unterföhring bei München	60	56	100	f
Hungary				
Swiss Re Treasury (Hungary) Group Financing Limited Liability Company, Budapest	0	0	100	f
Ireland				
Swiss Re International Treasury (Ireland) Ltd., Dublin	0	0	100	f
Swiss Reinsurance Ireland Limited, Dublin	107	100	100	f
Liechtenstein				
Elips Life AG, Vaduz	13	12	48	e
Luxembourg				
Securitas de Milo S.a.r.l., Luxembourg	0	0	100	e
Swiss Re Europe Holdings S.A., Luxembourg	141	131	100	f
Swiss Re Europe S.A., Luxembourg	470	438	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	1	1	100	f
Swiss Re Funds (Lux) I, Senningerberg[1]	12 427	11 583	100	f
Swiss Re International SE, Luxembourg	240	224	100	f

Method of consolidation
f full
e equity
[1] Net asset value instead of share capital

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2010	Method of consolidation
Netherlands				
Algemene Levensherverzekering Maatschappij NV, Amsterdam	1	1	100	f
Switzerland				
European Reinsurance Company of Zurich Ltd, Zurich	283	264	100	f
Tertianum AG, Zurich	10	10	20	e
United Kingdom				
Admin Re UK Limited, Shropshire	114	107	100	f
Banian Investments UK Limited, London	0	0	100	f
Barclays Life Assurance Company Limited, London	47	44	100	f
Calico Leasing (GB), London	0	0	100	f
Cyrenaic Investments (UK) Limited, London	0	0	100	f
European Credit and Guarantee Insurance PCC Limited, St. Peter Port	8	8	100	f
NM Insurance Holdings Limited, Shropshire	206	192	100	f
NM Life Group Limited, Shropshire	234	218	100	f
NM Life Limited, Shropshire	149	139	100	f
NM Pensions Limited, Shropshire	235	219	100	f
Reassure Life Limited, London	23	22	100	f
Reassure UK Life Assurance Company Limited, London	43	40	100	f
SR Delta Investments (UK) Limited, London	6	5	100	f
SRNY Limited, London	52	49	100	f
Swiss Re BHI Limited, London	0	0	100	e
Swiss Re Capital Markets Limited, London	60	56	100	f
Swiss Re Financial Services Limited, London	0	0	100	f
Swiss Re Frankona LM Limited, London	11	10	100	e
Swiss Re GB Plc, London	1 001	933	100	f
Swiss Re Services Limited, London	3	3	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	2	1	100	f
Swiss Re Specialty Insurance (UK) Limited, London	28	26	100	f
The Mercantile & General Reinsurance Company Limited, Glasgow	0	0	100	f
The Palatine Insurance Company Limited, London	12	11	100	f
Windsor Life Assurance Company Limited, Shropshire	412	384	100	f
North America and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	3 089	2 879	100	f
European International Holding Company Ltd., Bridgetown	0	0	100	f
European International Reinsurance Company Ltd., Bridgetown	1	1	100	f
Gasper Funding Corporation, Bridgetown	17	16	100	f
Milvus I Reassurance Limited, Bridgetown	0	0	100	f

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2010	Method of consolidation
Bermuda				
CORE Reinsurance Company Limited, Hamilton	0	0	100	f
Old Fort Insurance Company, Ltd., Hamilton	0	0	100	f
Swiss Re Global Markets Limited, Hamilton	0	0	100	f
Swiss Re Capital Management (Bermuda) Ltd., Hamilton	0	0	100	f
Swiss Re Investments (Bermuda) Ltd., Hamilton	0	0	100	f
Canada				
7547552 Canada Inc., Toronto	0	0	100	f
Swiss Re Holdings (Canada) Inc., Toronto	0	0	100	f
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	939	876	100	f
Cobham Funding Limited, George Town	0	0	100	f
Dunstanburgh Finance (Cayman) Limited, George Town	0	0	100	f
Epping Funding Limited, George Town	0	0	100	f
Kilgallon Finance Limited, George Town	0	0	100	f
SR Alternative Financing I SPC, George Town	0	0	100	f
SR Alternative Financing II SPC, George Town	0	0	100	f
SR Cayman Holdings Ltd, George Town	0	0	100	f
SR York Limited, George Town	0	0	100	f
Swiss Re Strategic Investments UK Limited, George Town	0	0	100	f
United States				
Facility Insurance Corporation, Austin	0	0	100	f
Facility Insurance Holding Corporation, Dallas	0	0	100	f
First Specialty Insurance Corporation, Jefferson City	5	5	100	f
North American Capacity Insurance Company, Manchester	4	4	100	f
North American Elite Insurance Company, Manchester	4	3	100	f
North American Specialty Insurance Company, Manchester	13	12	100	f
Reassure America Life Insurance Company, Fort Wayne	3	2	100	f
Rialto Re I Inc, Burlington	0	0	100	f
Sterling Re Inc., Burlington	0	0	100	f
Swiss Re America Holding Corporation, Wilmington	0	0	100	f
Swiss Re Atrium Corporation, Wilmington	1	0	100	f
Swiss Re Capital Markets Corporation, New York	0	0	100	f
Swiss Re Financial Products Corporation, Wilmington	2 127	1 983	100	f
Swiss Re Financial Services Corporation, Wilmington	0	0	100	f
Swiss Re Life & Health America Holding Company, Wilmington	0	0	100	f
Swiss Re Life & Health America Inc., Hartford	4	4	100	f
Swiss Re Partnership Holding, LLC, Dover	368	343	100	f
Swiss Re Solutions Holding Corporation, Wilmington	9	8	100	f
Swiss Re Treasury (US) Corporation, Wilmington	0	0	100	f
Swiss Reinsurance America Corporation, Armonk	6	6	100	f
Washington International Insurance Company, Manchester	4	4	100	f
Westport Insurance Corporation, Jefferson City	6	6	100	f

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2010	Method of consolidation
Australia				
Swiss Re Australia Ltd, Sydney	21	19	100	f
Swiss Re Life & Health Australia Limited, Sydney	159	148	100	f
Africa				
South Africa				
Swiss Re Africa Limited, Cape Town	2	1	100	f
Swiss Re Life and Health Africa Limited, Cape Town	0	0	100	f
Middle East				
United Arab Emirates				
GlobeMed Gulf FZ-LLC, Dubai	3	3	41	e
Asia				
China				
Beijing Prestige Health Consulting Services Company Limited, Beijing	6	5	100	e
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	34	32	25	e

Variable interest entities

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

When analysing the status of an entity, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations, and (3) the holders of the voting rights substantively participate in the gains and losses of the entity. When one of these criteria is not met, the entity is considered a VIE and needs to be assessed for consolidation under the VIE section of the Consolidation Topic. This section was amended by ASU No. 2009-17 "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" which is applicable to Swiss Re as of 1 January 2010.

According to the amendment, the party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

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

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

Modified coinsurance agreement

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

The total assets of the modified coinsurance vehicles in which the Group is the primary beneficiary were USD 3 245 million as of 31 December 2010.

Insurance-linked and credit-linked securitisations

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

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

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

As of 31 December 2010, the total assets of the insurance-linked and credit-linked securitisation vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 5 320 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 1 851 million.

Swaps in trusts

Through the Legacy segment, the Group provides risk management services to certain asset securitisation trusts which qualify as VIEs. As the involvement of the Group is limited to interest rate and foreign exchange derivatives, Swiss Re does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts.

Debt financing vehicles

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

Certain debt financing vehicles are consolidated as the Group has power over the investment management, considered to be the activity that most significantly impacts the entity's economic performance. In addition, the Group absorbs the variability of the investment return so that both criteria for a controlling financial interest are met.

As of 31 December 2010, the total assets of the debt financing vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 5 021 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 8 202 million.

Other

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

As of 31 December 2010, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 3 476 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 709 million.

The Group did not provide financial or other support to any VIEs during 2010 that it was not previously contractually required to provide.

Due to the implementation of ASU No. 2009-17, certain insurance-linked securitisation vehicles were consolidated from 1 January 2010 on, as the Group was considered to be the primary beneficiary under the new guidance. The Group recognised the assets, liabilities, and non-controlling interests of the newly consolidated VIEs at the carrying amounts at which the amount would have been carried in the consolidated financial statements had ASU No. 2009-17 been effective when the Group first met the conditions to be the primary beneficiary.

