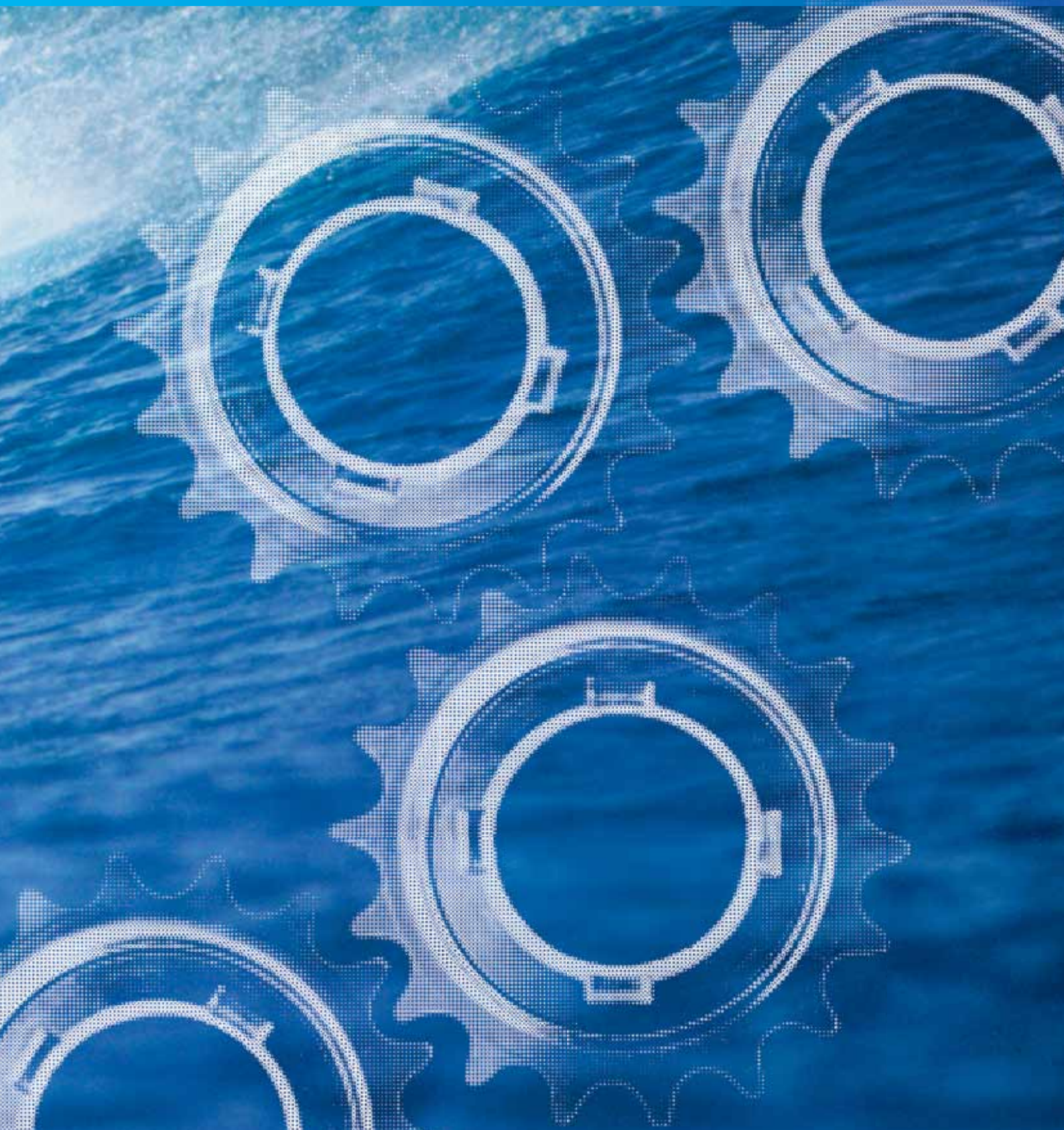
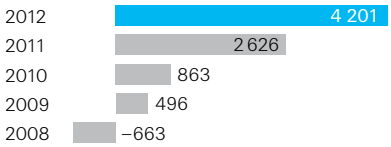
Swiss Re

2012 Financial Report

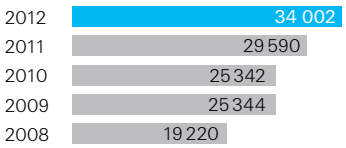


Key information

Net income
(USD millions)



Shareholders' equity
(USD millions)



Proposed dividend per share for 2012 (CHF)*

3.50 (CHF 3.00 for 2011)

4.00 **Proposed special dividend per share for 2012** (CHF)*

* Swiss withholding tax exempt distribution out of legal reserves from capital contributions

Financial strength rating

Standard & Poor's	Moody's	A.M.Best
AA–	A1	A+
stable	positive	stable

Financial highlights

For the twelve months ended 31 December

USD millions, unless otherwise stated	2011	**2012**	Change in %
Group			
Net income attributable to common shareholders	2 626	**4 201**	60
Premiums earned and fee income	22 176	**25 446**	15
Earnings per share in CHF	6.79	**11.13**	64
Shareholders' equity	29 590	**34 002**	15
Return on equity[1] in %	9.6	**13.4**	
Return on investments in %	4.4	**4.0**	
Number of employees[2] (31.12.2011/31.12.2012)	10 788	**11 193**	4
Property & Casualty Reinsurance			
Net income attributable to common shareholders	1 099	**2 990**	172
Premiums earned	10 135	**12 329**	22
Combined ratio in %	104.0	**80.7**	
Return on equity[1] in %	11.0	**26.7**	
Life & Health Reinsurance			
Net income attributable to common shareholders	1 664	**739**	–56
Premiums earned and fee income	8 404	**9 122**	9
Benefit ratio in %	74.5	**75.5**	
Return on equity[1] in %	21.2	**8.9**	
Corporate Solutions			
Net income attributable to common shareholders	81	**196**	142
Premiums earned	1 929	**2 284**	18
Combined ratio in %	107.9	**96.2**	
Return on equity[1] in %	3.7	**7.4**	
Admin Re®			
Net income attributable to common shareholders	329	**183**	–44
Premiums earned and fee income	1 686	**1 705**	1
Return on equity[1] in %	5.0	**2.6**	

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

In this Financial Report...

About the 2012 Annual Report

The Annual Report consists of the Business Report and the Financial Report.

The 2012 Business Report uses concrete examples to show how Swiss Re is making progress against its strategy, as well as some of the steps it has taken in 2012 to maintain and build long-term value.

The 2012 Financial Report describes the Group in financial terms and gives a picture of its compensation, corporate governance, and risk and capital management policies and approaches.

Full details on financial information see **2012 Financial Report**

For the online version of this report see **swissre.com/annualreport**

Our mission

Swiss Re continues to sharpen its focus on core business. Our mission is clear and simple: to be the leading player in the wholesale re/insurance industry.

Our building blocks:

Strategy

Our emphasis

In 2011 we announced the reorganisation of our business into the three Business Units shown at right. Since then Swiss Re has made good on its goal of becoming a more agile and flexible company. The new structure has also simplified performance assessment and, most importantly, positioned the Group to deliver shareholder value over the long term.

Superior performance

At Swiss Re we aspire to outperform our peers, especially through Reinsurance, the Admin Re Business Unit, and in our balanced and disciplined asset management approach.

Smart expansion

We see opportunities for growth in our Corporate Solutions business, in funding longer lives and health, and especially in high growth markets, where we aim to earn 20%–25% of our premiums by 2015.

Group structure and operating model

Swiss Re Group

Reinsurance

Reinsurance is Swiss Re's largest business in income terms and the foundation of our strength, providing about 80% of gross premiums through two segments — Property & Casualty and Life & Health. The unit aims to extend Swiss Re's industry-leading position with disciplined underwriting, prudent portfolio management and diligent client service.

To learn how Reinsurance helped meet health needs in South Korea **see page 16 in the 2012 Business Report**

Corporate Solutions

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

To learn how Corporate Solutions supports sports and entertainment **see page 20 in the 2012 Business Report**

Admin Re®

Admin Re® provides risk and capital management solutions by which Swiss Re assumes closed books of in-force life and health insurance business, entire lines of business, or the entire capital stock of life insurance companies. Admin Re® solutions help clients to divest non-core blocks of business, thus reducing administrative costs and freeing up capital.

To learn how Admin Re® has transformed its business **see page 24 in the 2012 Business Report**

Our 2011–2015 financial targets

Target	2012 performance
Return on equity: 700 basis points above risk-free (average over 5 years)[1]	13.4% (9.6% in 2011)
Earnings per share growth: 10% average annual growth rate over 5 years, adjusted for special dividends[2] (in USD, base 2010)	54.5%[3] (16% in 2011)
Economic net worth per share growth plus dividends: 10% average annual growth rate over 5 years (in USD, base 2010)	19.9%[4] (–2.1% in 2011)

[1] Average US gov 5 years from 31 December 2011 until 31 December 2012: 0.75%
[2] EPS CAGR of 10% has been adjusted to 5% for 2013 to account for the distribution of excess capital through a proposed special dividend of approx. USD 1.5 billion. Special dividend assumed to be fully reinvested and thus comparable to excess capital re-deployment via share buyback at a share price of approx. CHF 70.
[3] EPS growth rate from 31 December 2011 until 31 December 2012
[4] ENW growth rate from 31 December 2011 until 31 December 2012, including dividends per share paid.

About these targets

Achieving the 2011–2015 financial targets is our top priority — at both Business Unit and Group level. To date we are well on track, ahead of schedule on our return on equity and earnings per share targets, and just slightly behind on our economic net worth per share target.

In Property & Casualty Reinsurance we aim to take advantage of a firming cycle and draw on our underwriting expertise to drive greater returns. We expect to deploy more capital to this segment as profitable opportunities allow. The Life & Health segment faces a more challenging market environment, and is engaged in improving margins going forward and in seizing opportunities in growth areas such as longevity. Corporate Solutions is managing its costs and investing for growth, notably in the expansion of its global footprint. In 2012 Admin Re sold its US business and is now positioned to focus directly on the UK and continental Europe. At Group level we undertook moderate re-risking over the year, allocating more of the asset portfolio to corporate bonds.

With these measures we aim to move toward higher returns and achieve our 2011–2015 financial targets.

Message from the Chairman

Excellent results earned in a difficult environment

3.50

Proposed dividend in CHF for 2012*
(CHF 3.00 in 2011)

4.00

Proposed special dividend in CHF for 2012*

Dear shareholders
Two years ago I wrote to you of our plans to establish a new organisational structure. The structure would allow us to be more flexible, transparent, accountable and client-focused. I can now report that the Group has successfully executed on these plans, delivering an excellent business performance in 2012 while making a seamless transition to a new Group Chief Executive Officer.

Based on this performance and in line with our commitment to active capital management, the Board of Directors will recommend a dividend of CHF 3.50 per share at this year's Annual General Meeting. Additionally we will propose a special dividend of CHF 4.00 per share. This translates to a total return of capital to shareholders of approximately USD 2.8 billion.

These excellent results have been earned in a difficult environment. Low interest rates are a challenge for all our business lines. The regulatory landscape is also changing, in particular the regulations related to solvency, capital markets, and national and global supervision. These changes are happening in a number of jurisdictions simultaneously and will have a cumulative and cross-sector impact. In early 2013, the G-20 is expected to approve a list of re/insurance companies designated as globally systemically important. As a leading re/insurer, we play an important role in the financial system and the economy. However our core activities are neither a source nor an amplifier of systemic risk, as has been acknowledged by many regulatory bodies.

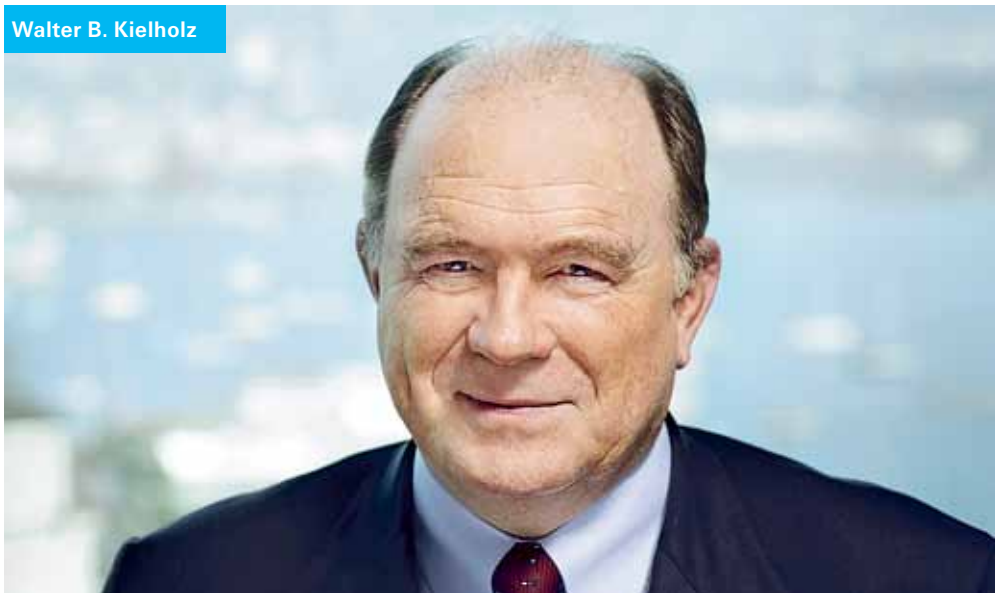
What would such a designation mean in practical terms for Swiss Re? Regulators are in the early stages of defining the policy measures that would apply to the companies appearing on this list. They are focusing on three areas — enhanced supervision, effective resolution, and loss absorption capacity. Swiss Re believes that it is well prepared to respond to requirements along these lines.

We expect the global economy to be less turbulent in the coming year. The US and European economies are expected to improve slightly, and growth in emerging markets is expected to remain quite robust. In 2012 we saw several positive developments in the euro area.

However the economic and financial market environment — particularly in Europe — remains fragile. The risks are often political: the decisions taken over the last year must now be implemented and further reforms will be necessary. Any delay increases the risk that the crisis will flare up again. We expect interest rates to rise slightly this year and next, but to remain quite low by historical standards.

I am confident that our Group is well positioned for 2013. This confidence comes from our strong capital position and the long-term relationships we have with our clients. It also reflects the power of traditional Swiss Re strengths, such as disciplined underwriting and prudent asset management.

* Swiss withholding tax exempt distribution out of legal reserves from capital contributions



"I am confident that our Group is well positioned for 2013. This confidence comes from our strong capital position and the long-term relationships we have with our clients."

Indeed this is an appropriate time for taking the long view, as we will be celebrating our 150th anniversary beginning in 2013. Our company was founded after the 1861 fire in Glarus, Switzerland. Two Swiss insurance companies and one bank — themselves almost still start-ups — pooled their resources to develop a reinsurance solution as had been done in other countries after similar city fires. Since then we have been in the business of protecting society against major risk events and nurturing the growth of a private sector approach to managing risks. Our outlook was global almost from the start, with the San Francisco earthquake of 1906 representing an early major international test, which we passed as with so many disasters since — hurricanes, earthquakes, winterstorms and others. We were also there when society had to cope with man-made tragedies and outrages, such as 9/11.

Swiss Re has been a key innovator in the area of reinsurance. Today we are carrying this tradition forward with insurance-linked securities, longevity swaps and partnerships with governments. For 150 years we have been expanding the boundaries of the insurance solution, not only by innovation but also by reaching out to new clients. This year when we turn 150 is the right moment to commemorate these achievements. We will have a number of events in locations around the globe for clients, media and other stakeholders, not to mention the employees who make it all possible, as well as the families who support them.