As of 1 January 2010, additional entities are included in the VIE disclosures due to the implementation of ASU No. 2009-17. Due to the required prospective application of the Update, the comparatives in this note were not restated.

The impact as of 1 January 2010 on the Group's assets and liabilities due to the additional consolidations under ASU No. 2009-17 was as follows:

USD millions	**2010**
Fixed income securities available-for-sale	473
Short-term investments	362
Other invested assets	–32
Cash and cash equivalents	793
Other assets	71
Total assets	**1 667**
Deferred and other non-current taxes	13
Short-term debt	872
Accrued expenses and other liabilities	–40
Long-term debt	797
Net unrealised investment gains/losses, net of tax	–35
Retained earnings	60
Total liabilities and shareholders' equity	**1 667**

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

USD millions	2009	**2010**
Fixed income securities:		
Available-for-sale (whereof restricted: 2009: 5 447; 2010: 8 842)	7 443	8 842
Trading (whereof restricted: 2009: 988; 2010: 0)	1 132	
Policy loans, mortgages and other loans (whereof restricted: 2010: 203)	217	596
Short-term investments (whereof restricted: 2010: 1 329)		1 329
Other invested assets (whereof restricted: 2010: 195)	104	2 045
Cash and cash equivalents (whereof restricted: 2009: 136; 2010: 966)	302	968
Accrued investment income (whereof restricted: 2009: 42; 2010: 82)	73	82
Premiums and other receivables (whereof restricted: 2010: 10)	15	10
Reinsurance recoverable on unpaid claims and policy benefits (whereof restricted: 2010: 11)	10	11
Funds held by ceding companies (whereof restricted: 2010: 6)		6
Income taxes recoverable (whereof restricted: 2010: 19)		19
Acquired present value of future profits (whereof restricted: 2010: 36)	74	36
Other assets (whereof restricted: 2009: 27; 2010: 63)	27	63
Total assets	9 397	**14 007**
Unpaid claims and claim adjustment expenses (whereof limited recourse: 2010: 23)	19	23
Liabilities for life and health policy benefits (whereof limited recourse: 2010: 1 182)	1 218	1 182
Policyholder account balances (whereof limited recourse: 2010: 1 440)	1 515	1 440
Funds held under reinsurance treaties (whereof limited recourse: 2010: 133)		133
Reinsurance balances payable (whereof limited recourse: 2010: 8)	10	8
Deferred and other non-current taxes (whereof limited recourse: 2010: 76)	40	76
Short-term debt (whereof limited recourse: 2010: 1 485)		3 200
Accrued expenses and other liabilities (whereof limited recourse: 2010: 136)	486	530
Long-term debt (whereof limited recourse: 2010: 5 938)	5 377	5 938
Total liabilities	8 665	**12 530**

As of 31 December 2010, the consolidation of the VIEs resulted in non-controlling interests in the balance sheet of USD 402 million (31 December 2009: USD 394 million). The net non-controlling interests in income were USD 2 million and USD 6 million net of tax for 2009 and 2010, respectively.

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

USD millions	2009	**2010**
Fixed income securities:		
Available-for-sale		60
Trading		9
Other invested assets	871	1 406
Premiums and other receivables		2
Reinsurance recoverables		1 631
Deferred acquisition costs		2
Total assets	871	**3 110**
Funds held under reinsurance treaties		1 614
Short-term debt		406
Accrued expenses and other liabilities	425	885
Total liabilities	425	**2 905**

The following table shows the Group's assets as of 31 December 2010, and liabilities and maximum exposure to loss as of 31 December 2009 and 2010 which are related to VIEs in which the Group holds a variable interest but is not the primary beneficiary:

			2009				**2010**
USD millions	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities
Insurance-linked/ Credit-linked securitisations	173	5 042	4 869	1 890	1 665	2 197	532
Swaps in trusts				423	643	–[1]	–
Debt financing		201	201	468		126	126
Other[2]	252	1 222	970	329	597	1 184	587
Total	425	6 465	6 040	**3 110**	**2 905**	**–[1]**	**–**

[1] The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.
[2] The Group revised the total liabilities and the difference between exposure and liabilities for year-end 2009. The revision has no impact on total revenues, net income or net equity.

The liabilities of USD 1 665 million as of 31 December 2010 for insurance-linked and credit-linked securitisations represent almost entirely funds held under reinsurance treaties.

The assets and liabilities for the swaps in trusts category represent the positive and negative fair values of the derivatives the Group has entered into with the trusts.

Liabilities are recognised for certain debt financing VIEs when losses occur. To date the respective debt financing VIEs have not incurred any losses. Liabilities of USD 597 million recognised for the "Other" category relate mainly to collateral received.

17 Restructuring provision

In 2010, the Group set up total provisions of USD 93 million, related to the cost savings and efficiency programmes announced in early 2009, and released USD 16 million.

The increase of the provision in the Property & Casualty and the Life & Health business segments of USD 55 million and USD 27 million in 2010, respectively, are related to leaving benefits, office structure simplification costs and cost for the concentration of support resources allocated to the Property & Casualty and the Life & Health business segments.

The Asset Management business segment increased the provision by USD 11 million during 2010, mostly for leaving benefits associated with current de-risking activities.

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

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

2009 USD millions	Property & Casualty	Life & Health	Asset Management	Total
Balance as of 1 January	71	15	29	115
Increase in provision	120	52	90	262
Release of provision	–21	–3	–6	–30
Costs incurred	–83	–40	–68	–191
Balance as of 31 December	87	24	45	156

2010 USD millions	Property & Casualty	Life & Health	Asset Management	Total
Balance as of 1 January	87	24	45	156
Increase in provision	55	27	11	93
Release of provision	–9	–5	–2	–16
Costs incurred	–73	–41	–22	–136
Balance as of 31 December	**60**	**5**	**32**	**97**

18 Risk assessment

The section below follows article 663b para. 12 of the Swiss Code of Obligations, which requires disclosure of the Group's performance of a risk assessment.

The Board of Directors is ultimately responsible for the Group's governance principles and policies, including approval for the Group's overall risk tolerance. The Board mainly deals with risk management through two committees:

- The Finance and Risk Committee is responsible for reviewing the Group Risk Policy and capacity limits, as well as monitoring risk tolerance and reviewing top risk issues and exposures.
- The Audit Committee is responsible for overseeing internal controls and compliance procedures.

The Executive Committee (EC) is responsible for implementing the risk management framework through four further committees:

- The Group Risk and Capital Committee has responsibility for allocating capital and insurance risk capacity, approving investment risk limits, and determining changes to the internal risk and capital methodology.
- The Group Asset-Liability Committee oversees the management of Swiss Re's balance sheet, in particular its liquidity, capital and funding positions and related policies.
- The Group Products and Limits Committee determines Swiss Re's product policy and standards, sets reinsurance and counterparty credit risk limits, and decides on large or non-standard transactions.
- The Group Regulatory Committee is the central information and coordination platform for regulatory matters. It ensures a consistent approach to external communication on regulatory issues.

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

The global Risk Management function operates through dedicated units for property and casualty risk, life and health risk, and financial market and credit risk. Each unit is entrusted with Group-wide responsibility for identifying, assessing and controlling their allocated risks and for risk governance at the risk category level. The units also work closely with each other where necessary on transaction reviews and other cross-category issues. Actuarial management is an integral part of the insurance risk units, ensuring reserving adequacy.

Senior managers of business and corporate units are responsible for managing operational risks in their area of activity, based on a centrally coordinated methodology. The self-assessments are reviewed and challenged by operational risk specialists in each of the dedicated risk management units. Risk management experts also review the Group's underwriting decision processes.

Liquidity risk, capital adequacy, and emerging risks are managed at Group level. Certain other risk management activities are also performed globally, across all risk categories. These include risk governance at Group level, risk modelling, risk reporting and the steering of the Group's regulatory activities.

The Group's Internal Audit department carries out independent, objective assessments of the adequacy and effectiveness of internal control systems. It evaluates the execution of processes within Swiss Re, including those within Risk Management.