In 2012, the Swiss Re Foundation began its activities. The non-profit foundation aims to increase society's resilience toward natural hazards, climate change, population growth, water scarcity and pandemics, along with other challenges to security, health and prosperity. The Swiss Re Foundation will also support community projects and employee volunteering in locations where Swiss Re has offices.

We are pleased to nominate Mary Francis to join us on the Board of Directors. A British citizen, she has previously served on the boards of the Bank of England and Aviva plc and worked as director general of the Association of British Insurers, among other institutions and roles. Her depth of experience and breadth of perspective will be an invaluable support in fulfilling the Board's oversight role.

I would like to conclude by expressing my thanks to you, our shareholders. We appreciate the trust you have placed in us and we are doing all we can to earn it.

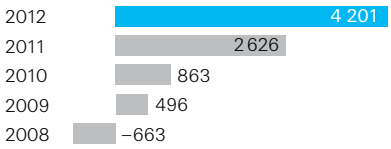
Zurich, 21 February 2013

Walter B. Kielholz
Chairman of the
Board of Directors

Message from the Group CEO

Performance and growth by the Swiss Re Group in 2012, demonstrated by net income of USD 4.2 billion

Net income
(USD millions)



Dear shareholders
I am very proud to report on the performance and growth of our Group in 2012, demonstrated convincingly by our net income of USD 4.2 billion. All Business Units contributed to this excellent result, including a strong return on Group investments of 4.0%.

These are my first annual results where I write to you as Group CEO. I am very glad that I can start by sharing such great news. This performance is the result of tireless effort from Swiss Re employees around the globe, to whom I would like to express my most sincere gratitude.

Let me run you quickly through their achievements:

The Property & Casualty Reinsurance segment delivered a very strong net income of USD 3.0 billion, represented by a combined ratio of USD 80.7%. The Life & Health Reinsurance segment turned a profit of USD 739 million, though we recognise we still have some work to do on the profitability of this segment. I am pleased by Corporate Solutions' net income of USD 196 million, or 142% higher than in 2011, making good on the growth aspirations we had for this segment when we put a stronger emphasis on the direct corporate business. Admin Re® underwent significant structural changes in 2012 with the sale of its US business, demonstrating the capital agility that was one of the key ideas of our corporate reorganisation. Admin Re® delivered net income of USD 183 million.

With these excellent results behind us we are moving in the right direction on our 2011–2015 financial targets. They remain our top priority and we are working hard to deliver on them. Return on equity was 13.4%, and our earnings per share were USD 11.85 or CHF 11.13.

By working together we can achieve the best: that is the title of this year's annual report and effective shorthand for this year's accomplishments. It is also a good summation of the value Swiss Re provides to its clients.

Across our Group we are harnessing the power of partnership to meet the challenges of business. In South Korea we have worked with Cigna/LINA to develop insurance that covers the cost of cancer treatment for people over the age of sixty. In China we have gone even further, teaming up with local insurers to deliver insurance that covers similar risks for people of all ages — a first in the market. We have become the official insurance provider for Solar Impulse, which aims to become the first solar-powered aircraft to fly around the world. In Vietnam and Mexico we are working together with governments to protect lives and livelihoods.

" With these excellent results behind us we are moving in the right direction on our 2011–2015 financial targets. They remain our top priority and we are working hard to deliver on them."

These examples of partnership and collaboration are equally powerful as examples of our commitment to building value over the long term — appropriate for 2013, as we celebrate Swiss Re's 150th anniversary at a number of events around the globe.

To continue to perform and grow we will add even more focus to two crucial areas: on talent development and on our high growth markets. And success in the latter depends on success in the first. By 2015 we aim to generate 20%–25% of our revenues from high growth markets. For this endeavour we need talented people — people endowed with the right skills and languages, as well as agility and the passion to perform. The development and management of our human capital in these markets will be key to success.

Our targets are ambitious, and conditions before us are challenging. Nevertheless we remain confident we can meet and exceed our goals, recognising that opportunities for risk management are practically limitless, provided we harness the power of collaboration. If the achievements of 2012 are any indication, we are moving in the right direction.

Zurich, 21 February 2013

Michel M. Liès
Group Chief Executive Officer

How we operate

Reinsurance creates stability. By managing risks and covering losses, we protect investments and enable economic growth.

Market forces

Shifting client needs
The set of risks – social, economic, political and environmental – is growing and changing ever more quickly.

Changing regulations
The pace of regulatory change in the financial industry has accelerated, and its scope is growing.

Our approach and why

Innovation and strength
We help clients handle challenges such as longevity and catastrophe risk with innovative, fully developed insurance solutions.

For examples of how we have helped clients meet their changing needs, read the stories from the Reinsurance and Corporate Solutions Business Units beginning on page 16 of the Business Report.

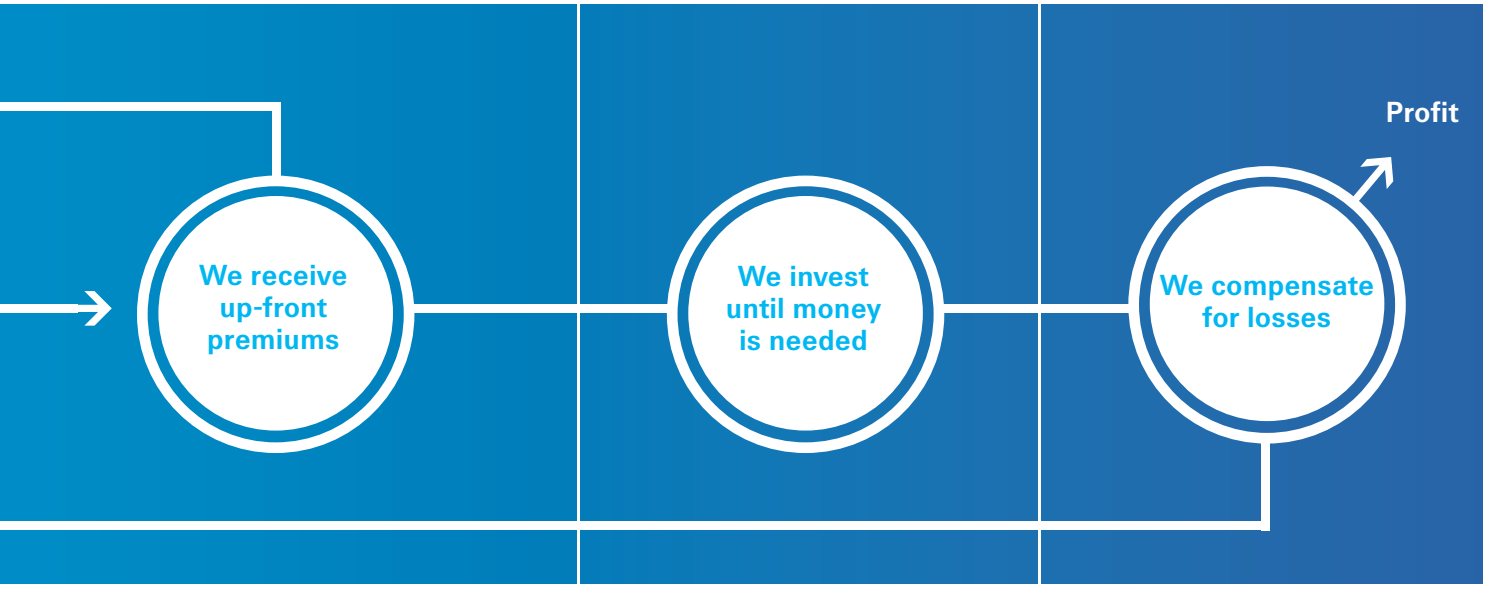
Advocating a smart response
We support a range of measures that will help financial industries to continue conducting business effectively and sustainably — indeed, we make it our business.

To see how our capital strength allows us to turn regulatory uncertainty into good business, read the Admin Re® story beginning on page 24 of the Business Report.

Momentary equilibrium
While re/insurance prices have held steady in 2012, a variety of factors, including low interest rates and regulatory change, point toward prices rising higher.

Low interest rates
Persistently low interest rates challenge the profitability of both life and non-life insurers.

Renewing trust
Many factors, weak growth and high unemployment among them, are putting pressure on private sector institutions to prove their social value.



A structure for success
Our realigned corporate structure enables capital to move more efficiently among our businesses, allowing us to be agile in meeting Group-wide financial targets — no matter where we are in the cycle.

For full details of how the Business Units performed in 2012, see pages 20–35 of the Financial Report.

Asset-liability management
We apply a top-down, Group-wide investment strategy consistently across all Business Units' (BUs) investments. Each BU's characteristics and objectives are reflected in its strategic asset allocations.

To read about our Group and BU investment results, see pages 20–35 of the Financial Report.

Broad resilience and sustainability
We embrace our role in supporting resilience against natural catastrophes and other perils. In 2012 we were named the most sustainable company in the insurance sector for the fifth year in a row by SAM, provider of one of the world's leading corporate sustainability benchmarks.

To see some of the measures we have taken to maintain and build long-term value, see pages 32–39 of the Business Report.

Our business

Swiss Re is a leader in wholesale reinsurance, insurance and risk transfer solutions. Our clients include insurance companies, mid-sized and multinational corporations and public sector bodies. Our capital strength and knowledge enable the risk-taking on which economies depend.

The Swiss Re Group

Business Unit		Net premiums earned and fee income (USD billions)	Net income (USD millions)
Reinsurance We cover the reinsurance needs for non-life and life insurers through the Property & Casualty and Life & Health segments.	Property & Casualty	2012: 12.3 2011: 10.1	2012: 2 990 2011: 1 099
	Life & Health	2012: 9.1 2011: 8.4	2012: 739 2011: 1 664
Corporate Solutions We offer innovative, high-quality insurance capacity to mid-sized and large multinational corporations.		2012: 2.3 2011: 1.9	2012: 196 2011: 81
Admin Re® We acquire closed in-force life and health books of business, which we administer through Admin Re®.		2012: 1.7 2011: 1.7	2012: 183 2011: 329
Total (after consolidation)		2012: 25.4 2011: 22.2	2012: 4 201 2011: 2 626

Diversified and global

Return on equity

26.7%
(11.0% in 2011)

8.9%
(21.2% in 2011)

7.4%
(3.7% in 2011)

2.6%
(5.0% in 2011)

13.4%
(9.6% in 2011)

Operating performance

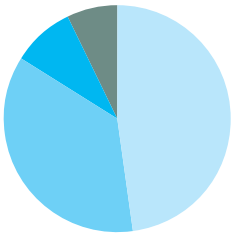
80.7%
(104% in 2011)
Combined ratio

75.5%
(74.5% in 2011)
Benefit ratio

96.2%
(107.9% in 2011)
Combined ratio

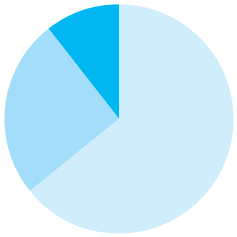
1196 m
(USD 302m in 2011)
Gross cash generation

Net premiums earned in 2012
(Total: USD 25.4 billion)



48% P&C Reinsurance
36% L&H Reinsurance
9% Corporate Solutions
7% Admin Re®

Employees
(Total: 11 193 regular staff[1])



64.2% EMEA
25.4% Americas
10.4% Asia-Pacific

[1] as of 31 December 2012

For the online version of our Annual Report see **swissre.com/annualreport**

Financial year

Swiss Re delivered an excellent net income of USD 4.2 billion. The underlying business performance of the Group was clearly very strong. Overall the year was characterised by ongoing economic weakness in developed countries and an uneven pattern of growth in developing countries, with significant financial market volatility led primarily by developments in Europe.

Market environment

The eurozone debt crisis dominated financial market developments. High uncertainty and sluggish growth further lowered benchmark government bond yields.

The global economy and financial markets

Global growth remained moderate in 2012, restrained by the ongoing recession in many European economies, while the eurozone debt crisis dominated financial market developments. Benchmark government bond yields rose during the first quarter, but dropped subsequently as the eurozone debt crisis intensified. After the peak of the debt crisis in July, equity markets rallied and bond yields increased slightly. Credit spreads narrowed for most of the year as investors sought higher yields.

Global economy

The recession in many European economies continued or even intensified in 2012. Tight fiscal policies, restrictive credit conditions and high uncertainty weighed on economic activity, particularly in Europe's periphery, where fears of a euro exit or break-up also led to capital flight. Moderate growth continued in Germany, supported by extremely low interest rates and robust exports to emerging markets. In the UK, the economy contracted further before growth resumed in the second half of the year. Growth was more robust in the US, but remained fairly moderate despite support in the second half from a recovery in the housing market. Uncertainty regarding the "fiscal cliff" weighed on sentiment and likely affected hiring and investment. Reconstruction spending from the 2011 earthquake and tsunami continued to support the Japanese economy during the first half of the year, but weak global demand hampered economic activity in the second half. Growth in emerging markets remained relatively robust, although it was burdened by sluggish demand in Europe and the US and a slowdown in China due to a tightening of credit conditions (see economic indicators table on page 15).

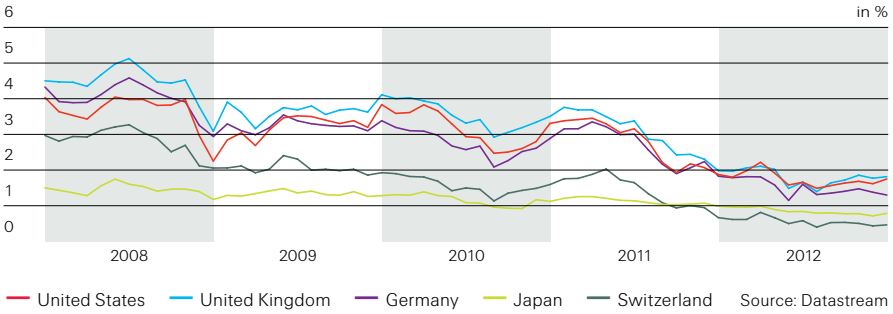
1.3%

German 10-year government bond yield end 2012
(2011: 1.8%)

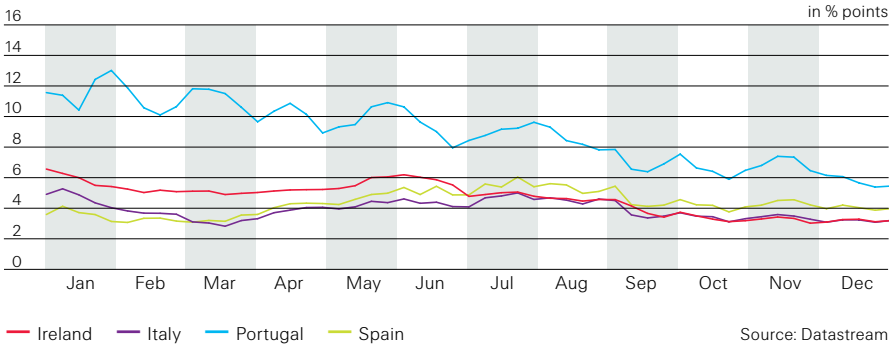
2.2%

US real GDP growth 2012
(2011: 1.8%)

Interest rates for ten-year government bonds 2008 – 2012



Spreads for 10-year government bond yields versus German benchmark 2012



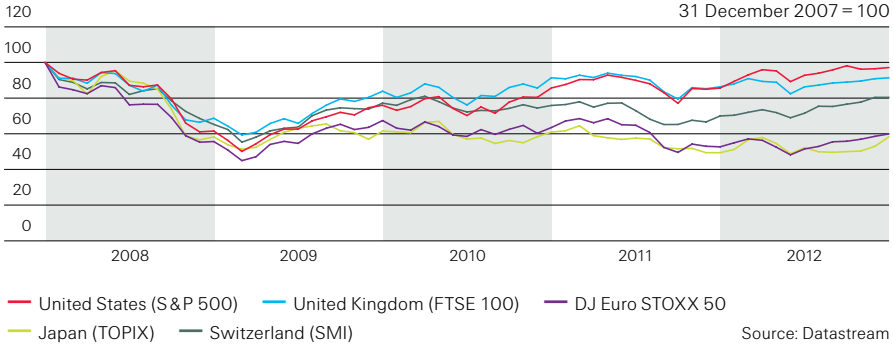
Consumer price inflation declined during the first half of the year, mainly because oil prices stabilised. By year-end, inflation was close to central banks' target rates both in the eurozone and the US. Inflation moderated in most emerging markets, with the main exception of India.

Interest rates

Extremely loose monetary policies continued in 2012. The US Federal Reserve (the Fed) and the Bank of England kept interest rates close to zero, while the European Cental Bank (ECB) lowered rates to 0.75% in July. The Bank of England also increased the size of its government bond purchase programme, while the Fed increased its purchases of longer-dated government bonds at the expense of shorter securities ("Operation Twist"). In September, the Fed also started to purchase mortgage-backed securities to support mortgage markets. Yields on US, UK, and German government bonds increased slightly during the first few months of the year, but then fell sharply as increased risk aversion and central banks' commitment to maintain low interest rates boosted demand for relatively creditworthy government bonds. During the second half of the year, bond yields rose slightly with improving market sentiment, but ended the year well below their January levels (see interest rates chart).

The spreads of Spanish, Irish and Italian sovereign bond yields initially narrowed against the German benchmark, then widened sharply on increased euro exit or break-up fears, to narrow again in the second half of the year (see bond spread chart). Yield spreads between investment grade corporate bonds and government bonds followed a similar pattern, narrowing significantly over the course of the year.

Stock markets 2008 – 2012



Source: Datastream

Economic indicators 2011 – 2012

	USA		Eurozone		UK		Japan		China	
	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Real GDP growth[1]	1.8	2.2	1.5	–0.5	0.9	0.2	–0.5	1.9	9.3	7.8
Inflation[1]	3.1	2.1	2.7	2.5	4.5	2.8	–0.3	0.0	5.4	2.7
Long-term interest rate[2]	1.9	1.8	1.8	1.3	2.0	1.8	1.0	0.8	3.5	3.6
Per 100 units of foreign currency, as of 31.12.2012										
USD	–	–	130	132	155	162	1.30	1.15	15.9	16.0
CHF	93.9	91.5	122	121	146	149	1.22	1.06	14.9	14.7

[1] Yearly average
[2] Year-end
Source: Swiss Re Economic Research & Consulting, Datastream, CEIC

Stock market performance

The eurozone debt crisis continued to drive stock market performance in 2012. Early in the year, stock markets profited from several positive developments: the March agreement on the second Greek bailout averted any imminent risk of a disorderly Greek sovereign default and euro exit or break-up. The accompanying debt restructuring left private investors less exposed to Greece, mitigating contagion risk from potential future Greek defaults. The ECB's unlimited liquidity provision to European banks also averted the risk of a liquidity-driven bank failure. This, plus increasing evidence that the US economy would avoid recession, helped boost stock market performance (see stock markets chart).

Risk appetite diminished in the second quarter as European economic indicators deteriorated and elections in Greece favoured radical parties that opposed the adjustment programme that had been agreed with the EU, the IMF and the ECB. This aggravated fears of a Greek exit from the euro, leading to widespread contagion and capital flight from Europe's peripheral economies. Only the ECB's forceful commitment at the end of July to do "whatever it takes" to preserve the single currency managed to contain the turmoil. Political agreement on increased fiscal and banking sector integration and the ECB's commitment to act as governments' "lender of last resort" restored market confidence. The major stock markets showed positive 2012 performance ranging from 6% (FTSE 100) to 18% (TOPIX).

Currency movements

During the first few months of the year, the US dollar weakened slightly against the euro, the British pound, and the Swiss franc, before strengthening significantly as the escalating debt crisis weighed on these currencies (see currency section of economic indicators table). Towards year-end, the US dollar weakened again reflecting rising market confidence to end the year slightly weaker versus the euro (–2%), the Swiss franc (–3%) and the British pound (–5%). On the other hand the dollar gained 11% against the Japanese yen on expectations of significant monetary easing by the Bank of Japan.

Primary non-life

Commercial insurance grows in emerging markets

The main generator of growth in non-life insurance is the pace of general economic development: when wealth increases, so does insurance demand. As described in Swiss Re's sigma (issue 5/2012, "Insuring ever-evolving commercial risks"), commercial insurance premiums are growing about three times faster in emerging markets than in advanced markets.

This growth stems not only from an expanding economy, but also from increasing market penetration, as expanding multinationals seek to protect themselves against more complex risks and smaller companies enhance their risk awareness.

In the past three decades, emerging markets in Asia, particularly China and India, have transformed their agriculture-based economies, establishing and expanding manufacturing capacities, and developing domestic and export-led service sectors. Each development stage increases insurance demand.

Market overview
The global non-life industry generated around USD 2 000 billion of premium income in 2012, of which around 18% was generated in emerging markets. Non-life insurance extends from standardised motor and household insurance to sophisticated tailor-made liability and property covers, including specialty commercial and industrial risk insurance.

Market performance
Growth in non-life insurance business further accelerated in 2012. In advanced markets this was due primarily to moderate rate increases in some countries, with exposure growth generally weakening with the slowing global economy. In emerging markets growth remained at a much higher level than in advanced markets, though moderating slightly compared to 2011.

Underwriting results recovered from record catastrophe losses in 2011[1]. Nevertheless, adjusting for catastrophe losses and positive reserve developments from earlier accident years, underlying underwriting profitability continued to erode due to rising claims and several years of softening rates. The gradual improvement in premium rates in some key markets has not yet been able to change the general soft market picture.

The industry also saw weak investment returns, partly due to record low interest rates and feeble capital gains or capital losses. The eurozone debt crisis also lowered the mark-to-market valuations of some fixed income securities. Squeezed from all sides, the average profitability for the industry was low, with a return on equity for 2012 of only 5%.

2 000

Market size in USD billions
Estimated global premium income in 2012

5%

Market performance
Estimated average return on equity in 2012

Outlook
Global economic forecasts for 2013 are more positive and the demand for non-life insurance should increase. Strong premium growth is expected to continue in emerging markets, although growth will slow due to weaker macroeconomic conditions in Latin America and Asia.

[1] See Swiss Re's 02/13 sigma on natural catastrophes and man-made disasters in 2012; available April 2013.

Reinsurance non-life

Market overview
Global non-life reinsurance premiums in 2012 totalled about USD 180 billion, 25% of which stemmed from ceding companies in emerging markets. In general, reinsurance demand is a function of the size and capital resources of primary insurance companies, as well as of the risk profile of the insurance products provided.

Market performance
Aside from the financial crisis and the soft underwriting cycle, natural catastrophes are leaving the most substantial mark on earnings for the reinsurance sector. In the first three quarters of 2012, the global reinsurance industry enjoyed a good, though not strong, performance. The fourth quarter, however, saw multi-billion-dollar claims from Hurricane Sandy. Based on currently available information, we estimate a combined ratio of below 95% for the reinsurance industry in 2012, an improvement over 2011 with 110%, but in the same range as the 96% combined ratio in 2010.

Nevertheless, underwriting profitability in reinsurance markets held up better than in many primary markets. The industry still benefits from the hard market years of 2002 and 2003, and from the more benign claims of the 2009 and 2010 recession years. Releases from loss reserves in prior years are currently helping to improve underwriting results.

Like primary insurers, reinsurers have suffered from the eurozone debt crisis, low interest rates and weak equity markets. Their investment income is down this year. Squeezed from underwriting and investment, their overall profitability was also down: most expect a return on equity of above 10% for the full year, up from 4% in 2011.

180

Market size in USD billions
Estimated global premium income in 2012

10%

Market performance
Estimated average return on equity in 2012

The reinsurers' capital base remains strong, but capital requirements have increased due to hikes in risk charges associated with reserves, higher modelled exposures to natural catastrophes, and riskier assets. Additional uncertainties relate to Solvency II requirements which are also likely to raise capital requirements further.

Outlook
2013 renewals are expected to be stable to slightly firmer. Significant hardening is expected to be limited to lines and segments that have recently experienced high losses.

Assuming average catastrophe losses, we expect the combined ratio to be around 97% in 2013. This estimate is based on a scenario that assumes a moderate rate increase, a less benign claims environment than the last three years and declining reserve releases. The overall profitability outlook for 2013 and 2014 is moderate: we expect an average return on equity for the reinsurance industry of 8% to 9%.

Exposure to natural catastrophes increases

The demand for re/insurance cover for natural catastrophes has risen significantly in the past ten years. It is likely to increase further as economic development continues in emerging markets and as property and commercial values accumulate in high-risk coastal areas.

Emerging markets represent a rising proportion of insured assets, reflecting their growing share of the global economy and increasing risk awareness.

As demand for property catastrophe treaties is rising, the global reinsurance business is also increasingly exposed to the performance volatility associated with extreme weather events which, evidence suggests, may be aggravated by climate change going forward.

Primary life

Savings and retirement products under pressure from low interest rates

The current low interest rate environment has reduced profitability throughout the industry, particularly in long-term business where investment income is a major source of earnings.

Life insurers are more affected than non-life insurers, especially in savings products that provide performance guarantees to policyholders. Policy terms such as the option to withdraw money without penalty also increase the strain on profits.

Insurers have limited room to respond to low interest rates for in-force business because policy terms cannot be changed. However, new life insurance products need to be adapted to the current investment environment. Appropriate pricing and guarantee levels should be supplemented by product redesign that aids hedging against interest rate risks, so that all parties are better prepared for any future interest rate scenario.

Market overview
Global life insurance premiums totalled about USD 2 600 billion in 2012, of which around 15% was generated in emerging markets. About 85% of premium income derives from savings and retirement products. Protection products, which cover mortality and morbidity risks, have a declining share in premium income.

Market performance
Global life insurance premium income stagnated in 2012 in real terms, declining in most advanced markets. The only advanced markets with strong growth were in Asia: Japan, Hong Kong, Singapore, South Korea and Taiwan. In emerging markets, premium income increased: growth was strongest in Latin America and Eastern Europe, followed by Africa. In emerging Asia, aggregate premium income remained unchanged, mainly due to a slight decline in China and India: in both countries, regulatory changes constrained sales.

Sales of protection products are traditionally much less volatile than insurance savings products. Protection products held up relatively well during the crisis, with stable premiums in the UK and US after years of contraction, and increased volumes of new business in other important markets, particularly in Asia.

Most companies reported respectable results, but the situation remains challenging. Low interest rates, volatile financial markets, regulatory changes and weak demand — especially for life insurance savings and accumulation products — have created a demanding business environment. Nevertheless opportunities remain for life insurers able to generate sales from the large and persistent protection gap.

Despite its recovery after the financial crisis, profitability has declined steadily since the end of 2009. Average return on equity is now close to 10%, down from 12% in 2010 and 2011.

2 600

Market size in USD billions
Estimated global premium income in 2012

0%

Market performance
Estimated global premium growth in 2012

Outlook
The future of the life insurance industry depends principally on the macroeconomic environment, financial markets and interest rates. In the short term, the outlook is clearly challenging: premium income is expected to recover only slowly and profitability is not expected to improve soon, not only because of low interest rates and weak sales, but also because of high hedging costs and more onerous capital requirements.

Life reinsurance

Market overview
Global life reinsurance premiums totalled slightly over USD 50 billion, 70% of which came from the US, Canada and the UK. Ceding companies from emerging countries accounted for only 6% of global demand. Life reinsurers are increasingly diversifying away from traditional mortality business, which is currently flat.

Market performance
Unlike the stagnating primary life insurance industry, the life reinsurance industry saw an increase in premium income of 4%. Although life reinsurance is mostly linked to the relatively stable protection business, business volume was boosted by increasing demand for non-traditional reinsurance transactions, such as block deals, longevity risk transfer and capital relief solutions.

Block transactions help primary insurers to unwind those parts of their portfolios that they no longer sell. The market for longevity risk transfer continues to show strong growth, albeit from low volumes. There is also substantial demand for reinsurance solutions as a means to manage the capital strain put on primary life and health insurers by the macroeconomic environment.

Nevertheless results are suffering from adverse capital market conditions, with dwindling investment income eroding overall profitability. In 2012, the industry average life reinsurance pre-tax operating result declined to about 8% of net premiums earned, compared to 10% in 2011 and 9% in 2010.

50

Market size in USD billions
Estimated global premium income in 2012

4%

Market performance
Estimated global premium growth in 2012

Outlook
On fundamentals, the outlook for 2013 is unchanged from 2012. A volatile macroeconomic environment will make it difficult to improve life reinsurance profitability. On the other hand, increasing pressure on a number of primary life insurers is expected to generate a steady demand for capital solutions and other forms of non-traditional reinsurance.

Longevity creates new source of demand

The market for longevity risk transfer continues to show strong momentum, as reinsurers develop new solutions for private and public pension plans as well as for primary companies with annuity business.

During 2012, clients transferred more than USD 20 billion in longevity liabilities through publicly disclosed longevity reinsurance and swap transactions; this compares to USD 9 billion for the full year in 2010 and USD 15 billion for 2011. The market is most active in the UK, although there have been large deals in continental Europe and transactions with Australian and Canadian insurers.

Longevity reinsurance activity is expected to grow in other markets as well, including the Netherlands, Switzerland and the US, where there is significant potential demand, particularly from pension funds.

Group results

Excellent net income of USD 4.2 billion driven by very strong underlying business performance

Swiss Re reported annual net income of USD 4.2 billion in 2012, compared to net income of USD 2.6 billion in 2011. Earnings per share were CHF 11.13 or USD 11.85, compared to CHF 6.79 or USD 7.68 in 2011.

The Group results in 2012 reflect a strong underlying performance together with prior-year reserve releases and significant realised gains on investments.

Property & Casualty Reinsurance reported net income of USD 2 990 million driven by strong underwriting performance, a continuation of strong underlying margins and favourable development of prior-year reserves. Life & Health Reinsurance delivered net income of USD 739 million, compared to USD 1 664 million in 2011. The result for 2012 reflects lower investment income and a continuation of the negative performance of business written in the Americas prior to 2004. In 2011 the result included exceptionally large mark-to-market gains on the foreign exchange portfolio that was designated as trading.

Corporate Solutions delivered net income of USD 196 million reflecting profitable business growth.

Admin Re® reported net income of USD 183 million, which includes a loss of USD 399 million due to the sale of the Admin Re® US business. Excluding the effects of the sale, Admin Re®'s net income was USD 582 million during the year driven by an improvement in investment performance, including higher realised gains. In addition, management actions provided one-off benefits to the result.

The Group's combined ratio improved significantly to 83.1% in 2012, compared to 104.7% in 2011. The net impact from natural catastrophes on the combined ratio in 2012 was 8.0 percentage points, which is 0.6 percentage points below the expected level. In 2011, natural catastrophe experience was approximately 19.4 percentage points higher than expected.

Both periods benefited from better than expected development of prior accident years, amounting to a 7.4 percentage point impact for the 2012 combined ratio, after 11.0 percentage points in 2011.

The return on investments for 2012 was 4.0%, compared to 4.4% in 2011. Excluding the impact of foreign exchange, return on investments was 4.2% in 2012, compared to 3.7% in 2011. On a full year basis, the Group running yield declined to 3.2%, compared to 3.6% during 2011.

Shareholders' equity increased USD 4.4 billion to USD 34.0 billion compared to 31 December 2011, driven by net income partially offset by the Group's dividend. Furthermore, during the year the Group issued two contingent capital instruments with an aggregate face value of USD 1.1 billion that are reported as components of shareholders' equity.