19 Subsequent events

The Group provisionally estimates claims costs of USD 1.2 billion, net of retrocession and before tax, from the earthquake and the tsunami in Japan, on 11 March 2011. These estimates are subject to a high degree of uncertainty due to the complexity of loss assessment, and may be subject to change as new information becomes available.

Based on current information, Swiss Re provisionally estimates its claims cost from the earthquake in Christchurch, New Zealand on 22 February 2011 to be approximately USD 800 million, net of retrocession and before tax.

In addition, Swiss Re provisionally estimates its claims from the Queensland, Australia, floods that occurred in the first quarter of 2011 to be USD 225 million, net of the benefits of retrocession and before tax. Further, the Group preliminarily estimates its loss from the Australian cyclone Yasi to be USD 100 million, net of the benefits of retrocession and before tax.

Significant uncertainties are involved in estimating losses from such events and these preliminary estimates may be subject to change as new information becomes available.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Reinsurance Company Ltd
Zurich

Report of the statutory auditor on the Consolidated Financial Statements
As statutory auditor, we have audited the consolidated financial statements of Swiss Re Group, which comprise the income statement, balance sheet, statement of shareholders' equity, statement of comprehensive income, statement of cash flow and notes (pages 111 – 191), for the year ended 31 December 2010.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2010 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

David JA Law
Audit expert
Auditor in charge

Dawn M Kink

Zurich, 23 March 2011

Group financial years 2001–2010

USD millions	2001[1,3]	2002[1,3]	2003[1,3]
Income statement			
Revenues			
Premiums earned	14 942	18 605	22 779
Fee income			
Net investment income	3 416	3 518	3 413
Net realised investment gains/losses	1 579	–467	279
Trading revenues		146	350
Other revenues	270	234	175
Total revenues	20 207	22 036	26 996
Expenses			
Claims and claim adjustment expenses	–9 638	–9 274	–11 040
Life and health benefits	–5 055	–6 456	–6 732
Return credited to policyholders			
Acquisition costs	–3 352	–3 982	–5 079
Amortisation of goodwill	–218	–224	–233
Other operating costs and expenses	–2 005	–2 074	–2 180
Total expenses	–20 268	–22 010	–25 264
Income/loss before income tax expense	–61	26	1 732
Income tax expense	–36	–81	–470
Net income/loss before attribution of non-controlling interests	–97	–55	1 262
Income/loss attributable to non-controlling interests			
Net income after attribution of non-controlling interests	–97	–55	1 262
Convertible perpetual capital instrument			
Net income/loss attributable to common shareholders	–97	–55	1 262
Balance sheet			
Assets			
Investments	57 753	62 720	73 299
Other assets	44 776	54 332	63 913
Total assets	102 529	117 052	137 212
Liabilities			
Unpaid claims and claim adjustment expenses	41 329	45 309	51 323
Liabilities for life and health policy benefits	24 917	26 952	30 114
Unearned premiums	3 854	4 884	5 221
Other liabilities	14 576	23 744	31 700
Long-term debt	4 243	4 095	3 887
Total liabilities	88 919	104 984	122 245
Shareholders' equity	13 610	12 068	14 967
Non-controlling interests			
Total equity	13 610	12 068	14 967
Earnings/losses per share in USD	–0.34	–0.19	4.06
Earnings/losses per share in CHF	–0.57	–0.29	5.48

[1] Numbers are based on the Group's previous accounting standards.
[2] Trading revenues are included in net investment income; long-term debt also includes debt positions from former Financial Markets.
[3] The Group changed its reporting currency from CHF to USD in 2010. Periods prior into 2010 have been translated into USD for informational purposes only based on the Group's average exchange rates for the income statements and year-end rates for the balance sheets.

2004[1,3]	2005[3]	2006[2,3]	2007[2,3]	2008[2,3]	2009[2,3]	2010[2]
23 607	21 622	23 526	26 337	23 577	22 664	**19 652**
	708	701	794	746	847	**918**
3 895	4 934	6 370	8 893	7 331	6 399	**5 422**
895	2 793	1 679	–615	–8 677	875	**2 783**
351	278					
195	228	223	251	249	178	**60**
28 943	30 563	32 499	35 660	23 226	30 963	**28 835**
–11 109	–11 866	–9 405	–10 035	–9 222	–8 336	**–7 254**
–7 482	–6 970	–7 647	–9 243	–8 381	–8 639	**–8 236**
	–2 427	–2 253	–1 763	2 611	–4 597	**–3 371**
–5 072	–4 766	–4 845	–5 406	–4 950	–4 495	**–3 679**
–222						
–2 358	–2 477	–3 679	–4 900	–4 358	–3 976	**–3 620**
–26 243	–28 506	–27 829	–31 347	–24 300	–30 043	**–26 160**
2 700	2 057	4 670	4 313	–1 074	920	**2 675**
–715	–205	–1 033	–853	411	–221	**–541**
1 985	1 852	3 637	3 460	–663	699	**2 134**
						–154
1 985	1 852	3 637	3 460	–663	699	**1 980**
					–203	**–1 117**
1 985	1 852	3 637	3 460	–663	496	**863**
94 998	99 094	167 303	201 221	154 053	151 341	**156 947**
67 203	68 817	71 317	70 198	71 322	81 407	**71 456**
162 201	167 911	238 620	271 419	225 375	232 748	**228 403**
54 189	54 447	77 829	78 195	70 944	68 412	**64 690**
38 025	23 583	36 779	44 187	37 497	39 944	**39 551**
5 055	4 980	6 574	6 821	7 330	6 528	**6 305**
43 409	61 953	80 802	95 172	73 366	73 336	**72 524**
4 657	4 440	11 337	18 898	17 018	19 184	**18 427**
145 335	149 403	213 321	243 273	206 155	207 404	**201 497**
16 866	18 508	25 299	28 146	19 220	25 344	**25 342**
						1 564
16 866	18 508	25 299	28 146	19 220	25 344	**26 906**
6.42	5.98	10.75	9.94	–2.00	1.46	**2.52**
8.00	7.44	13.49	11.95	–2.61	1.49	**2.64**

Annual Report
Swiss Reinsurance Company Ltd

Reinsurance and holding company
Swiss Reinsurance Company Ltd, domiciled in Zurich, Switzerland, 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 2010 financial year of the parent company thus complements the review of the financial year of the Swiss Re Group.

Financial year 2010
The after-tax profit for the 2010 financial year amounted to CHF 380 million, compared to CHF 1 070 million in the previous year.

Property and casualty business continued to perform well despite the continuing soft pricing cycle and higher natural catastrophe losses, but benefiting from favourable claims experience. Compared to the previous year, life and health business was driven by less favourable mortality experience and minor non-recurring impacts.

An agreement was signed effective 3 November 2010 to terminate the convertible perpetual capital instrument (CPCI) with a face value of CHF 3.0 billion issued in 2009 to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc. All termination related expenses including interest due after this date until the balance sheet date were recognised as a charge to the 2010 financial year. The premium on termination of CHF 0.6 billion is classified under "Other expenses". The redemption value of CHF 3.7 billion is reported under "Debentures" with a repayment date on 10 January 2011.

In 2010, the Swiss franc strengthened significantly against the majority of the main currencies in which the Company operates. The currency fluctuations markedly affected the comparison of year-on-year reported income statement and balance sheet figures.

Reinsurance result
The total reinsurance operating income resulted in a gain of CHF 1.3 billion, compared to a gain of CHF 2.5 billion in 2009.

Gross premiums earned increased slightly from CHF 14.8 billion to CHF 15.5 billion for the year under report. Property and casualty gross premiums earned declined 15% to CHF 6.3 billion reflecting selective underwriting and active cycle management as well as the deterioration of most currencies against the Swiss franc. The premium volume for life and health increased by CHF 2.1 billion, mainly due to initial premiums received for the integration of the life and health portfolio of a Swiss Re Group subsidiary into a branch of the Company. Excluding this one-off transaction, life and health gross premiums earned remained stable at CHF 3.4 billion, compared to 2009, also excluding non-recurring impacts.

Claims and claim adjustment expenses decreased 18% to CHF 7.8 billion.