Return on equity increased to 13.4% in 2012 from 9.6% in 2011 driven by the strong earnings in the period.

During the year non-controlling interests decreased by USD 1.7 billion reflecting the sale of Swiss Re Private Equity Partners AG and the acquisition of the ownership interest in New California Holdings, Inc.

Book value per common share was USD 95.87 or CHF 87.76 at the end of December 2012, compared to USD 86.35 or CHF 80.74 at the end of 2011. Book value per common share is based on common shareholders' equity and excludes non-controlling interests and the impact of contingent capital instruments.

For information on segment shareholders' equity, please see pages 202 to 203.

Full-year 2012 Group operating results
Property & Casualty Reinsurance reported USD 12.3 billion in premiums earned, an increase of 22% compared to the prior-year period. The increase reflects successful renewals in 2012 and continued earnings from large quota share treaties written in 2011. Life & Health Reinsurance premiums earned and fee income increased 9%, driven by health business growth in Europe and Asia, new longevity transactions and higher rates in the Americas. Corporate Solutions premiums earned increased 18% to USD 2.3 billion, reflecting successful organic growth across all major lines of business.

The Property & Casualty Reinsurance claims and claim adjustment expenses decreased 15% in 2012 compared to 2011. This reflects natural catastrophe experience within expected levels for 2012, despite the impact from Hurricane Sandy in the last quarter of 2012. Both reporting periods benefited from reserve releases due to favourable development of prior accident years.

The Corporate Solutions claims and claim adjustment expenses were stable year on year. 2012 reflects higher business volumes and fewer large losses compared to 2011. Loss occurrence was in line with expectations compared to a higher than average burden in 2011.

Life & Health Reinsurance benefits increased 8% to USD 6.8 billion compared to 2011, mainly due to health business growth in Europe and Asia and continued lapses from the business written in the Americas prior to 2004. The benefit ratio increased slightly to 75.5% in 2012, compared to 74.5% in 2011.

Returns credited to policyholders reflect the investment performance on the underlying assets, mainly backing unit-linked and with-profit policies, which are passed through to policyholders. In 2012, returns credited to policyholders were USD 3.0 billion, compared to USD 61 million in the prior year.

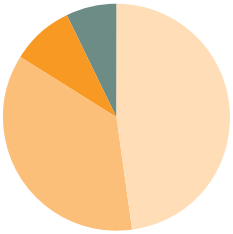
Acquisition costs for the Group increased 13% to USD 4.5 billion, reflecting higher business volumes.

Administrative expenses increased 7% to USD 2.9 billion, driven by higher variable compensation reflecting the strong underlying performance of the Group, various initiatives related to the implementation of the new Group structure and strategic growth initiatives.
Other expenses decreased USD 21 million to USD 300 million.

Interest expenses were USD 0.7 billion, a decrease of 14% over 2011, mainly due to lower average debt outstanding during the year compared to 2011.

The Group reported a tax expense of USD 1.1 billion on a pre-tax income of USD 5.5 billion in 2012, compared to an expense of USD 77 million on a pre-tax income of USD 2.9 billion in 2011. The results reflect an effective tax rate in the current and prior year of 20.4% and 2.7%, respectively. The higher effective tax rate in the current year was a result of lower tax benefits from reductions in the local statutory valuations of investments in subsidiaries and changes in local country tax rates.

Net premiums earned by Business Unit, 2012
(Total: USD 25.4 billion)



48% P & C Reinsurance
36% L & H Reinsurance
9% Corporate Solutions
7% Admin Re®

Group investments

Strategy
Swiss Re maintained a balanced investment management approach throughout the year, taking into account each Business Unit's risk appetite and strategy. At the same time, the key longer-term risk factors were monitored such as the eurozone debt crisis, growth sustainability in the US as well as China "hard landing" concerns, while the Group's and Business Units' investments have been steered within the Group's asset-liability management (ALM) framework.

Financial markets overview for 2012
Concerns over the global economic outlook and the eurozone debt crisis dominated financial markets. In the first quarter, sentiment was positive as a result of additional liquidity provided by the ECB in the form of three-year long-term refinancing operations (LTROs). Greece also completed its private sector debt restructuring and secured a second bailout programme. Later in the year, political and banking sector risks in Europe as well as a continued weak global economic growth environment were the key market drivers. Market risk appetite improved substantially as global central banks took an even more accommodative stance, as with the ECB's conditional bond-buying plan. Following US President Obama's re-election in November, attention shifted to the uncertainty around the looming US "fiscal cliff".

The environment in 2012 was supportive for core sovereign bond markets: US Treasury and "core" European government bond yields declined further with US 10-year Treasury yields reaching a new all-time low of 1.39% in July 2012. Equities had a good start into the year: the S&P 500 was up 12% in the first quarter, followed by a market correction in the spring. After a renewed "risk-on" period, volatility increased again somewhat in the fourth quarter. Once more, credit risk proved to deliver very strong total returns thanks to both tightening spreads and falling government bond yields.

Investment result
The Group's investment portfolio decreased to USD 137.4 billion at the end of December 2012, excluding unit-linked and with-profit businesses, compared to USD 150.6 billion at the end of December 2011. This was primarily due to the reduction in investments from the sale of the Admin Re® US business, being partially offset by mark-to-market and foreign exchange gains. The Group engaged in moderate re-risking during the year, increasing its exposure to spread-related products by approximately USD 5.0 billion and to equity products by USD 0.8 billion.

Operating income for investments, including the impact of foreign exchange, decreased to USD 5.2 billion in 2012 from USD 5.7 billion in 2011. This was driven by realised gains, reduced hedging costs and lower impairments during the year, which more than offset the lower net investment income from decreasing yields and a lower asset base from the sale of Admin Re® US completed in the third quarter of 2012. The return on investments declined 0.4 percentage points in 2012 to 4.0% from 4.4% in 2011. Excluding the impact of foreign exchange, return on investments was 4.2% in 2012, compared to 3.7% in 2011.

Net investment income from investments was USD 3.6 billion for 2012, compared to USD 4.0 billion for 2011. This was mainly due to lower yields and the impact of a lower asset base from the sale of Admin Re® US business. On a full year basis, the Group running yield declined to 3.2%, compared to 3.6% during 2011.

Net realised gains from investments, including the impact of foreign exchange, were USD 1.5 billion for 2012, compared to USD 1.7 billion for 2011. For 2012, net realised gains on sales of USD 2.1 billion were partially offset by losses on hedges of USD 0.3 billion and impairments of USD 0.2 billion.

Including mark-to-market gains, which increased shareholders' equity by USD 1.7 billion, primarily from the impact of lower interest rates on government bonds and credit spread tightening, the total return on investments reached 5.4% in 2012.

Outlook
Looking ahead, credit risk is expected to remain attractive in risk-adjusted terms within the current global low growth and low interest rate environment. The fiscal and debt outlook in advanced economies continues to be challenging, with the political economy dimension likely to remain a key driver for financial markets in 2013, warranting a continued disciplined "top-down" investment strategy.

3.6

Net investment income
in USD billions, 2012

4.0%

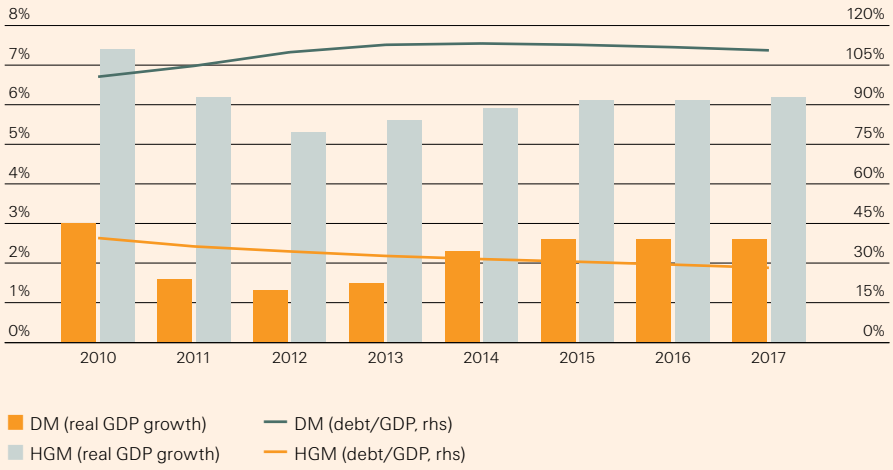
Group return on investments
2012

Asset management in high growth markets

Swiss Re's investments in high growth markets (HGM), mainly in government and corporate bonds, have more than doubled to around USD 5 billion over the past three years. Thus far these assets have performed well, returning on average around 9%–13% per year across asset classes since 2002. We continue to find HGM assets attractive, particularly US dollar-denominated bonds issued by HGM sovereigns and corporates residing in HGM countries.

Among the many factors underlying the HGM investment case are stronger economic growth than in developed markets (DM); lower government and household indebtedness; sounder fiscal policies (with many countries in surplus); and more favourable demographics. The latest International Monetary Fund (IMF) forecasts expect the growth gap between HGM and DM gross domestic product (GDP) to remain at over 3% for the next five years. Meanwhile, government debt/GDP ratio in HGM is set to fall to below 30% over the same period, whereas the ratio in DM is expected to remain above 100% (see figure). These macro trends have enhanced institutional investors' interest in HGM countries, which has been reinforced by the numerous country rating upgrades over the last 5–10 years. As the institutional credibility of HGM develops, the longer-term outlook becomes ever more positive. Last but not least, investing in HGM also makes sense from an underlying business perspective.

Real GDP growth and government debt/GDP for HGMs and DMs



Source: IMF World Economic Outlook, October 2012

Building the investment case

Demographics — a key factor that drives financial markets over the longer-term — are favourable in HGM, with relatively younger populations in most countries. Barring HGM where population aging already is or will be a challenge over the next decade (notably China, Russia and Eastern Europe), these countries will experience an increase in the working age population that, combined with effective public policies, would facilitate even more rapid economic growth.

Asset markets in HGM countries could benefit from structural changes. These assets, with a total market capitalisation estimated at approximately USD 16 trillion (around 20% of the size of world equity and debt markets), are under-represented in the global context, given that HGM countries account for around 38% of global GDP and about 70% of global GDP growth in 2012. Credit ratings are also improving, as the average rating of HGM debt in various market indices has improved to "BBB" today from an average rating of "BB" in 2002, as several HGM sovereigns have been upgraded to investment grade over the past few years. The markets for HGM assets should therefore grow in terms of depth and breadth.

The investment case is especially strong for the re/insurance sector. According to Swiss Re's sigma study from October 2012, growth in commercial insurance (with annual premiums of USD 600 billion globally) is becoming more concentrated in HGM: over the past decade, premiums from HGM have grown by an average of 14% per year, or two to three times faster than in DM (5.4%)[1]. This means that investments in HGM will be increasingly important to the entire re/insurance sector, and especially to Swiss Re, which aims to earn 20%–25% of premiums in these markets by 2015. The need to align HGM investments with our insurance liabilities will be fundamental to meeting these targets.

Investing in HGM is not without risks and challenges. Financial assets in these markets are likely to exhibit higher volatility and be more exposed to the risk of contagion from global economic shocks despite improvements in risk perception by market participants. Also, lower liquidity of HGM assets, higher transaction costs and restrictions placed on foreign investors are further potential deterrents for some investors.

Despite these risks, the merits of investing in HGM assets cannot be ignored. The macro outperformance, yield enhancement and diversification benefits, as well as a widening investor base make the longer-term case for investing in HGM assets strong.

[1] Swiss Re sigma No 5/2012, Insuring ever-evolving commercial risks.

Summary of financial statements

Income statement

USD millions	2011	2012	Change in %
Revenues			
Premiums earned	21 300	**24 661**	16
Fee income from policyholders	876	**785**	–10
Net investment income – non-participating	4 626	**4 473**	–3
Net realised investment gains/losses – non-participating	1 634	**947**	–42
Net investment result – unit-linked and with-profit	–403	**2 570**	–
Other revenues	50	**188**	276
Total revenues	28 083	**33 624**	20
Expenses			
Claims and claim adjustment expenses	–8 810	**–7 763**	–12
Life and health benefits	–8 414	**–8 878**	6
Return credited to policyholders	–61	**–2 959**	–
Acquisition costs	–4 021	**–4 548**	13
Administrative expenses	–2 730	**–2 917**	7
Other expenses	–321	**–300**	–7
Interest expenses	–851	**–736**	–14
Total expenses	–25 208	**–28 101**	11
Income before income tax expense	2 875	**5 523**	92
Income tax expense	–77	**–1 125**	–
Net income before attribution of non-controlling interests	2 798	**4 398**	57
Income attributable to non-controlling interests	–172	**–141**	–18
Net income after attribution of non-controlling interests	2 626	**4 257**	62
Interest on contingent capital instruments	0	**–56**	–
Net income attributable to common shareholders	2 626	**4 201**	60

Changes in equity

USD millions	2011	2012	Change in %
Total shareholders' equity as of 1 January	25 342	**29 590**	17
Net income attributable to common shareholders	2 626	**4 201**	60
Change in unrealised gains/losses on securities, net	3 181	**184**	–94
Change in other-than-temporary impairment, net of tax	51	**90**	76
Change in foreign currency translation	–199	**332**	–
Dividends	–1 035	**–1 134**	10
Contingent capital instruments	0	**1 102**	–
Purchase/sale of treasury shares and shares issued under employee plans	–123	**–11**	–91
Other changes in equity	–253	**–352**	39
Total shareholders' equity as of 31 December	29 590	**34 002**	15
Non-controlling interests	1 697	**24**	–99
Total equity as of 31 December	31 287	**34 026**	9

Summary balance sheet

USD millions	2011	2012	Change in %
Assets			
Investments			
Fixed income securities	97 223	**88 848**	–9
Equity securities	2 531	**3 774**	49
Policy loans, mortgages and other loans	5 640	**2 299**	–59
Investment real estate	645	**777**	20
Short-term investments, at amortised cost which approximates fair value	13 660	**18 645**	36
Other invested assets	20 176	**12 968**	–36
Investments for unit-linked and with-profit business	22 349	**25 501**	14
Total investments	162 224	**152 812**	–6
Cash and cash equivalents	11 407	**10 837**	–5
Reinsurance assets	32 342	**34 883**	8
Deferred acquisition costs and other intangible assets	8 149	**7 062**	–13
Goodwill	4 051	**4 092**	1
Other assets	7 726	**6 099**	–21
Total assets	225 899	**215 785**	–4
Liabilities and equity			
Unpaid claims and claim adjustment expenses	64 878	**63 670**	–2
Liabilities for life and health policy benefits	39 044	**36 117**	–7
Policyholder account balances	34 162	**29 349**	–14
Unearned premiums	8 299	**9 384**	13
Funds held under reinsurance treaties	2 436	**3 642**	50
Reinsurance balances payable	3 962	**3 754**	–5
Income taxes payable	442	**604**	37
Deferred and other non-current taxes	2 853	**3 724**	31
Short-term debt	4 127	**3 612**	–12
Accrued expenses and other liabilities	17 868	**11 617**	–35
Long-term debt	16 541	**16 286**	–2
Total liabilities	194 612	**181 759**	–7
Total shareholders' equity	29 590	**34 002**	15
Non-controlling interest	1 697	**24**	–99
Total equity	31 287	**34 026**	9
Total liabilities and equity	225 899	**215 785**	–4

Reinsurance

Reinsurance consists of two segments, Property & Casualty and Life & Health. The Business Unit operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management.

Strategy and priorities
Our Reinsurance strategy is based on excellence in our core business and smart expansion in selected pockets of growth. By continuously striving to improve the value of our products and services for our clients we make 'client centricity' our overarching theme.

Excellence in our core businesses is predicated on underwriting as a key differentiator based on industry leading cycle management and portfolio steering. This includes the steering of peak perils, our risk transformation capabilities, and research and development. As a few examples, in Property, we have our own research team and models for storm, earthquake and flood. In Casualty, we are developing a forward-looking 'nat-cat-like' model based on a systematic assessment of risk drivers. In Life & Health our unparalleled mortality experience data allow us to better quantify the underlying risk.

Our key value drivers are large capacity, technical expertise and the ability to develop tailored solutions to meet clients' needs, for example in the area of solvency relief. In addition we have a market-leading position in transferring both property and life risks to the capital markets.

We see growth opportunities in longevity and health as well as high growth markets such as China, India, Indonesia, Brazil and Mexico, where we are pursuing opportunities with tailored approaches and dedicated resources.

Property & Casualty
Active cycle management and portfolio steering remain Swiss Re strengths. In 2012, we continued to deploy capacity to those segments where we expect to achieve the most attractive return on our shareholders' capital. We continued to invest substantially into research & development as a value driver for underwriting to maintain our competitive advantage.

Loss activity in 2011 drove natural catastrophe rates up in 2012, especially in loss-affected markets, and we were able to capture profitable growth. Property and specialty reinsurance continued to deliver excellent earnings, each with a relatively high economic profit margin. Due to the prolonged period of low interest rates, profitability in casualty continued to be challenging around the world, particularly in the US. However, we saw a slowing of reserve releases and some positive price signals at the primary level, indicating some improvement in the market. We focused on large capital relief transactions as well as external run-off deals. As for the Reinsurance Business Unit overall, capturing opportunities in growth markets remained a key priority in P&C. Notable examples of this focus include our reinsurance cover for the Hong Kong-Zhuhai-Macau Bridge, as well as the tailor-made solutions and products we delivered in 2012 to reinsure China's growing number of vehicles.

Life & Health
In 2012 the environment for Life & Health was more difficult than for Property & Casualty, with challenges stemming from low interest rates and declining premium volumes. Upcoming regulatory changes will encourage large primary insurers in Europe and Canada to retain more mortality risk, driving increased competition for the reinsured portion.

Our Life & Health growth strategy focuses on longevity and health. Longevity represents a very large risk pool that is expected to grow further as demographics shift. Swiss Re is a natural and efficient holder of longevity risk as it is a partial hedge against our large mortality portfolio and does not correlate with property and casualty risks. And given our unique ability to deploy large net capacity, we are well positioned to achieve significant growth in this area, as shown by the GBP 800 million (USD 1.3 billion) longevity insurance contract we closed in 2012 covering over 5,000 members of the pension fund of UK insurer LV=. The transaction confirms our position as the leader in the longevity swap market, having transferred over USD 12 billion in longevity liability to our own books. Our substantial investment into research and development is aimed at continually improving our ability to predict mortality and longevity trends.

Several major demographic and socio-economic trends are intensifying demand for commercial health insurance solutions, including: the greater healthcare needs of ageing societies; rising healthcare expectations of the new middle class, especially in growth markets; and healthcare finance reform, particularly in mature markets. Swiss Re offers a variety of health reinsurance solutions to meet these needs, from short-term protection against the risk of volatility in medical expenses for insurers or employers, to very long-term protection against the financial impact of disability or critical illness.

Outlook
We believe we are well positioned to capture the market opportunities ahead of us. Our excellent capitalisation allows for business growth and continued dividends to the holding company.

We believe that the main factors driving reinsurance market prices — interest rates, regulatory changes, inflation, reserve adequacy, industry capitalisation and natural catastrophes — indicate higher prices for reinsurance and we aim to benefit from this trend in Property & Casualty. In Life & Health we will continue to actively manage our in-force book to increase profitability and develop new solutions to grow, particularly in longevity and health.

Property & Casualty

Performance
Net income increased 172.1% to USD 3.0 billion in 2012 from USD 1.1 billion in 2011 driven by strong underwriting performance, reflected in significant premium growth and continued very strong underlying margins. Both years benefited from favourable prior accident years development.

Natural catastrophe experience for 2012 was within expectations, while 2011 was heavily impacted by the large Asian natural catastrophe events.

Major natural catastrophe losses in 2012 were caused by Hurricane Sandy, earthquakes in Northern Italy, droughts in the US, Typhoon Bolaven in South Korea and hailstorms in Alberta, Canada.

Net premiums earned
Net premiums earned increased 21.6% to USD 12.3 billion in 2012, compared to USD 10.1 billion in 2011. Growth was driven by large capital relief quota shares, successful renewals in 2012 following the extraordinary natural catastrophe experience of 2011, and continued premium earnings from large transactions written in 2011. As a consequence, the composition of gross premiums earned by region changed so that Asia and EMEA had higher shares in 2012 than in 2011.

The mix between proportional and non-proportional reinsurance changed only slightly in 2012. Based on gross written premiums (before intragroup retrocession), the share of proportional business increased to 61% in 2012, compared to 59% in 2011, mainly as a result of a large capital relief transaction written in 2012.

Combined ratio
The 2012 combined ratio improved to 80.7%, compared to 104.0% in 2011.

The net impact from natural catastrophes on the 2012 combined ratio was 1.3 percentage points below the expected level of 9.4 percentage points. In 2011, natural catastrophe experience was about 24 percentage points higher than expected.

Both periods benefited from better than expected development of prior accident years, amounting to an 8.1 percentage point improvement for the 2012 combined ratio, compared to about 11 percentage points in 2011.

Property & Casualty results

USD millions	2011	**2012**	Change in %
Premiums earned	10 135	**12 329**	22
Expenses			
Claims and claim adjustment expenses	–7 381	–6 306	–15
Acquisition costs	–1 848	–2 316	25
Other expenses	–1 318	–1 325	1
Total expenses before interest expenses	–10 547	–9 947	–6
Underwriting result	–412	2 382	–
Net investment income	1 307	1 451	11
Net realised investment gains/losses	512	259	–49
Other revenues	72	95	32
Interest expenses	–155	–111	–28
Income before income tax expenses	1 324	**4 076**	208
Income tax expense	–65	–934	–
Income attributable to non-controlling interests	–160	–134	–16
Interest on contingent capital instruments		–18	–
Net income attributable to common shareholders	1 099	**2 990**	172
Claims ratio in %	72.8	51.2	
Expense ratio in %	31.2	29.5	
Combined ratio in %	104.0	80.7	

Lines of business
The property combined ratio improved to 74.2% in 2012, compared to 120.2% in 2011, driven by the more benign natural catastrophe loss experience.

The casualty combined ratio for 2012 was 94.0%, compared to 102.7% in 2011. The improvement was mainly due to more positive prior accident year development in 2012 compared to 2011.

The specialty combined ratio improved slightly to 68.0% in 2012, compared to 68.8% in 2011, reflecting favourable claims experience in prior years across all lines.

Expense ratio
The administrative expense ratio improved to 10.7% in 2012, compared to 13.0% in 2011, mainly driven by the increased premium volume.

Investment result
Return on investment increased slightly to 3.2% in 2012, compared to 3.1% in 2011.

Investment income increased by USD 144 million year on year as lower yields were more than offset by favourable mark-to-market valuations on private equity investments and lower expenses.

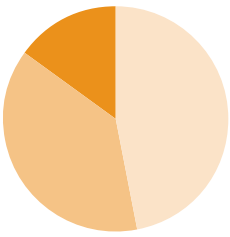
Net realised gains decreased USD 253 million to USD 259 million in 2012 largely due to unfavourable foreign exchange movements year over year, partly offset by higher realised gains from government bond sales.

Return on equity
The return on equity for 2012 was 26.7%, compared to 11.0% in 2011. The improvement was mainly due to the lower impact from natural catastrophes.

Outlook
If natural catastrophe risks continue to grow faster than GDP, as we expect, our property business will continue to grow. In the Special Lines business, volume and profit are expected to increase at a marginally higher rate than GDP, with a disproportionately large contribution from high growth markets in Asia and Latin America.

Profit margins in casualty reinsurance are expected to increase modestly from the current low base. We expect to deploy more capital to this segment when this occurs. New solvency regimes will continue to drive demand for capital relief solutions and we are well positioned to support those clients. Starting in January 2013, we will also see an increase in retained premiums due to the expiry of a 20% quota share treaty with Berkshire Hathaway.

Premiums earned by line of business, 2012
(Total USD 12.3 billion)



Special lines in growth markets

Special lines businesses such as Agriculture, Engineering and Marine play an important role in our growth aspirations in Asia and Latin America.

A growing world population and the increasing share of wealth in Asia and Latin America are driving increases in both agricultural production and infrastructure investment in these countries. These trends present opportunities for the re/insurance industry. Swiss Re has built up the capabilities to provide tailored reinsurance solutions.

Our Agriculture reinsurance solutions address the financial risks triggered by perils such as drought, hail, flood, frost, pest and disease. Revenue covers help mitigate commodity price risk. In many less developed countries agricultural productivity is still quite low, and a lot of investment is needed to meet rising demand. We help establish and reinsure new primary insurance schemes, thus providing a financial safety net for those investments.

Our Engineering solutions address the risk of damages and financial losses from construction projects and the breakdown of technical installations. We provide reinsurance of Inherent Defects Insurance for new buildings and completed infrastructures. We expect strong growth in construction reinsurance in Asia and Latin America.

We expect growth in the Marine business from increasing transport volume from growth markets to the rest of the world (low at present due to subdued economic conditions in the developed world). Marine reinsurance addresses the physical damage and liability associated with such shipments.

Life & Health

Performance
Net income decreased to USD 739 million in 2012 from USD 1.7 billion in 2011. The decrease was primarily the result of lower investment income driven by significantly lower realised gains on investments and lower yields, a continuation of the negative performance of business written in the US prior to 2004, tax benefits realised in 2011 not repeated in 2012 and higher administrative expenses.

Net premiums earned
Premiums earned and fee income increased 9% to USD 9.1 billion in 2012, compared to USD 8.4 billion in 2011. The increase was primarily a result of increased health premiums due to business growth in Europe and Asia, new longevity transactions, and higher rates related to the Americas business.

Benefit ratio
The benefit ratio increased slightly to 75.5% in 2012, compared to 74.5% in 2011, mainly due to higher claims and continued lapses from the pre-2004 US business.

Expense ratio
The management expense ratio increased to 7.9% in 2012 from 7.2% in 2011. The increase was primarily due to higher costs related to strategic initiatives and an increase in central expenses being charged to the business segment.

Lines of business
A diversified geographical business mix and a continued disciplined pricing approach provided for a stable result; however, volatile financial markets and changes in the interest rate environment impacted the Life and Health results.

Operating income for traditional life business decreased to USD 415 million in 2012 from USD 543 million in the previous year. The decrease was driven primarily by lower investment income, unfavourable experience from pre-2004 US business, and unfavourable variable annuities results, partly offset by favourable mortality experience and favourable market movements relating to the embedded B36 derivatives.

Operating income for the traditional health business decreased to USD 470 million in 2012, compared to USD 633 million in 2011. The decrease was driven by lower investment income, unfavourable morbidity experience, and higher administrative expenses, partly offset by positive recapture experience.

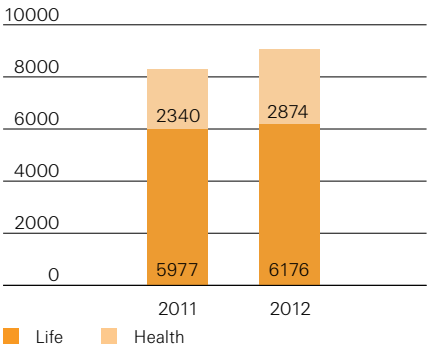
Life & Health results

USD millions	2011	**2012**	Change in %
Revenues			
Premiums earned	8 317	9 050	9
Fee income from policyholders	87	72	–17
Net investment income – non-participating	1 544	1 365	–12
Net realised investment gains/losses – non-participating	1 180	562	–52
Net investment result – unit-linked and with-profit	–25	222	–
Other revenues		1	–
Total revenues	11 103	**11 272**	2
Expenses			
Life and health benefits	–6 280	–6 787	8
Return credited to policyholders	–34	–271	697
Acquisition costs	–1 745	–1 787	2
Other expenses	–1 295	–1 419	10
Total expenses	–9 354	**–10 264**	10
Income before income tax expenses	1 749	**1 008**	–42
Income tax expense	–85	–231	172
Interest on contingent capital instruments		–38	–
Net income attributable to common shareholders	1 664	**739**	–56
Management expense ratio in %	7.2	7.9	
Benefit ratio[1] in %	74.5	75.5	

[1] The benefit ratio is calculated as life and health benefits 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.

Investment result
The return on investments was 4.7% in 2012, compared to 6.8% in 2011. Realised investment gains were USD 709 million in 2012, compared to USD 1.2 billion in 2011. The decrease was primarily due to less favourable foreign exchange movements in the current year. Net investment income was USD 1.4 billion in 2012, compared to USD 1.5 billion in 2011. The decrease is primarily due to lower yields.

Premiums earned
by L&H segment, 2011–2012
(USD millions)



Return on equity
The return on equity was 8.9% in 2012, compared to 21.2% in 2011. The very high return on equity in the prior year was primarily due to exceptionally high realised gains on government bonds and foreign exchange.

Outlook
Life and health primary markets are expected to continue to face the dual challenges of weak economic growth and very low interest rates that limit the attractiveness of some products. In addition, clients may seek to retain more mortality risk. Flow business will therefore continue to be under pressure; however, there are opportunities for large transactions to support clients, such as those with solvency issues or those undertaking mergers and acquisitions. In the medium term we aim to generate an increased contribution from high growth markets, particularly in health. We will also continue to diversify into longevity risk.

We see strong longer-term growth prospects for life and health protection markets and we estimate that there is a protection gap of approximately USD 80 trillion worldwide. We will continue to work with clients and distributors to develop consumer-friendly products and processes (eg, using our in-house predictive underwriting analytics) to address this gap.

Health in growth markets

Major demographic and socio-economic trends are driving higher demand for health insurance in Asia and the Americas.

While the reach of our health propositions is global, our strategic focus for incremental growth is in high growth markets in Asia. There we project healthcare costs will increase by 8.2% annually, reaching USD 2.7 trillion by 2020. We are also focused on the Americas, where demographic and socio-economic trends are driving higher demand.

In mature markets, reinsurance opportunities for long-term health risks predominate, mainly disability and critical illness. The US is a notable exception: there, the bulk of the market for health re/insurance is in major medical expense risks. The US health market is expected to expand further with the implementation of healthcare reforms. In developing insurance markets, much of the insured health risk is meant to protect against out-of-pocket healthcare costs. Our clients typically seek reinsurance protection to reduce their exposure to pricing uncertainty and to access Swiss Re's risk management capabilities.

The role for private re/insurance in the overall financing of healthcare and disability costs varies markedly between countries. We always seek to understand the local context for healthcare financing and delivery to provide the most appropriate advice and solutions.

In response to opportunities in high growth markets in Asia — where we calculate that the health protection gap could reach USD 197 billion by 2020 — we are committing significant additional resources to expand our health reinsurance business segments. For an example from South Korea, see the 2012 Business Report.

Corporate Solutions

Strategy and priorities
Corporate Solutions' strategy is to serve large corporations as a lean global player. The product offerings range from traditional property and casualty insurance to customised solutions in innovative areas such as weather risk management. By executing this strategy, Corporate Solutions aims to increase its gross written premium net of intra-group transactions from USD 2.4 billion in 2010 to USD 4–5 billion by 2015.

Corporate Solutions stands out due to a unique combination of large net capacity and innovation capabilities, underpinned by disciplined cycle management and superior underwriting. These strengths give Corporate Solutions a clear advantage in specialised markets and allow it to move away from the pure commodity space. In 2012, Corporate Solutions structured the first insurance transaction for a Chinese hydropower company to provide coverage against the impact of low rainfall on power generation. The deal is a milestone in accessing the world's largest hydropower market.