Despite the higher volume of natural catastrophes, property and casualty net claims and claim adjustment expenses decreased during 2010, partly in line with the lower volume of business written as well as positive claims experience.

Life and health claims and claim adjustment expenses as well as life and health benefits increased, mainly as a result of the initial recognition of the technical provisions assumed at the inception of a portfolio from a Swiss Re Group subsidiary, offsetting the initial premium received. The previous year benefited from a more favourable mortality experience, a one-time gain related to an arbitration award as well as the positive recapture impacts of the alignment of internal Group retrocession programmes.

Investment result
The investment result improved by CHF 0.7 billion to a profit of CHF 0.3 billion for the year under report.

Investment income decreased by CHF 0.3 billion to CHF 3.3 billion. This development was mostly driven by significantly lower valuation readjustments, partly compensated by higher realised gains on sale of investments. The 2009 investment income was marked by the change of the accounting policy for reinsurance derivative financial instruments, allowing for valuation readjustments of CHF 1.1 billion, which otherwise would have been deferred until contract expiration.

In 2010, investment expenses decreased by CHF 0.8 billion to CHF 2.2 billion, mainly as a result of lower realised losses on derivative financial instruments, which were partially offset by additional precautionary valuation adjustments on subsidiaries and affiliated companies.

Other income and expenses
Other net expenses increased by CHF 0.2 billion to CHF 1.0 billion in 2010. The increase mainly consists of the termination expenses of the CPCI issued to National Indemnity Company, which were largely offset by income from the reduction of the provision for currency fluctuation.

Assets
Compared to 2009, total assets decreased 3% to CHF 95.2 billion. Without the effect of foreign exchange movements, total assets amounted to CHF 101.5 billion.

A restructuring of the capital financing model of the Company's subsidiaries resulted in an increase in investments in subsidiaries and affiliated companies by CHF 4.8 billion and in a decrease in loans to Swiss Re Group subsidiaries by CHF 11.2 billion.

The increase in fixed income securities is mainly due to reinvestments of short-term investments into longer term bonds. The ratio between short-terms and bonds varies as the duration of the fixed income portfolio is adjusted to match a particular duration target.

Other receivables increased, reflecting mainly a higher balance with a Swiss Re Group subsidiary in respect of derivative financial instruments which hedge the variable annuity business. The increase in other assets related mostly to security lending collateral and reverse repurchase transactions in the total amount of CHF 5.5 billion.

Liabilities
In comparison with 2009, total liabilities decreased 4% to CHF 76.4 billion. Without the effect of foreign exchange movements, total liabilities amounted to CHF 83.3 billion.

Technical provisions declined 6% to CHF 43.6 billion. Property and casualty gross unpaid claims decreased 12%, mainly impacted by favourable claims experience and the development of foreign exchange rates. Gross and retro life and health unpaid claims and policy benefits increased mainly as a result of a portfolio transfer from a Swiss Re Group subsidiary, which also caused the increase of funds held under reinsurance treaties.

The increase in other liabilities is mostly due to payables of CHF 3.0 billion in respect of repurchase agreements and securities lending transactions for which the Company receives cash collateral to cover the assumed counterparty risk associated with such transactions.

Debts decreased by CHF 1.9 billion to CHF 10.3 billion as a result of redemptions of intragroup loans.

Shareholders' equity
As of 31 December 2009, shareholders' equity amounted to CHF 18.7 billion before allocation of the disposable profit. After the dividend payment of CHF 343 million for 2009, the issuance of new shares from the conditional capital in connection with employee participation programmes and the inclusion of the profit for the 2010 financial year, shareholders' equity increased to CHF 18.8 billion at the end of 2010.

As a result of guidance issued by the Swiss Federal Tax Administration SFTA in connection with the capital contribution principle newly introduced in Swiss Tax Law, which became effective as of 1 January 2011, a reclassification of reserves of CHF 9.8 billion from other reserves to legal reserves from capital contributions is proposed to be made on the Company's stand-alone balance sheet as of 31 December 2010. This total amount includes capital contributions from 1 January 1997 to 31 December 2010 and was confirmed by the SFTA. Legal reserves from capital contributions preserve the right to pay out dividends exempt from Swiss withholding tax.

The nominal share capital of the Company increased slightly due to newly issued shares from the conditional capital for employee participation programmes. As of 31 December 2010, the nominal share capital amounted to CHF 37 million.

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Income statement
Swiss Reinsurance Company Ltd

For the years ended 31 December

CHF millions	Notes	2009	**2010**
Reinsurance	1		
Premiums earned		11 188	**12 173**
Claims and claim adjustment expenses		–9 412	**–7 774**
Life and health benefits		1 725	**–1 868**
Acquisition costs		–1 827	**–1 584**
Other reinsurance result		714	**412**
Operating costs		–905	**–912**
Allocated investment return		1 054	**858**
Reinsurance result		2 537	**1 305**
Investments	2		
Investment income		3 593	**3 327**
Investment expenses		–2 918	**–2 151**
Allocated investment return		–1 054	**–858**
Investment result		–379	**318**
Other income and expenses			
Other interest income		74	**67**
Other interest expenses		–775	**–792**
Other income		171	**655**
Other expenses		–301	**–924**
Result from other income and expenses		–831	**–994**
Income before tax expense		1 327	**629**
Tax expense		–257	**–249**
Net income		1 070	**380**

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

Balance sheet
Swiss Reinsurance Company Ltd

As of 31 December

Assets

CHF millions	Notes	2009	**2010**
Non-current assets			
Investments			
Investment real estate		1 091	**1 130**
Investments in subsidiaries and affiliated companies		16 560	**21 389**
Loans to subsidiaries and affiliated companies		15 396	**4 227**
Mortgages and other loans		722	**705**
Equity securities		1 124	**1 585**
Fixed income securities		12 555	**17 109**
Short-term investments		11 021	**6 714**
Alternative investments		2 690	**2 335**
Assets in derivative financial instruments		3 661	**120**
Total investments		64 820	**55 314**
Tangible assets		711	**711**
Intangible assets		47	**35**
Total non-current assets		65 578	**56 060**
Current assets			
Premiums and other receivables from reinsurance	3	6 283	**5 067**
Funds held by ceding companies	3	18 362	**17 655**
Deferred acquisition costs	3	605	**565**
Cash and cash equivalents		6 069	**6 247**
Other receivables		580	**3 591**
Other assets		480	**5 837**
Accrued income		151	**165**
Total current assets		32 530	**39 127**
Total assets		98 108	**95 187**

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

Liabilities and shareholders' equity

CHF millions	Notes	2009	**2010**
Liabilities			
Technical provisions			
Unpaid claims	4	31 014	**27 548**
Liabilities for life and health policy benefits	4	11 655	**12 658**
Unearned premiums	4	3 079	**2 677**
Provisions for profit commissions	4	157	**162**
Equalisation provision	4	550	**550**
Total technical provisions		46 455	**43 595**
Non-technical provisions			
Provision for taxation		161	**128**
Provision for currency fluctuation		1 555	**1 465**
Other provisions		444	**513**
Total non-technical provisions		2 160	**2 106**
Debt			
Debentures		7 398	**8 214**
Loans		4 851	**2 109**
Total debt		12 249	**10 323**
Funds held under reinsurance treaties	4	3 685	**4 801**
Reinsurance balances payable	4	2 980	**2 785**
Liabilities from derivative financial instruments		4 663	**2 637**
Other liabilities		7 029	**10 013**
Accrued expenses		167	**170**
Total liabilities		79 388	**76 430**
Shareholders' equity	5		
Share capital		37	**37**
Other legal reserves		650	**650**
Reserve for own shares		1 446	**1 449**
Legal reserves from capital contributions		–	**9 762**
Other reserves		15 474	**6 429**
Retained earnings brought forward		43	**50**
Profit for the financial year		1 070	**380**
Total shareholders' equity		18 720	**18 757**
Total liabilities and shareholders' equity		98 108	**95 187**

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

Notes
Swiss Reinsurance Company Ltd

Significant accounting principles

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

Time period
The 2010 financial year comprises the accounting period from 1 January to 31 December 2010.

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

Foreign currency translation
Assets and liabilities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates with the exception of significant participations which 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 to the provision for currency fluctuation.