Corporate Solutions regards talent management as a core growth enabler. Since early 2011 the Business Unit has been recruiting top local talent, providing customised training and job rotations. This investment, combined with strong customer centricity and a results orientation, is significantly contributing to Corporate Solutions' competitive edge. Corporate Solutions is building a global office network to access risks which are placed locally while continuing to service business placed in wholesale centres such as London and Singapore. In 2012, Corporate Solutions opened offices in Amsterdam and Genoa and established a local office in Dubai to reach the Middle East and North Africa. By the end of 2012 Corporate Solutions had more than 40 offices in 17 countries.

Corporate Solutions' annual survey with 1500+ responses from clients and broker partners revealed continuously improving satisfaction. In particular clients and brokers appreciate Corporate Solutions for its financial stability, client relationship and underwriting expertise.

Corporate Solutions results

USD millions	2011	**2012**	Change in %
Revenues			
Premiums earned	1 929	2 284	18
Net investment income	104	109	5
Net realised investment gains	214	142	–34
Other revenues	6	1	–83
Total revenues	2 253	**2 536**	13
Expenses			
Claims and claim adjustment expenses	–1 461	–1 448	–1
Acquisition costs	–180	–300	67
Other expenses	–442	–449	2
Interest expenses	–2	0	–100
Total expenses	–2 085	**–2 197**	5
Income before income tax expense	168	**339**	102
Income tax expense	–87	–143	64
Net income attributable to common shareholders	81	**196**	142
Claims ratio in %	75.7	63.4	
Expense ratio in %	32.2	32.8	
Combined ratio in%	107.9	96.2	

Performance
Net income was USD 196 million in 2012, an increase of 142% compared to net income of USD 81 million in 2011. The result was primarily driven by profitable business growth. Hurricane Sandy had an estimated cost of USD 144 million for Corporate Solutions. In 2011, by comparison, there were more large losses in the year, most notably the Japan and New Zealand earthquakes, floods in Thailand and Australia, and a number of large fire losses. An increase in the tax rate also had a negative impact on the result.

Premiums
Gross written premium net of intra-group transactions increased 38% to USD 3.5 billion in 2012, compared to USD 2.5 billion in 2011. The exceptional growth experienced in 2012 is not expected to repeat in 2013, though the ambition to attain USD 4–5 billion of gross written premium by 2015 is clearly on track. Net premiums earned increased 18% to USD 2.3 billion in 2012, compared to USD 1.9 billion in 2011. The increase in premiums was driven by organic growth across all major lines of business.

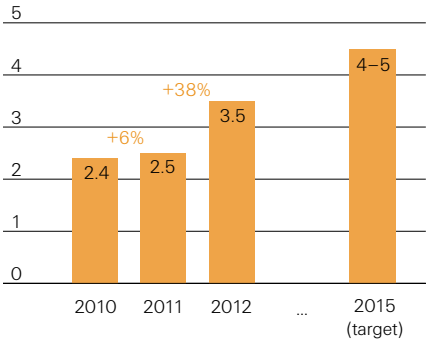
Combined ratio
The combined ratio improved by 11.7 percentage points to 96.2% in 2012 from 107.9% in 2011. The quality of the book remained consistently high year on year and the large loss burden for 2012 was in line with expectations, compared to a higher than normal amount of large losses experienced in 2011. The expense ratio was largely flat at 32.8% in 2012, compared to 32.2% in 2011. Set-up costs related to business expansion neutralised the positive effect on the cost ratio from higher premium volumes.

The property combined ratio improved by 32.3 percentage points to 100.7% in 2012, reflecting significantly lower natural catastrophe losses.

The casualty combined ratio improved 12.6 percentage points to 91.7% in 2012, mainly due to the absence of large losses in 2012.

The credit combined ratio was 82.8% in 2012, compared to 57.8% in 2011, primarily driven by a single loss in Australia, a large profit commission effect related to a reinsurance contract and an increased allocation of operating expenses.

Gross written premiums
(in USD billions, net of intra-group transactions)



In other specialty, the combined ratio decreased slightly to 102.0% in 2012, compared to 103.3% in 2011. Both periods were impacted by satellite and marine losses.

Investment result
Return on investments decreased to 3.2% in 2012 from 4.5% in 2011. While net investment income was up slightly year on year primarily due to mark-to-market gains on indirect private equity positions, this was more than offset by lower realised gains on asset sales and the impact of lower yields. Realised insurance derivative gains (not included in return on investments) were down slightly at USD 55 million in 2012, compared to USD 60 million in 2011. These contracts offer protection against weather perils and other risks related to insurance, but are accounted for as derivatives.

Return on equity
Return on equity increased to 7.4% in 2012, compared to 3.7% in the prior year.

Total financial contribution
The total financial contribution (TFC) of Corporate Solutions accounts for business written within the Swiss Re Group and includes development of historical loss reserves remaining in Reinsurance for the combined ratio and return on equity, as well as related investment income and an additional USD 0.5 billion shareholders' equity for return on equity. The combined ratio on the TFC basis was 69.6% and return on equity 25.8%.

Outlook
Corporate Solutions will continue its expansion in 2013 consistent with its strategy. The global upward trend in property lines is likely to be sustained, though differences in rate adequacy between geographies and segments will persist. Corporate Solutions is well positioned to capture opportunities thanks to its value proposition, strong balance sheet and expanding geographic reach.

Market acknowledges Corporate Solutions' innovation power

Insurance industry experts award Corporate Solutions for its innovation capabilities in the areas of weather and credit risk management

The ability to develop innovative solutions tailored to the needs of its clients is a key pillar of Corporate Solutions' value proposition. In 2012, insurance industry experts awarded Corporate Solutions for its innovation capabilities in the areas of weather and credit risk management where the company is a recognised leader.

Weather Risk Management Transaction of the Year Award
Environmental Finance, a leading trade publication, acknowledged Corporate Solutions for structuring the first insurance transaction for a Chinese energy company, Guangdong Meiyan Hydropower, based on a precipitation index. The jury of environmental finance experts considered the transaction a milestone toward accessing the world's largest hydropower market. The structure of the deal is both simple and effective: Corporate Solutions helps protect the client's revenues through a contract based on actual rainfall levels, paying out if it rains less than a given amount in a particular place, over a defined period. By using precipitation data from meteorological offices, the solution reduces the insurer's administrative costs and moral hazard risk. For the client, it guarantees fast pay-outs and stable revenues.

Best Trade Credit Underwriter Excellence Award
Trade & Forfaiting Review, a leading trade and supply chain finance publication, gave Corporate Solutions its Best Trade Credit Underwriter Excellence Award. The award is granted based on votes of industry experts, underlining the reputation of the Corporate Solutions' Credit team. With its innovative Structured Trade and Project Finance solutions, the team supports clients in a business environment marked by challenges such as the European debt crisis as well as regulatory developments (eg Basel III, Solvency II). These solutions allow financial institutions and commercial banks to manage their capital more efficiently and benefit from Corporate Solutions as a stable and reliable source of capacity in trade, commodity and project finance.

Admin Re®

Strategy and priorities
Admin Re® implemented a transformation programme starting in 2011 which resulted in a three-pronged strategy leveraging its core competencies: portfolio steering, management actions and transactions.

The first part of this strategy, portfolio steering, relates to the active management of the in-force business portfolio including seeking ways to release capital. The sale of the Admin Re® US business in 2012 was a key event reflecting this, as the Group sought to focus its efforts on opportunities in the UK and Continental Europe.

Management actions include cost management and increasing capital efficiency. The Alico transaction in the UK, which concluded in 2012, enhanced capital efficiency by transferring the individual policies from the previous carrier to an Admin Re® subsidiary.

Transactions are a core component of Admin Re®'s business. Admin Re® has a proven track record of generating significant cash dividends as a result of transactions, for example the sale of the Admin Re® US business, which resulted in USD 881 million of cash dividends to the Swiss Re Group. Admin Re® continues to pursue new opportunities, including the acquisition of closed books of in-force life insurance business and the entire capital stock of life insurance companies. Any transactions need to meet Swiss Re's Group investment criteria and hurdle rates.

In addition to in-house funding, the Swiss Re Group and Admin Re® can also seek alternative funding arrangements for new business growth, including third-party financing.

Admin Re® results

USD millions	2011	**2012**	Change in %
Revenues			
Premiums earned	897	992	11
Fee income from policyholders	789	713	–10
Net investment income – non-participating	1 611	1 548	–4
Net realised investment gains/losses – non-participating	205	–89	–
Net investment result – unit-linked and with-profit	–378	2 348	–
Other revenues		3	–
Total revenues	3 124	**5 515**	77
Expenses			
Life and health benefits	–2 119	–2 086	–2
Return credited to policyholders	–27	–2 688	–
Acquisition costs	–233	–142	–39
Other expenses	–466	–457	–2
Interest expenses	–61	–53	–13
Total expenses	–2 906	**–5 426**	87
Income before income tax benefit	218	**89**	–59
Income tax benefit	123	101	–18
Income attributable to non-controlling interests	–12	–7	–42
Net income attributable to common shareholders	329	**183**	–44

Performance
Admin Re® generated gross cash of USD 1 196 million for 2012, significantly higher than the USD 302 million in 2011. The increase was mainly due to the cash proceeds and release of capital from the sale of the Admin Re® US holding company, including Reassure America Life Insurance Co., to Jackson National Life Insurance Company. The sale closed on 4 September 2012 with the Group receiving total cash proceeds of USD 0.9 billion and recognising a USD 399 million loss on the disposal.

Excluding the impact of the sale gross cash generation was USD 432 million, an increase of USD 130 million over the prior year. The increase was driven by Admin Re®'s UK business, which included benefits from statutory valuation updates and the completion of the legal transfer of the Alico UK business acquired in 2011.

Net income in 2012 amounted to USD 183 million, including the USD 399 million loss related to the sale of the Admin Re® US business in the reporting year. Excluding this loss, net income was USD 582 million, compared to USD 329 million in the prior-year period, an increase of 76.9%. The rise in underlying net income was driven by an improvement in investment performance, including higher realised gains, and management actions mainly related to business transformation and efficiency initiatives which provided one-off benefits to the result.

Operating revenues
Premiums and fee income were USD 1 705 million in 2012, compared to USD 1 686 million in the prior year. The increase was mainly due to the recognition of accelerated premiums for a retained block of business in the US, offset by an increase in claims reserves. Excluding the impact of the acceleration, premiums and fees were lower compared to the prior year primarily due to the impact of the Admin Re® US sale.

Investment result
The return on investment was 4.9% for 2012, slightly lower than the prior-year return, with this excluding the effects from the sale of the Admin Re® US business. Proprietary net investment income was USD 1 548 million in 2012, compared to USD 1 611 million in 2011.

The running yield on investments declined to 4.3% in 2012 from 4.5% in 2011, mainly as a result of lower yields on new purchases. The reduction was partially offset by the Admin Re® US sale, with the investment portfolio supporting the continuing Admin Re® operations providing

183

Net income
in USD millions, 2012

1196

Gross cash generation
in USD millions, 2012

a higher yield than the portfolio that was disposed of as part of the transaction.

Expenses
Administrative expenses were USD 457 million in 2012, a marginal decrease from USD 466 million for 2011. The costs remained relatively flat with the impact from the sale of Admin Re® US and lower expenses associated with corporate realignment being offset by new business-related costs and continued investment in Admin Re®.

Return on equity
The return on equity was 2.6% for 2012, compared to 5.0% in 2011, with the reduction driven by the loss recognised in the year related to the sale of the Admin Re® US business. Excluding the loss on disposal, the return on equity was 7.7% for the year, 2.7 percentage points higher than the prior year.

Shareholders' equity
Common shareholders' equity, which excludes non-controlling interests, was USD 6 662 million as of 31 December 2012, a decrease of USD 716 million compared to 2011. The decrease was mainly due to the loss on the sale of the Admin Re® US business and payment of a USD 881 million dividend to the Swiss Re Group on completion of the sale, with a further USD 175 million of dividends paid in the first half of 2012. The reduction was partially offset by an increase in unrealised gains arising in the year as a result of tighter credit spreads, together with business shifts from the Reinsurance segment as part of the restructuring following the sale of the Admin Re® US business. The realisation of previously unrealised gains on the disposal of Admin Re® US had no impact on shareholders' equity.

Outlook
Admin Re® seeks to grow through selective acquisitions that offer predictable, long-term and consistent returns. The closed life market remains active with recent activity centred in the UK and Continental Europe where Admin Re® is looking to continue building on its strong market position. As part of its growth plans Admin Re® is also focused on potentially raising third-party capital to fund future growth.

Gross Cash Generation

Delivering gross cash to reinvest in the business, repay debt and pay dividends to the Group

Gross Cash Generation ("GCG") is defined as the change in excess capital available over and above the target capital position, with the target capital being the minimum statutory capital plus the additional capital required by Admin Re®'s capital management policy. GCG can be utilised by management for reinvestment in the business, to service existing debt obligations and dividend payments, and is restricted to cash generated by the business only, excluding any capital contributions made.

Admin Re® believes it will produce substantial cumulative GCG over a five-year period, with management actions targeted to deliver additional cash during this time. Admin Re® actively manages the in-force book to optimise capital utilisation and returns, pursuing opportunities to increase capital efficiency including the release of capital by divestment of inefficient or capital-intensive products or books of business where that would be beneficial.

Share performance

Swiss Re shares
Swiss Re had a market capitalisation of CHF 24.4 billion on 31 December 2012, with 370.7 million shares outstanding, of which 343.2 million are entitled to dividends. Swiss Re shares are listed in accordance with the main standard on the SIX Swiss Exchange (SIX) and are traded under the ticker symbol SREN. The shares are also traded over the counter in the form of an American Depositary Receipt (ADR) level I programme (OTC symbol SSREY).

Share price performance
Swiss Re shares opened the year at CHF 47.87 and on the same day also experienced the year's intra-day low of CHF 47.25. An intra-day high of CHF 68.10 was achieved on 8 November 2012 when the third quarter results were published. The year-end share price was CHF 65.90.

In 2012 the STOXX Europe 600 Insurance index (SXIP) increased by 32.9% and the broader index of Swiss blue chips (SMI) by 14.9%. Both indices were outperformed by the Swiss Re share, which increased by 37.7% during 2012.

Share trading
The average on-exchange daily trading volume for 2012 was 1.0 million shares, down from the average of 1.5 million shares in 2011. Trading volume peaked at 3.9 million shares on 16 March 2012, the day the 2011 Annual Report and 2011 EVM Report were published.

Swiss Re's dividend policy
Swiss Re updated its dividend policy on 21 February 2013. Under this policy Swiss Re's highest priority is to grow the regular dividend with long-term earnings. At a minimum Swiss Re aims to maintain the regular dividend. Then Swiss Re will deploy capital for business growth where it meets its profitability requirements. Dividends are typically paid out of current earnings and Swiss Re pays its dividend annually. Shares are ex-dividend two working days after the Annual General Meeting (AGM, 12 April 2013), with payment made five working days after the AGM (17 April 2013).

Dividends
The Board of Directors proposes a regular dividend of CHF 3.50 per share and an additional special dividend of CHF 4.00 per share for 2012. Both dividends will be in the form of Swiss withholding tax exempt distributions out of legal reserves from capital contributions.

Index representation
In addition to its relevant industry indices, Swiss Re is also represented in various Swiss, European and global indices, including the SMI and the SXIP. The composition of these indices is usually based on free-float market capitalisation. Swiss Re is also a member of various sustainability indices, including the Dow Jones Sustainability and FTSE4Good index families.

Information for investors
More information on Swiss Re's shares is available in the Investor Relations section on Swiss Re's website at: www.swissre.com/investors

General information on Swiss Re shares

Identification numbers	Share	ADR
Swiss Security Number (Valorennummer)	12688156	–
ISIN (International Securities Identification Number)	CH0126881561	US8708861088

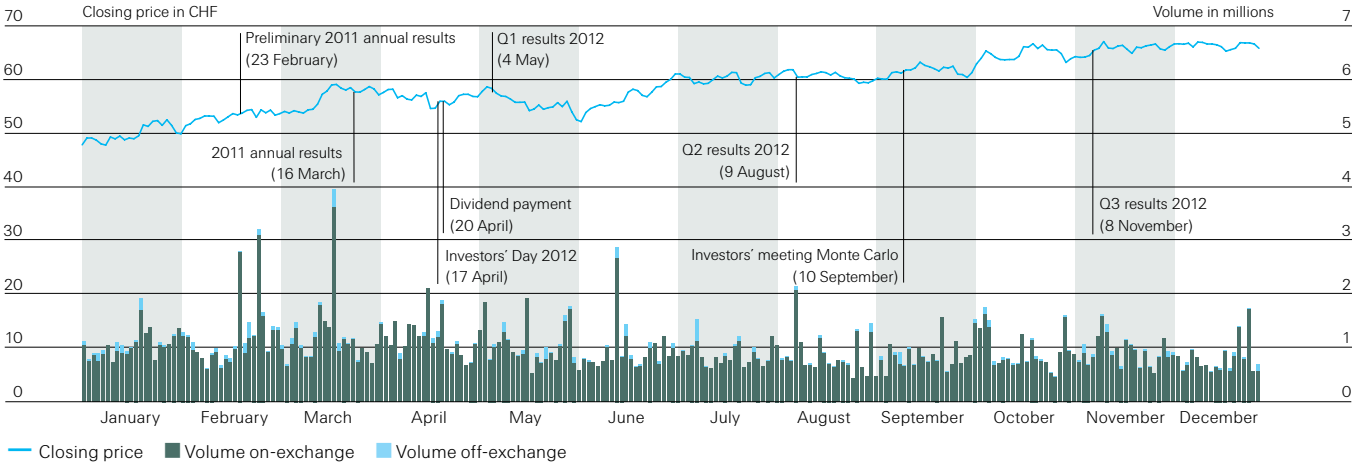
Ticker symbols	Bloomberg	Telekurs	Reuters
Share	SREN:VX	SREN	SREN.VX
ADR[1]	SSREY:US	SSREY	SSREY.PK

[1] Swiss Re's ADR are not listed but traded over the counter; one ADR corresponds to one Swiss Re share.

Weighting in indices

As of 31 December 2012	Index weight (in %)
Swiss/blue chip indices	
SMI	2.74
SPI	2.33
Insurance indices	
STOXX Europe 600 Insurance	5.66
Bloomberg Europe 500 Insurance	7.07
FTSEurofirst 300 Insurance	6.49
Dow Jones Insurance Titans 30	2.94
Sustainability indices	
Dow Jones Sustainability Europe	0.67
Dow Jones Sustainability World	0.29
FTSE4Good Global	0.20
MSCI Global Climate	0.95

Swiss Re share price and trading volume in 2012



Key share statistics 2008–2012[1]

As of 31 December	2008	2009	2010	2011	**2012**
Shares outstanding[2]	363 516 036	370 701 168	370 704 153	370 706 931	370 706 931
of which Treasury shares and shares reserved for corporate purposes	27 850 261	27 994 167	28 083 630	27 970 432	27 537 673
Shares entitled to dividend	335 665 775	342 707 001	342 620 523	342 736 499	343 169 258
CHF unless otherwise stated					
Dividend paid per share	4.00	0.10	1.00	2.75	3.00
Dividend yield[3] (in %)	8.0	0.2	2.0	5.7	4.6
Earnings per share[4]	–2.61	1.49	2.64	6.79	11.13
Book value per share[5]	60.96	67.72	68.99	80.74	87.76
Price per share year-end	50.30	49.91	50.30	47.87	65.90
Price per share year high (intra-day)	93.95	53.10	53.75	60.75	68.10
Price per share year low (intra-day)	35.38	11.88	42.10	35.12	47.25
Daily trading volume (in CHF millions)	214	98	86	73	58
Market capitalisation[6] (in CHF millions)	18 285	18 502	18 646	17 746	24 430
ADR price at year-end (in USD)	47.80	48.19	53.72	50.55	72.30

[1] Due to the implementation of a new holding structure as of 23 May 2011, references to Swiss Re shares refer to shares of Swiss Reinsurance Company Ltd (ticker symbol: RUKN) to the period until 20 May 2011 and to shares of Swiss Re Ltd (ticker symbol: SREN) as of 23 May 2011
[2] Nominal value of CHF 0.10 per share
[3] Dividend divided by year-end share price of corresponding year
[4] Calculated by dividing net income by the weighted average number of common shares outstanding
[5] Based on shareholders' equity (excluding convertible perpetual capital instruments) divided by the number of external common shares entitled to dividend
[6] Based on shares outstanding

Risk and capital management

In 2012, Swiss Re maintained its strong capitalisation – demonstrating its ability to efficiently manage risks and optimise capital within the Group.

Overview

Sound risk management enables us to optimise our strategic planning, capital allocation and risk-taking, and align them to Swiss Re's Group-wide risk tolerance.

We continue to hold excess capital under all relevant capital adequacy requirements, including Standard & Poor's AA rating level, Group Solvency I, and the Swiss Solvency Test (SST). We continue to follow and implement the requirements of the forthcoming Solvency II regime for our European entities, which are broadly in line with SST. Swiss Re's capital management aims to ensure our ability to continue operations following an extremely adverse year of losses from insurance and/or financial market events.

Swiss Re's Risk Management function is core to our business model. Risk Management is involved in all of Swiss Re's risk-taking activities and is mandated and structured to support and control both the Group and the Business Units. It thus ensures that our strategic planning and limit setting conforms to our Group-wide risk tolerance. In addition, our risk experts are involved in capital cost assessment, large transaction approvals, portfolio monitoring and performance measurement. Risk Management is embedded throughout our business through dedicated risk functions and CROs for each Business Unit. These functions have a strong mandate to challenge the business and their independence is maintained by a direct reporting line to the Group CRO. As part of our Group-wide Risk management, they apply a consistent Enterprise Risk Management approach and ensure a fully integrated view of risk and thus support long-term stability and growth.

Swiss Re's internal risk model provides a meaningful assessment of the risks to which the company is exposed and is an important tool for managing our business. It determines our capital requirements for internal purposes and forms the basis for regulatory reporting under the SST. The model also provides the basis for Swiss Re's capital cost allocation in its Economic Value Management (EVM) framework, which is used for pricing, profitability evaluation and compensation decisions (see pages 43–44 for further information on EVM). We continuously refine and update our model and its parameters to reflect our experience, changes in the risk environment and advances in best practice.

Capital management

We actively manage our capital to ensure that the Group and all Group companies are adequately capitalised at all times.

In 2012 Swiss Re maintained its strong capitalisation and demonstrated its ability to upstream capital flows from subsidiaries and to optimise capital on a Group level. These activities allow Swiss Re to return capital to its shareholders by proposing a regular dividend of CHF 3.50 per share and an additional special dividend of CHF 4.00 per share for 2012.

Swiss Re's level of capitalisation and its capital structure are determined by regulatory capital requirements (both for the Group and its individual legal entities), rating agency requirements, as well as management's view of risks and opportunities arising both from our business operations and from capital markets. We optimise all these constraints to increase the return to our shareholders while meeting or exceeding regulatory and rating agencies' requirements.

Main Capital Management actions in 2012:

- We improved the Group financial flexibility by actively returning free funds to the parent holding company, Swiss Re Ltd. A total of USD 4 billion was returned to Swiss Re Ltd in 2012.
- On 31 May 2012 we agreed to sell our Admin Re® US business. The transaction resulted in a dividend of USD 0.9 billion in cash to Swiss Re Ltd, thus unlocking capital for re-deployment across the Swiss Re Group.
- Swiss Reinsurance Company Ltd issued two Perpetual Subordinated Capital Instruments with stock settlement features in 2012, with a face value of CHF 320 million and USD 750 million, respectively. Both instruments may be settled, at the option of the issuer, for Swiss Re Ltd shares either at any time through at market conversion using the five-day Volume Weighted Average Share Price with a 3% discount, or within six months following a breach of 100% SST ratio at a pre-set floor price. The capital instruments are fully eligible for regulatory capital credit at Group level and thus increase the Group's capital resources and flexibility.

Based on our improved capital position and retained earnings of USD 26.3 billion for 2012, Swiss Re proposes a regular dividend of CHF 3.50 per share for 2012 compared to the previous year's dividend of CHF 3.00 per share. In addition, Swiss Re proposes to pay an additional special dividend of CHF 4.00 per share. This translates to a total return of capital to shareholders of approximately USD 2.8 billion.

Swiss Re's capital adequacy

Regulatory capital requirements

Swiss Re is supervised by the Swiss Financial Market Supervisory Authority (FINMA), at Group level and for its regulated legal entities domiciled in Switzerland. The supervision comprises minimum solvency requirements, a wide range of qualitative assessments and governance standards.

At Group level and for regulated legal entities domiciled in Switzerland, Swiss Re provides regulatory solvency reporting to FINMA under the rules of Solvency I and the Swiss Solvency Test (SST). The SST is based on an economic view. We calculate available and required capital under SST based on our Economic Value Management (EVM) framework and internal risk model, respectively (see pages 43–44 for further information on EVM). The minimum requirement for Solvency I and SST is a ratio of 100%. Swiss Re's Solvency I and SST ratios both materially exceed the minimum requirement.

Regulated subsidiaries are subject to local regulatory requirements. Our EU subsidiaries will be required to comply with Solvency II. Similar to the SST, Solvency II is based on economic principles for the measurement of assets and liabilities, and sets out requirements for governance, risk management, and supervision, as well as for disclosure and transparency. We continue to follow the developments of the forthcoming Solvency II for the European entities and are implementing its requirements, which are broadly in line with SST.

Swiss Re's financial strength ratings

As of 15 February 2013	Financial strength rating	Outlook	Last update
Standard & Poor's	AA–	Stable	18 December 2012
Moody's	A1	Positive	20 December 2012
A.M. Best	A+	Stable	23 January 2013

We continuously strive to simplify our legal entity structure and to optimise local capital levels. We will extend these efforts to further enhance our efficiency and to respond to regulatory developments and client needs.

Rating agency capital requirements

Rating agencies assign credit ratings to the obligations of Swiss Reinsurance Company Ltd and its rated subsidiaries. The agencies evaluate Swiss Re based on a set of criteria that include an assessment of our capital adequacy. Each rating agency uses a different methodology for this assessment; A.M. Best and Standard & Poor's (S&P) base their evaluation on proprietary capital models.

A.M. Best, Moody's and S&P rate Swiss Re's financial strength based upon interactive relationships. The insurance financial strength ratings are shown in the table above.

On 18 December 2012, S&P published its full year report on Swiss Re in which the financial strength, long-term and short-term credit ratings were confirmed. The outlook on the ratings is "stable". In its report, S&P pointed to Swiss Re's very strong competitive position and capitalisation as key rating strengths.

On 20 December 2012, Moody's affirmed Swiss Re's insurance financial strength rating at A1. The outlook remains "positive". The affirmation reflects Swiss Re's excellent market position, very strong business diversification and excellent capital adequacy.

On 23 January 2013, A.M. Best affirmed the A+ financial strength rating of Swiss Reinsurance Company Ltd and its subsidiaries. The outlook for all ratings is stable. In AM Best's view, Swiss Re has consistently maintained superior levels of risk-based capitalisation, benefiting from its diverse books of business and efficient capital management programme.

Swiss Re's capital management aims to ensure our ability to continue operations following an extremely adverse year of losses from insurance and/or financial market events. The tables below show the estimated capital adequacy ratios for rating and regulatory requirements at Group level.

Swiss Re's capital adequacy

Swiss Re holds excess capital under all relevant capital adequacy requirements such as S&P's AA rating level, Group Solvency I and the SST:

Estimated external Group capital adequacy

As of 31 December 2012

Standard & Poor's	Solvency I	Swiss Solvency Test (SST)
> USD 10 billion excess of AA requirement	> 200%	207%[1]

[1] SST 2/2012, as filed with FINMA at the end of October 2012, based on a projection from mid-2012 to mid-2013.

Swiss Solvency Test (SST) of Swiss Re Group

SST2/2011	SST1/2012	SST2/2012
210%	213%	207%

Economic Value Management

EVM is an integrated economic accounting and steering framework based on market consistent valuations and defines the method for measuring value creation for all business activities of Swiss Re.

Economic Value Management (EVM) is Swiss Re's integrated economic valuation framework for planning, pricing, reserving and steering the business. Since 2003, Swiss Re has used the EVM framework as a tool to support business and strategic financial decisions, including compensation decisions. EVM also provides the basis for determining available capital under the Swiss Solvency Test (SST) and, in the future, Solvency II.

The key EVM valuation principles are summarised below.

Market consistent valuations
All traded assets and liabilities are marked to market, based on quoted prices in active markets or observable inputs. Untraded assets and liabilities are valued consistently with market prices. The Group's insurance liabilities are valued on a market consistent basis by replicating future expected cash flows with liquid financial market instruments. As the majority of the Group's insurance liabilities do not contain embedded financial market risk exposure other than to interest rates, the market consistent value can be determined by discounting future cash flows using prevailing risk-free interest rates. If insurance liabilities include embedded options or guarantees (eg, variable annuities or interest sensitive life business), they are valued on a market consistent basis using stochastic models and other appropriate valuation techniques.

Performance split of insurance underwriting and investment activities
EVM values underwriting and investment activities separately. Underwriting activities create value by raising funds on insurance markets at a lower cost than through other sources. The investment functions are assessed on a risk-adjusted basis. This makes possible a like-for-like comparison of underwriting and investment activities.

Closed-book approach
EVM recognises all cash flows associated with a new contract at inception, and any changes in estimates as they occur. In comparison, the deferral and matching principle under US GAAP postpones recognition of revenues until they are earned and matches expenses to those revenues. EVM excludes the recognition of all potential future new business activities, as well as potential renewals.

Best estimates
Swiss Re values assets and liabilities based on best estimates of underlying cash flows – premiums, claims, expenses, taxes, capital costs, etc. – taking into consideration all the information available when a contract incepts. As with other valuation methods that depend on projections of future cash flows, EVM involves a significant degree of judgement in establishing what assumptions should be used. Swiss Re actively and carefully reviews its assumptions, seeking both to achieve consistency across business activities and to reflect all available information.

Performance measurement after capital costs
EVM explicitly recognises opportunity costs for shareholder capital. Cost-of-capital charges include the base cost of capital and frictional capital costs. The base cost of capital is reflected through a charge for risk-free returns on available capital and market risk premiums. Market risk premiums compensate for systematic, non-diversifiable risk exposure, mainly assumed through investing activities. Frictional capital costs compensate for agency costs, costs of potential financial distress and regulatory (illiquidity) costs; they are reflected through a 4% charge on available capital and a 2% charge on leverage.

EVM results for 2012
The 2012 EVM Report, showing Swiss Re's results for the full year 2012, is available on swissre.com/investors/financial_information

Economic net worth in 2012

Economic net worth (ENW) is defined as the difference between the market value of assets and the market consistent value of liabilities. ENW is the EVM measure of shareholders' equity and the starting point in determining available capital for SST calculations.

In 2012, ENW increased by USD 4.9 billion from USD 29.0 billion at the end of December 2011. 2012 EVM income of USD 5.2 billion was partially offset by the Swiss Re Group's dividend payments and changes in the EVM accounting principles.