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 (other than zero bonds)
- Investments in funds
- Alternative investments
- Assets in derivative financial instruments

Subsequent recoveries of previously recorded downward value adjustments may be recognised up to the lower of historical cost or market value at the balance sheet date. The valuation rules prescribed by the Swiss Financial Market Supervisory Authority FINMA are observed.

Zero bonds reported under fixed income securities are valued at their amortised cost values.

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 an original duration between three months and one year. Such investments are generally held until maturity and are maintained at their amortised cost values.

Loans to subsidiaries and affiliated companies, mortgages and other loans are carried at nominal value. Value adjustments are recorded where the expected 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 cost
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, as well as receivables in connection with securities lending collateral and reverse repurchase transactions, which are carried at nominal value.

Other current assets
Other current assets are carried at nominal value 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 where an offsetting amount has been paid and is recoverable from the ceding company.

Modified coinsurance arrangements are treated on a gross basis with the separate recognition of the funds withheld, as well as the liabilities for life and health policy benefits.

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 under "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.

Liabilities assumed and consideration provided in connection with portfolio transactions are established through the respective income statement line items. The initial recognition of assumed outstanding claims is recorded as change in unpaid claims, with the consideration being recognised as negative claims paid. The assumption of the provision for unearned premiums is established through the change in unearned premiums, with the respective consideration accounted for as premiums written. The liability for life and health policy benefits is established as a charge against life and health benefits, with the initial premium consideration recorded as premiums written.

The initial set up of assets and liabilities in respect of property and casualty retroactive treaties with Group external counterparties is accounted for as a balance sheet transaction.

Non-technical provisions
The provision for taxation contains taxes on the basis of the financial year under report.

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. Decreases in the liability amounts prior to expiration or settlement are only recognised as income for contracts for which hedges are in place.

Other liabilities
Other liabilities include payables in connection with repurchase agreements and securities lending transactions, which are held at redemption value.

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, the investment business and to other expenses 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 Ltd

Additional information on the financial statements

1 Reinsurance result

CHF millions	2009 Gross	2009 Retro	2009 Net	2010 Gross	2010 Retro	2010 Net
Premiums written	13 776	–3 614	10 162	**15 541**	**–3 486**	**12 055**
Change in unearned premiums	1 033	–7	1 026	**–20**	**138**	**118**
Premiums earned	14 809	–3 621	11 188	**15 521**	**–3 348**	**12 173**
Claims paid and claim adjustment expenses	–18 165	–1 921	–20 086	**–7 568**	**–152**	**–7 720**
Change in unpaid claims	9 107	1 567	10 674	**157**	**–211**	**–54**
Claims and claim adjustment expenses	–9 058	–354	–9 412	**–7 411**	**–363**	**–7 774**
Life and health benefits	378	1 347	1 725	**–3 825**	**1 957**	**–1 868**
Fixed commissions	–2 656	778	–1 878	**–2 323**	**975**	**–1 348**
Profit commissions	33	18	51	**–276**	**40**	**–236**
Acquisition costs	–2 623	796	–1 827	**–2 599**	**1 015**	**–1 584**
Other reinsurance income and expenses	132	–37	95	**248**	**–81**	**167**
Result from cash deposits	738	–119	619	**863**	**–618**	**245**
Other reinsurance result	870	–156	714	**1 111**	**–699**	**412**
Operating costs			–905			**–912**
Allocated investment return			1 054			**858**
Reinsurance result			2 537			**1 305**

2 Investment result

CHF millions	2009	2010
Income from investment real estate	103	**100**
Income from subsidiaries and affiliated companies	466	**556**
Income from equity securities	14	**13**
Income from fixed income securities, mortgages and other loans	632	**621**
Income from derivative financial instruments	–	**72**
Income from short-term investments	25	**52**
Income from alternative investments	35	**46**
Income from investment services	68	**71**
Valuation readjustments on investments	1 060	**440**
Realised gains on sale of investments	1 190	**1 356**
Investment income	3 593	**3 327**
Investment management expenses	–231	**–300**
Valuation adjustments on investments	–856	**–1 527**
Realised losses on sale of investments	–1 831	**–324**
Investment expenses	–2 918	**–2 151**
Allocated investment return	–1 054	**–858**
Investment result	–379	**318**

3 Assets from reinsurance

CHF millions	2009 Gross	2009 Retro	2009 Net	2010 Gross	2010 Retro	2010 Net
Premiums and other receivables from reinsurance	5 922	361	6 283	**5 007**	**60**	**5 067**
Funds held by ceding companies	18 362	–	18 362	**17 655**	**–**	**17 655**
Deferred acquisition costs	861	–256	605	**850**	**–285**	**565**
Assets from reinsurance	25 145	105	25 250	**23 512**	**–225**	**23 287**

4 Liabilities from reinsurance

CHF millions	2009 Gross	2009 Retro	2009 Net	2010 Gross	2010 Retro	2010 Net
Unpaid claims	34 836	–3 822	31 014	**31 427**	**–3 879**	**27 548**
Liabilities for life and health policy benefits	13 887	–2 232	11 655	**16 073**	**–3 415**	**12 658**
Unearned premiums	4 144	–1 065	3 079	**3 799**	**–1 122**	**2 677**
Provisions for profit commissions	183	–26	157	**211**	**–49**	**162**
Equalisation provision	550	–	550	**550**	**–**	**550**
Funds held under reinsurance treaties	302	3 383	3 685	**2**	**4 799**	**4 801**
Reinsurance balances payable	1 199	1 781	2 980	**1 155**	**1 630**	**2 785**
Liabilities from reinsurance	55 101	–1 981	53 120	**53 217**	**–2 036**	**51 181**

5 Shareholders' equity

Change in shareholders' equity

CHF millions	2009	2010
Shareholders' equity as of 1 January	17 079	**18 720**
Dividend paid for the previous year	–34	**–343**
Capital increase including premium	605	**0**
Profit for the financial year	1 070	**380**
Shareholders' equity on 31 December before dividend payment	18 720	**18 757**
Dividend payment	–343	**–942**[1]
Shareholders' equity on 31 December after dividend payment	18 377	**17 815**

[1] Board of Directors' proposal to the Annual General Meeting of 15 April 2011, 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 218.

6 Compensation, participations and loans of members of governing bodies

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

Compensation for acting members of governing bodies
Article 663b[bis] of the Swiss Code of Obligations requires disclosure of total compensation paid to members of the Board of Directors and the Executive Committee. Compensation to members of the Board of Directors and the highest paid members of the Executive Committee are shown by individual. For a description of the elements of this compensation, see page 93, Compensation.

Total Compensation of the Executive Committee

Total compensation for members of the Executive Committee was:

CHF thousands	2009	**2010**
Base salary and allowances	8 822	8 499
Cash variable pay for performance	11 525	6 906
Total cash	20 347	**15 405**
Value Alignment Incentive (VAI)	11 844	8 987
Shares		3 929
Long-term Incentive plan grant (LTI)[1]	10 477	10 774
Subtotal	42 668	**39 095**
Compensation due to two members leaving in 2009	1 378	
Funding of pension benefits	2 582	1 215
Total	46 628	**40 310**

[1] In the 2010 Compensation Report and this note, the LTI presentation approach has been changed to align and reflect all awards within a compensation cycle. The 2009 value now reflects the LTI granted in March 2010, and the 2010 value reflects the LTI granted in March 2011.

The 2010 values shown in the table above reflect the compensation paid to seven members for the full year, and one member who joined in the last quarter. The 2009 values reflect the compensation paid to six members for the full year, two members who left during the first half of the year, and one member who joined in the second quarter of the year.

The fair value of the Value Alignment Incentive (VAI) is based on the nominal amount of the grant with a mark-up of 15% (grant years prior to 2010 were based on a mark-up of 25%). Subsequently, a disbursement factor is applied based on the economic results of the Group that can vary between 50% and 150%. The VAI disclosed in the above table assumes a disbursement factor of 100% at grant date. For a description of the VAI plans see page 94, Compensation.

Amounts reported under shares relate to incentive shares granted. Executive Committee members may elect the split between cash and incentive shares, and the shares granted are subject to a one-year blocking period.

Members of the Executive Committee are granted Long-term Incentive (LTI) plans. The plans can be settled in cash or shares with a requisite service period as well as the maximum contractual term for each plan of three years. Each plan includes a payout factor which is derived from Return on Equity (ROE) and Earnings per Share (EPS) targets over the vesting period. The payout ratio can vary between 0 and 2 and the final payment for each plan will depend on whether the performance targets have been achieved over the plan period. For plans granted up to and inclusive of 2009, the payout factor is driven by average ROE and EPS compound annual growth over the vesting period. For the LTI plan granted in 2010 and subsequent grants the payout factor is driven by an average ROE and average EPS over the vesting period.

In 2010 the Group changed the valuation methodology of the payout factor to a stochastic model which considers the likelihood of achieving the performance targets. Basis inputs for the model continue to be the Group's plan targets, however, the model now considers the probability of meeting such targets. The likelihood is measured by reference to external analysts' expectations. Group plan targets and analysts' expectations are equally weighted in the model. This valuation approach has been applied to all unvested LTI plans as of 31 December 2010. Furthermore, the model will discount the share price at grant to reflect dividend forgone during the vesting period. For further information on LTI plans see page 95, Compensation.

For US GAAP and Statutory reporting purposes, the cost of the incentive shares, VAI and LTI awards are accrued over the period during which they are earned. For the purpose of the disclosure required of this note, the value of awards granted are included as compensation in the year of performance.

Certain members of the Executive Committee and the Board of Directors participate in a defined contribution scheme and their pension funding compensation in the remuneration tables above reflects the actual employer contributions. Where defined benefit arrangements exist, 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 members.

Highest paid member of the Executive Committee

In 2009 and 2010, Stefan Lippe, Chief Executive Officer, was the highest paid member of the Executive Committee. His respective compensation was:

CHF thousands	2009	**2010**
Base salary and allowances	1 720	1 783
Cash variable pay for performance	2 500	
Total cash	4 220	**1 783**
Value Alignment Incentive (VAI)	3 125	2 156
Shares		1 875
Long-term Incentive plan grant (LTI)[1]	2 832	2 693
Subtotal	10 177	**8 507**
Funding of pension benefits	252	172
Total	10 429	**8 679**

[1] In the 2010 Compensation Report and this note, the LTI presentation approach has been changed to align and reflect all awards within a compensation cycle. The 2009 value now reflects the LTI granted in March 2010, and the 2010 value reflects the LTI granted in March 2011.

Total Compensation of the Board of Directors

The Chairman and Vice Chairman receive half of their fees in the form of a three-year performance share plan and the balance in cash. The remaining members of the Board of Directors receive a mandatory 40% of their fees in shares which have a four-year deferral period.

The performance share plan is measured against total relative shareholder return (TSR). The 2009 and 2010 performance shares were granted at a reference price of CHF 36.00 and CHF 53.60, respectively. The final number of shares to be released after three years can vary between 0% and 150% depending on the relative total shareholder return against a peer group. For further information on this performance plan see page 105, Compensation.

The shares received by the remaining members of the Board of Directors have a four-year deferral period. The share price as of 15 May 2009 of CHF 36.00 and the share price as of 6 April 2010 of CHF 53.60 were used for calculating the number of shares awarded based on the amount of the fee received in shares for 2009 and 2010 grants respectively.

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

CHF thousands	2009	**2010**
Fees and allowances in cash	4 922	6 781
Fees in blocked shares	1 880	1 592
Performance shares	4 000	4 500
Funding of pension benefits	57	
Total	10 859	**12 873**

Individual compensation for the Chairman and the Vice Chairman of the Board of Directors was:

Walter B. Kielholz, Chairman CHF thousands	2009	**2010**
Fees and allowances in cash	1 279	2 889
Total cash	1 279	**2 889**
Performance shares	2 500	3 000
Subtotal	3 779	**5 889**
Funding of pension benefits	57	
Total	3 836	**5 889**

Walter B. Kielholz has been Chairman since May 2009. In recognition of the difficulties faced by the company in the financial year 2008, he elected to reduce his 2009 fee by 50% of the compensation for 2008, when his compensation as Vice Chairman amounted to CHF 2.5 million, before the waiver of fees.

Mathis Cabiallavetta, Vice Chairman CHF thousands	2009	**2010**
Fees and allowances in cash	1 401	1 500
Total cash	1 401	**1 500**
Performance shares	1 500	1 500
Total	2 901	**3 000**

Individual compensation of the remaining members of the Board of Directors for 2009 was:

2009 CHF thousands	Fees and allowances in cash	Fees in shares	Total
Jakob Baer, Chairman of the Audit Committee	480	320	800
Raymund Breu, Member		365	365
Raymond K.F. Ch´ien, Member	219	146	365
John R. Coomber, Chairman of the Finance and Risk Committee	419	276	695
Rajna Gibson Brandon, Member	207	138	345
Hans Ulrich Maerki, Member		325	325
Robert A. Scott, Chairman of the Compensation Committee	291	194	485
Thomas W. Bechtler, Former member[1]	38	26	64
Peter Forstmoser, Former Chairman[2]	550		550
Bénédict G.F. Hentsch, Former member[1]		64	64
Kaspar Villiger, Former member[3]	38	26	64
Total	2 242	1 880	4 122

[1] Term of office expired as of 13 March 2009 and member did not stand for re-election.
[2] Resigned from the Board of Directors as of 1 May 2009.
[3] Resigned from the Board of Directors as of 13 March 2009.

Individual compensation of the remaining members of the Board of Directors granted for 2010 was:

2010 CHF thousands	Fees and allowances in cash	Fees in shares	Total
Jakob Baer, Chairman of the Audit Committee	480	320	800
Raymund Breu, Member	225	150	375
Raymond K.F. Ch´ien, Member	225	150	375
John R. Coomber, Chairman of the Finance and Risk Committee	426	280	706
Rajna Gibson Brandon, Member	210	140	350
Malcolm D. Knight, Member[1]	121	80	201
Hans Ulrich Maerki, Member	195	130	325
Carlos E. Represas, Member[1]	120	81	201
Jean-Pierre Roth, Member[2]	90	61	151
Robert A. Scott, Chairman of the Compensation Committee	300	200	500
Total	**2 392**	**1 592**	**3 984**

[1] Elected to Swiss Re´s Board of Directors at the Annual General Meeting of 7 April 2010.
[2] Elected to Swiss Re´s Board of Directors at the Annual General Meeting of 7 April 2010, effective 1 July 2010.

Compensation of former members of governing bodies

In 2009 no compensation was paid to former members of governing bodies. In 2010 a total of CHF 1.15 million was paid to former members of the Executive Committee. This figure relates to three individuals and covers commitments of the company which arose following the retirement of the respective executives.

Executive Committee and Board of Directors share ownership, options and related instruments

Share ownership

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

The numbers of shares held as of 31 December were:

Members of the Executive Committee	2009	**2010**
Stefan Lippe, Chief Executive Officer	66 121	66 121
David J. Blumer, Chief Investment Officer	27 000	54 000
Agostino Galvagni, CEO Corporate Solutions[1]	10 735	11 747
Brian Gray, Chief Underwriting Officer	15 912	15 912
Michel M. Liès, Chief Marketing Officer	62 931	60 358
George Quinn, Chief Financial Officer	19 703	20 103
Total	202 402	**228 241**

[1] Appointed CEO Corporate Solutions on 1 October 2010.

Members of the Board of Directors	2009	**2010**
Walter B. Kielholz, Chairman	155 301	149 619
Mathis Cabiallavetta, Vice Chairman	1 961	1 961
Jakob Baer, Chairman of the Audit Committee	23 030	29 001
Raymund Breu, Member	26 214	29 013
Raymond K.F. Ch'ien, Member	5 144	7 943
John R. Coomber, Chairman of the Finance and Risk Committee	124 302	129 526
Rajna Gibson Brandon, Member	16 821	19 433
Malcolm D. Knight, Member[1]		1 502
Hans Ulrich Maerki, Member	16 789	19 215
Carlos E. Represas, Member[1]		3 502
Jean-Pierre Roth, Member[2]		1 129
Robert A. Scott, Chairman of the Compensation Committee	16 663	20 395
Total	386 225	**412 239**

[1] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 7 April 2010.
[2] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 7 April 2010, effective 1 July 2010.

Restricted shares

Swiss Re grants restricted shares on an ad hoc basis which are subject to a vesting period with a risk of forfeiture during the vesting period. Restricted shares granted to Raj Singh, Chief Risk Officer, and David J. Blumer, Chief Investment Officer, have a three-year vesting period. Additionally, restricted shares granted in 2008 to David J. Blumer, have a three-year stepped vesting period.

The following unvested restricted shares were held by members of the Executive Committee as of 31 December:

Members of the Executive Committee	2009	**2010**
Weighted average share price in CHF as of grant date	36.18	**28.66**
David J. Blumer, Chief Investment Officer	203 342	176 342
Raj Singh, Chief Risk Officer	4 000	4 000
Total	207 342	**180 342**

For the year ended 31 December 2010, no restricted shares were held by members of the Board of Directors.

Performance shares

The Chairman and the Vice Chairman receive half of their fees in the form of a performance share plan with a three-year vesting period. For 2009 and 2010 plans, the number of performance shares granted during the year were;

Members of the Board of Directors	2009	**2010**
Walter B. Kielholz, Chairman	69 444	55 971
Mathis Cabiallavetta, Vice Chairman	41 667	27 986
Total[1]	111 111	**83 957**

[1] As of 31 December 2010, all Performance shares were still outstanding.

Vested options

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

Members of the Executive Committee	2009	Number of options **2010**
Weighted average strike price in CHF as of grant date	110.44	**109.13**
Stefan Lippe, Chief Executive Officer	99 000	99 000
Brian Gray, Chief Underwriting Officer	18 200	17 000
Michel M. Liès, Chief Marketing Officer	128 000	114 000
George Quinn, Chief Financial Officer	46 600	42 000
Total	291 800	**272 000**

Members of the Board of Directors	2009	Number of options **2010**
Weighted average strike price in CHF as of grant date	120.36	**121.81**
Walter B. Kielholz, Chairman	220 000	170 000
John R. Coomber, Chairman of the Finance and Risk Committee	314 000	290 000
Total	534 000	**460 000**

The range of expiry years for vested options held by members of governing bodies as of 31 December 2009 and 2010 was 2010 to 2015 and 2011 to 2015, respectively.

Loans to members of governing bodies

The following loans were granted to members of governing bodies as of 31 December:

CHF thousands	2009	**2010**
Total mortgages and loans to members of the Executive Committee	6 699	6 169
Highest mortgages and loans to an individual member of the Executive Committee		
Raj Singh, Chief Risk Officer	3 647	3 596
Total mortgages and loans not at market conditions to former members of the Executive Committee	7 354	7 298
Mortgages and loans to members of the Board of Directors		
Walter B. Kielholz, Chairman	2 000	2 000

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

7 Further notes to the financial statements

Contingent liabilities
Swiss Reinsurance Company Ltd has issued a number of guarantees to various of its subsidiaries in support of their business activities by securing either their overall capital positions or specific transactions. These guarantees are generally not limited by a nominal amount but rather by the exposure of the underlying business.

In addition, as a component of the Group's financing structure, Swiss Reinsurance Company Ltd has guaranteed CHF 6 020 million (2009: CHF 7 735 million) of debt issued by certain of its subsidiaries and letter of credit facilities benefiting various subsidiaries of which no amount was utilised as of 31 December 2010 (2009: CHF 3 094 million).

Federal securities class action lawsuit
In 2009, Plumbers' Union Local No. 12 Pension Fund, a Swiss Re shareholder, filed a federal securities law class action against Swiss Re, Swiss Re's former Chief Executive Officer and Swiss Re's Chief Financial Officer arising out of Swiss Re's announcement in November 2007 that it would report a CHF 0.9 billion mark-to-market loss on two credit default swaps. By order dated 1 October 2010, all claims against Swiss Re and the individual defendants in that action were dismissed with prejudice. Plaintiff's deadline to file an appeal has lapsed.

Unfunded commitments
As a participant in limited investment partnerships, Swiss Reinsurance Company Ltd commits itself to making available certain amounts of investment funding, callable by the partnerships in general for periods of up to 10 years. As of 31 December 2010, total commitments remaining uncalled were CHF 854 million (2009: CHF 1 587 million).

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

CHF millions	2009	**2010**
2010	17	**–**
2011	11	**17**
2012	6	**13**
2013	6	**12**
2014	6	**11**
After 2015	9	**24**
Total operating leases, net	55	**77**

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 16 million (2009: CHF 15 million) are included in tangible assets and other liabilities, respectively.

Security deposits
To secure the technical provisions at the 2010 balance sheet date, securities with a value of CHF 9 858 million (2009: CHF 8 456 million) were deposited in favour of ceding companies, of which CHF 9 297 million (2009: CHF 7 617 million) refer to Group companies.

In addition, a real estate portfolio with a carrying amount of CHF 676 million (2009: CHF 676 million) serves as collateral for short-term senior operational debt of CHF 650 million with an external counterparty.

Securities lending and repurchase agreements
To enhance the performance of its investment portfolio, the Company enters into securities lending and reverse repurchase transactions. In the context of such transactions securities are transferred to the counterparty.

Additionally, the Company performs the role of the collateral clearer for the Swiss Re Group, centrally managing and reducing counterpart credit exposure for the asset holding entities, providing funding diversification and enabling secured cash investment. As such the Company acts as principal in collateral transactions, borrowing securities from Swiss Re Group companies and entering into lending and borrowing as well as repurchase and reverse repurchase agreements with third parties. As a matter of policy, the Company requires that collateral, consisting of cash or securities, is provided to cover the assumed counterparty risk associated with such transactions.

An overview of the fair value of securities transferred under securities lending and borrowing as well as repurchase agreements is provided in the following table as of 31 December:

CHF millions	2009	**2010**
Fair value of securities transferred to third parties	985	**954**
Fair value of securities transferred to Group companies	4 362	**–**
Total	5 347	**954**

These securities were transferred with the right to be sold or pledged by the borrowing entity.

The securities which were held and lent by investment funds are excluded from the table above.

Investment funds
As of 31 December 2010, fixed income securities of CHF 5 881 million (2009: CHF 2 998 million) were held in investment funds which are owned by Swiss Re Group companies. 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 2010, the insurance value of tangible assets, comprising the real estate portfolio and other tangible assets, amounted to CHF 2 563 million (2009: CHF 2 515 million).

Obligations towards employee pension fund
Other liabilities include CHF 5 million (2009: CHF 4 million) payable to the employee pension fund.

Public placed debentures
As of 31 December 2010, the following public placed debentures were outstanding:

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity/ First call in	Book value CHF millions
Senior bond	2010	CHF	500	2.00%	2015	500
Senior bond	2009	CHF	700	4.25%	2013	700
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 180 to 183.

Treasury shares
As of 31 December 2010, the Group held 17 015 088 treasury shares (2009: 16 950 852). In the year under report, 958 570 treasury shares (2009: 2 143 087) were purchased at an average price of CHF 47.22 (2009: CHF 27.51) and 894 334 treasury shares (2009: 2 166 063) were sold at an average price of CHF 47.63 (2009: CHF 29.53).

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

CHF millions	2009	**2010**
Reinsurance result	76	**80**
Premiums and other receivables from reinsurance	902	**469**
Funds held by ceding companies	133	**66**
Funds held under reinsurance treaties	302	**2**
Reinsurance balances payable	811	**617**

Claims on and obligations towards Group companies

CHF millions	2009	**2010**
Premiums and other receivables from reinsurance	1 455	**986**
Funds held by ceding companies	16 042	**15 524**
Other receivables	383	**2 435**
Other assets	–	**1 347**
Loans	4 201	**1 459**
Funds held under reinsurance treaties	1 595	**3 189**
Reinsurance balances payable	1 025	**962**
Other liabilities	6 485	**7 404**

Conditional capital and authorised capital
The Annual General Meeting, held on 7 April 2010, approved an increase of conditional capital by CHF 1 093 085 for employee participation purposes.

The Annual General Meeting, held on 13 March 2009, approved an increase of conditional capital by CHF 16 000 000 in connection with a convertible bond or a similar financial instrument in favour of Berkshire Hathaway Inc. and the creation of authorised capital of CHF 18 000 000 with shareholders' subscription rights.

As of 31 December 2010, Swiss Reinsurance Company Ltd's total conditional capital amounted to CHF 18 534 760 (2009: CHF 17 441 974). CHF 16 000 000 was reserved for the exercise of conversion rights granted in connection with a convertible bond or a similar financial instrument in favour of Berkshire Hathaway Inc., CHF 839 479 for the exercise of conversion rights and warrants granted in connection with bonds and similar instruments and CHF 1 695 281 for employee participation purposes.

As of 31 December 2010, authorised capital with shareholders' subscription rights amounted to CHF 18 000 000 (2009: CHF 18 000 000).

Release of undisclosed reserves
In the year under report, undisclosed reserves on investments and on provisions were released by a net amount of CHF 88 million (2009: CHF 590 million).

Major shareholders
As of 31 December 2010, there were six shareholders with participation exceeding the 3% threshold of Swiss Reinsurance Company Ltd's share capital:

a. Berkshire Hathaway Inc., 3355 Farnam Street, Omaha, NE 68131, USA, notified Swiss Reinsurance Company Ltd on the 9 November 2010 that it held as of 3 November 2010, following the termination of a convertible perpetual capital instrument, through a number of group companies, 11 262 000 registered Swiss Re shares and thereby had a voting right of 3.04% in Swiss Reinsurance Company Ltd.

b. BlackRock, Inc., 40 East 52nd Street, New York, NY 10022, USA, notified Swiss Reinsurance Company Ltd on 15 December 2009 that it held as of 1 December 2009, following the acquisition of Barclays Global Investors, through a number of group companies, in the capacity of investment manager for mutual funds and clients 14 420 521 registered Swiss Re shares, representing 3.97% of the voting rights of Swiss Reinsurance Company Ltd, which can be exercised autonomously of the beneficial owners.

c. Brandes Investment Partners, L.P., 11988 El Camino Real, Suite 500, San Diego, CA 92130, USA, notified Swiss Reinsurance Company Ltd on 21 June 2010 that it held as of 17 June 2010, through an acquisition, in the capacity of investment manager for clients 8 883 676 registered Swiss Re shares and 2 367 440 American Depositary Receipts (ADR), representing 3.04% of the voting rights of Swiss Reinsurance Company Ltd, which can be exercised autonomously of the beneficial owners.

d. Dodge & Cox, 555 California Street, 40th Floor, San Francisco, CA 94104, USA, notified Swiss Reinsurance Company Ltd on 31 October 2008 that it held on behalf of the Dodge & Cox International Stock Fund as of 22 October 2008, through an acquisition, 10 766 995 registered Swiss Re shares, representing 3.05% of the voting rights of Swiss Reinsurance Company Ltd, which can be exercised autonomously of the beneficial owners.

e. Franklin Resources, Inc., 500 E. Broward Blvd., Ft. Lauderdale, FL 33394, USA, known as Franklin Templeton Investments, notified Swiss Reinsurance Company Ltd on 20 December 2010 that it held as of 15 December 2010, as a result of a change in group composition, through a number of group companies, in the capacity of investment manager for clients 15 907 924 registered Swiss Re shares, corresponding to 4.29% of the voting rights of Swiss Reinsurance Company Ltd, which can be exercised autonomously of the beneficial owners. On 14 December 2010 Franklin Resources, Inc. had reported that it held as of 13 December 2010, as a result of a change in group composition, through a number of group companies, in the capacity of investment manager for clients 15 925 239 registered Swiss Re shares, corresponding to 4.30% of the voting rights of Swiss Reinsurance Company Ltd, which can be exercised autonomously of the beneficial owners.

f. Swiss Reinsurance Company Ltd, Mythenquai 50/60, P.O. Box, 8022 Zurich, Switzerland, held, as of 31 December 2010, a total of 28 635 251 registered Swiss Re shares or 7.72% of its share capital.

Personnel information
As of 31 December 2010, Swiss Reinsurance Company Ltd employed a worldwide staff of 3 513 (2009: 3 485). Personnel expenses for the 2010 financial year amounted to CHF 967 million (2009: CHF 909 million).

Management fee contribution
In 2010, management expenses of CHF 171 million (2009: CHF 153 million) were recharged to Group companies and third parties. These recharges were reported net under "Operating costs", "Investment expenses" and "Other expenses".

Risk assessment
Article 663b lit. 12 of Swiss Company Law requires disclosure of information on the performance of a risk assessment.

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

Details are disclosed on page 190.

Change in reporting of derivative financial instruments on foreign exchange
In the year under report, the Company has revised its reporting of derivative financial instruments on foreign exchange. Such derivatives are newly presented net by contract as either an asset or a liability, whereas for 2009, the payer and receiver leg of a contract were individually reported on a gross basis. As a consequence of this net presentation, assets and liabilities in derivative financial instruments as of 31 December 2010 were reduced by CHF 1.7 billion.

Subsequent events
Details on Swiss Re Group's subsequent events are disclosed on page 191, which might have similar impacts for Swiss Reinsurance Company Ltd.

Outlook 2011
On 17 February 2011, Swiss Reinsurance Company Ltd announced that it plans to establish a new corporate structure under a newly formed holding company. Accordingly, the new company will launch an exchange offer for all shares in Swiss Reinsurance Company Ltd. The corporate governance arrangements in the new holding company are intended to mirror those currently in place in Swiss Reinsurance Company Ltd. Further information on the new holding company structure will be provided in an offer prospectus for the exchange offer, which is to be released around the end of March 2011.

Proposal for allocation of disposable profit

The Annual General Meeting, to be held in Zurich on 15 April 2011, has at its disposal the following profit:

in CHF	2009	**2010**
Retained earnings brought forward from the previous year	42 852 555	**50 211 859**
Profit for the financial year	1 070 068 181	**380 219 312**
Disposable profit	1 112 920 736	**430 431 171**

Share structure	Number of registered shares	Nominal capital in CHF
For the financial year 2010:		
eligible for dividend	342 620 523	**34 262 052**
not eligible for dividend	28 083 630	**2 808 363**
Total shares issued	370 704 153	**37 070 415**

The Board of Directors proposes to the Annual General Meeting to allocate the disposable profit and to pay a dividend as follows:

in CHF	2009	**2010**
Balance carried forward	50 213 735[1]	**50 431 171**
Allocation to other reserves	720 000 000	**380 000 000**
Dividend payment out of disposable profit	342 707 001[1]	**–**
Reclassification of legal reserves from capital contributions to other reserves	–	**–942 206 438**
Dividend payment out of other reserves	–	**942 206 438[2]**
Disposable profit	1 112 920 736	**430 431 171**

[1] The number of registered shares eligible for dividend at the dividend payment date increased since the proposal for allocation of profit, dated 12 March 2010, due to the issuance of 105 new registered shares from options being exercised and the transfer of 1 771 shares for employee participation purposes from non-eligible to eligible for dividend. This resulted in a higher dividend of CHF 1 876 compared to the Board of Directors' proposal, and in lower retained earnings brought forward from the previous year by the same amount.

[2] The Board of Directors' proposal to the Annual General Meeting of 15 April 2011, subject to the actual number of shares outstanding and eligible for dividend.

Dividend

If the Board of Directors' proposal for allocation of disposable profit is accepted, a dividend of CHF 2.75 per share will be paid from other reserves.

The dividend will be paid exempt from Swiss withholding tax of 35% from 26 April 2011 by means of dividend order to shareholders recorded in the Share Register or to their deposit banks.

Zurich, 22 March 2011

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Reinsurance Company Ltd
Zurich

Report of the statutory auditor on the Financial Statements
As statutory auditor, we have audited the financial statements of Swiss Reinsurance Company Ltd, which comprise the income statement, balance sheet and notes (pages 199 to 217), for the year ended 31 December 2010.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

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

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

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

PricewaterhouseCoopers AG

David JA Law
Audit expert
Auditor in charge

Dawn M Kink

Zurich, 23 March 2011

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