Economic net worth

USD billions	2011	**2012**	Change in %
Property & Casualty	13.2	15.6	18
Life & Health	11.2	9.0	–20
Reinsurance	**24.4**	**24.6**	1
Corporate Solutions	**2.6**	**3.7**	42
Admin Re®	**4.5**	**4.9**	8
Group items	**0.7**	**3.4**	–
Consolidation	**–3.2**	**–2.7**	–14
Total	**29.0**	**33.9**	17

Liquidity management

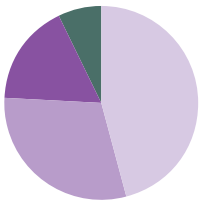
We actively manage liquidity risks to ensure that we can satisfy the financial obligations of the Group.

As a re/insurance group, our core business generates liquidity primarily through premium income. Our exposure to liquidity risk stems mainly from two sources: the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the Group.

To manage these risks, we have a range of liquidity policies and measures in place. In particular, we aim to ensure that:

- sufficient liquidity is held to meet funding requirements even under adverse circumstances;
- funding is charged at an appropriate market rate through our internal transfer pricing;
- diversified sources are used to meet Swiss Re's residual funding needs; and
- the long-term liquidity needs are taken into account as part of our asset-liability management approach to controlling financial market risk.

Composition of spot liquidity in the Swiss Reinsurance Company Ltd liquidity pool as of 31 December 2012
(Total USD 18.3 billion)



- 46% Government bonds AAA rated & US and reverse repos
- 30% Cash and short-term investments
- 17% Other developed market government bonds investment grade
- 7% Developed market supranational, agencies and municipal bonds

Liquidity risk management
Our core liquidity policy is to retain sufficient liquidity, in the form of unencumbered liquid assets and cash, to meet potential funding requirements arising from a range of possible stress events. To allow for regulatory restrictions on intra-Group funding, liquidity is managed within pools of entities. The main pool comprises Swiss Reinsurance Company Ltd (SRZ) as well as those of its subsidiaries whose funds are freely transferable to SRZ.

The amount of liquidity held is largely determined by internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events. These funding requirements under stress would include:

- cash and collateral outflows, as well as potential capital and funding support required by subsidiaries as a result of loss events;
- repayment or loss of all maturing unsecured debt and credit facilities;
- additional collateral requirements associated with a potential ratings downgrade;
- further contingent funding requirements related to asset downgrades; and
- other large committed payments, such as expenses, commissions and tax.

The stress tests also assume that funding from assets is subject to conservative haircuts, that intra-Group funding is not available if it is subject to regulatory approval, that no new unsecured funding is available, and that funding from new reinsurance business is reduced.

The primary liquidity stress test is based on a one-year time horizon, a loss event corresponding to 99% Tail VaR (see pages 48–49), and a three notch ratings downgrade.

Swiss Re's liquidity stress tests are reviewed regularly and their main assumptions are approved by the Group Risk and Capital Committee.

Liquidity position of SRZ liquidity pool
The estimated total liquidity sources in the SRZ liquidity pool available within one year after haircuts and net of short-term loans from Swiss Re Ltd amounted to USD 22.5 billion as of 31 December 2012, compared to USD 23.2 billion on the same date in 2011. This total includes USD 18.3 billion of liquid assets and cash, referred to as "spot liquidity", compared to USD 20.5 billion on the same date in 2011. Based on the internal liquidity stress tests described above, we estimate that SRZ liquidity pool held surplus liquidity on 31 December 2012. Part of the surplus liquidity was used in 2012 to pay USD 2.6 billion in dividends to Swiss Re Ltd.

Risk management

We fully embed risk management in our business to enable controlled risk-taking and efficient, risk-adjusted capital allocation.

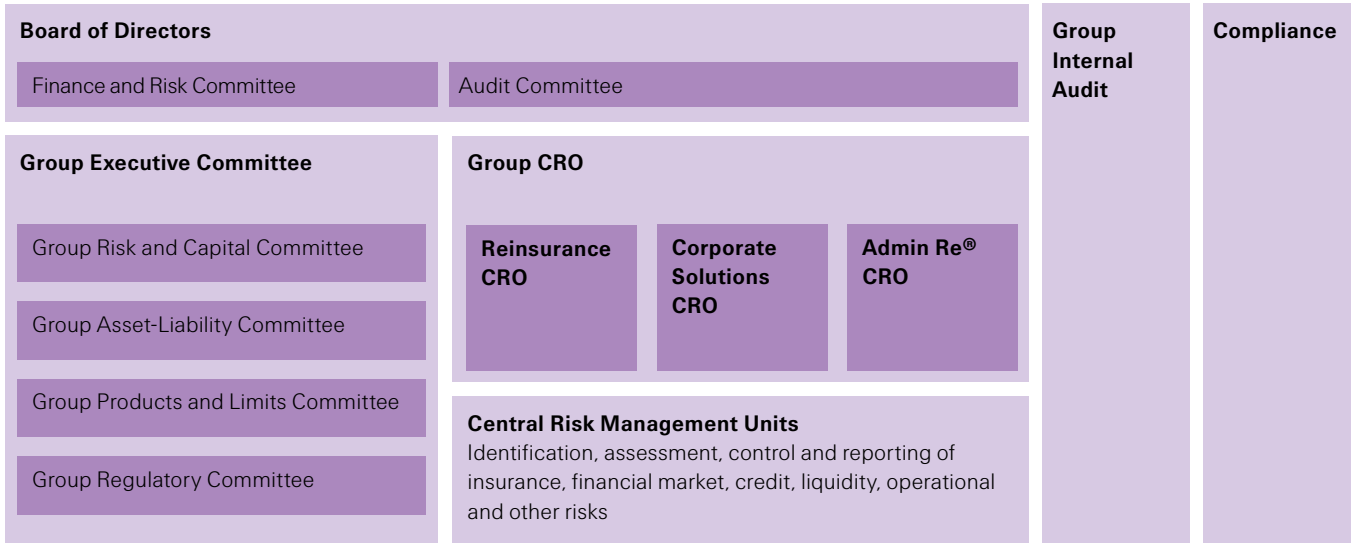
Risk management ensures an integrated approach to managing current and emerging threats. Embedded throughout the business, our Risk Management function ensures that our strategic planning and limit setting conform to Swiss Re's Group-wide risk tolerance. It is also deeply involved in capital cost assessment, large transaction approvals, portfolio monitoring and performance measurement. Its objective is to enable controlled risk-taking and the efficient, risk-adjusted allocation of capital.

Controlled risk-taking requires a strong and independent risk management organisation, as well as comprehensive risk management processes to identify, assess and control the Group's and the Business Units' risk exposures. We base our risk management on four guiding principles, which we strive to apply consistently across all risk categories throughout the Group and our three Business Units:

- Controlled risk-taking: Financial strength and sustainable value creation are central to Swiss Re's value proposition. We therefore operate within a clearly defined risk policy and risk control framework.
- Clear accountability: Our operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on, and their incentives are aligned with Swiss Re's overall business objectives.
- Independent risk controlling: Dedicated specialised units within Risk Management monitor our risk-taking activities.
- Open risk culture: Risk transparency, knowledge sharing and responsiveness to change are integral to our risk control process.

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

Key risk management bodies and functions



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) implements the risk management framework via the following sub-committees:

- The Group Risk and Capital Committee has responsibility for allocating capital and insurance risk capacity, approving investment and counterparty credit 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 underwriting standards, sets transaction limits, and decides on large or non-standard transactions.
- The Group Regulatory Committee is the central information and coordination platform for regulatory matters and compliance. It ensures a consistent approach to external communication on regulatory issues.

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

The Group Risk Management function is structured with global departments providing shared services such as Risk Reporting, as well as dedicated departments for the Reinsurance, Corporate Solutions and Admin Re® Business Units.

All of these departments have dedicated Chief Risk Officers who report directly to the Group CRO, with a secondary reporting line to their respective Business Unit CEOs. They are responsible for risk oversight in their respective Business Unit, including identifying, assessing and controlling risks as well as establishing the proper risk governance to assure proper execution of these activities.

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

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

Actuarial management is also an integral part of Risk Management, ensuring independent assessments of reserving adequacy.

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

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

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

Risk tolerance and limit framework

Swiss Re's risk tolerance is an expression of the extent to which the Board of Directors has authorised the Group and Business Units' executive management to assume risk. It represents the maximum amount of risk that Swiss Re is willing to accept within the constraints imposed by its capital and liquidity resources, its strategy, its risk appetite, and the regulatory and rating agency environment within which it operates. Risk tolerance criteria are specified for the Group and main operating Business Units – Reinsurance, Corporate Solutions and Admin Re® – as well as for the major legal entities.

A key responsibility of Risk Management is to ensure that Swiss Re's risk tolerance is applied throughout the business. In particular, the Group's risk tolerance forms the basis for risk management in our business planning process. Both our risk tolerance and risk appetite – the amount of risk we seek to take – are clearly defined and are translated into a consistent limit framework across all risk categories. The limit framework is approved at Group EC level through the Group Risk and Capital Committee. The individual limits are established through an iterative process to ensure that the overall framework complies with our Group-wide policies on capital adequacy and risk accumulation.

Risk assessment

A slight increase in insurance risk due to business growth was compensated by lower financial market risk.

In 2012, Swiss Re's overall risk slightly decreased by 1%, reflecting lower financial market risk, mainly due to the sale of the Admin Re® US business.

Swiss Re uses its internal risk model to measure the Group's capital requirements, as well as for defining risk tolerance, risk limits and liquidity stress tests (see box on page 54). According to the internal risk model, Swiss Re's overall risk exposure based on 99% Tail VaR decreased to USD 16.6 billion in 2012, down 1% from USD 16.7 billion in 2011. Alternative risk measures are 99% and 99.5% VaR. On this basis our risk decreased 9% to USD 12.1 billion and 4% to USD 14.4 billion, respectively.

The Group capital requirement table on page 49 shows 99% Tail VaR for each of Swiss Re's core risk categories on a stand-alone basis:

- Property and casualty risk amounted to USD 7.8 billion, representing a minor increase of 1%;
- Life and health risk increased by 4% to USD 7.3 billion;
- Financial market risk fell by 2% to USD 10.5 billion, because of the sale of the Admin Re® US business as well as reduced interest rate and foreign exchange risk. These decreases were largely offset by the impacts of the new financial market risk model (see page 54) and additional equity investments.
- Credit default and migration risk slightly increased to USD 1.9 billion.

Our internal risk model takes account of the accumulation and diversification between individual risks. The effect of diversification at the category level is demonstrated in the table on page 49, which represents the difference between the Group 99% Tail VaR (shortfall) and the sum of standalone shortfalls for the risk categories. The extent of diversification is largely determined by the selected level of aggregation (the higher the aggregation level, the lower the diversification effect). Our model and its parameters are continuously refined and updated to reflect our experience, changes in the risk environment, and advances in current best practice.

Categorisation of Swiss Re's risk landscape

Core risks	Operational risks	Other risks
Insurance ■ Property and casualty ■ Life and health	**People**	**Liquidity**
	Processes	**Strategic**
Financial market ■ Credit spread ■ Equity market ■ Foreign exchange ■ Interest rate ■ Real estate	**Systems**	**Regulatory**
	External	**Reputational**
Credit ■ Credit default ■ Credit migration		

Swiss Re's risk landscape
The risk categories set out in the table on the left are defined in the following sections. Across these categories we identify and evaluate emerging threats and opportunities through a systematic framework that includes the assessment of potential surprise factors that could affect known loss potentials. Liquidity risk management is discussed on page 45.

Group capital requirement based on one-year 99% Tail VaR

USD billions, as of 31 December	2011	**2012**	Change in %
Property and casualty	7.7	7.8	1
Life and health	7.0	7.3	4
Financial market	10.7	10.5	–2
Credit[1]	1.8	1.9	7
Simple sum	**27.2**	**27.5**	1
Diversification effect	–10.5	–10.9	
Swiss Re Group	**16.7**	**16.6**	–1

[1] Credit comprises credit default and credit migration risk.

Insurance risk

Insurance risk management includes overseeing risk-taking activities, as well as ensuring that an appropriate risk governance framework is defined and operated.

The risk management function is embedded in our business process. Before any business is written, Risk Management is involved in annual business planning; it also reviews underwriting guidelines, pricing models, and large individual transactions. Total risk exposure is monitored against agreed risk limits.

Swiss Re's Risk and Actuarial Management function sets and monitors reserving levels; it provides information to the risk-taking functions on trends to ensure appropriate pricing. Regular internal risk and issue reporting ensures transparency at all levels. Underwriting systems across the Group provide timely information on assumed risks and committed capacity.

Property and casualty risk

Change from 2011 +1%

Description

Property and casualty (P&C) insurance risk arises from the coverage that Swiss Re provides for Property, Liability, Motor and Accident risks through its Reinsurance and Corporate Solutions Business Units, as well as for specialty risks such as Engineering, Aviation and Marine. We classify and model our P&C risks in three categories at Group and Business Unit level: natural catastrophes (eg, earthquakes and windstorms), man-made risks (eg, liability and fire) and geopolitical risks (eg, terrorism). We also monitor and manage underlying risks inherent in the business we underwrite, such as inflation or uncertainty in pricing and reserving.

Developments in 2012

Swiss Re's overall property and casualty risk increased slightly in 2012 (see table on page 49). Business growth in most natural catastrophe risks was largely offset by a reduction in costing and reserving exposure as well as decreases in large US catastrophe risks.

The table on page 51 shows Swiss Re's exposure to a set of major natural catastrophe scenarios, net of retrocession and securitisation. These risk exposures take into account the fact that such a scenario will trigger claims in other lines of business in addition to the most affected property line.

Swiss Re's Japanese earthquake scenario rose by 13%, mainly reflecting business growth, which was partially offset by a reduction in aftershock seismicity risk, which had increased following the high-magnitude Tohoku earthquake in March 2011. Swiss Re's Atlantic hurricane exposure decreased by 18% due to additional hedging in anticipation of the expiry of the Berkshire Hathaway quota share on 31 December 2012. The 17% decrease in the Californian earthquake exposure was mainly due to business reduction in 2012.

Management

Swiss Re writes property and casualty business using the four-eye principle across all Business Units: every transaction must be approved by at least two authorised individuals - with the exception of single risk acceptances, which can be authorised by one underwriter with the four-eye principle taken care of by spot checks after acceptance. Each underwriter is assigned an individual underwriting authority based on technical skills and experience; any business exceeding this authority triggers a well-defined escalation process that extends up to the Group Products and Limits Committee.

Large individual transactions that could materially affect the Group's and Business Units' risk exposure require independent review and sign-off by Risk Management before they can be authorised. This is part of our three-signature approval process (involving Swiss Re's Underwriting, Client Markets, and Risk Management functions) that establishes the accountability of each of the parties for significant transactions. We monitor accumulated exposure to single risks or to an underlying risk factor (such as Californian earthquake) on a Group-wide basis.

We further manage our risk by external retrocession, risk swaps, or by transferring risk to capital markets through insurance-linked securities. The quota share provided by Berkshire Hathaway, which expired on 31 December 2012, transferred 20% of our property and casualty risk covering all business written or renewed between 1 January 2008 and 31 December 2012. In addition, we have an adverse development cover (ADC) with Berkshire Hathaway on the Group's total property and casualty reserves for 2008 and prior years. To reduce peak natural catastrophe exposure we use insurance-linked securities, such as the Successor and Mythen cat bond programmes.

Insurance risk stress tests: Single events with a 200-year return period

Pre-tax impact on economic capital in USD billions, as of 31 December	2011	**2012**	Change in %
Natural catastrophes			
Atlantic hurricane	–3.5	**–2.8**	–18
Californian earthquake	–2.9	**–2.4**	–17
European windstorm	–2.6	**–2.6**	–
Japanese earthquake	–2.5	**–2.9**	13
Life insurance			
Lethal pandemic	–2.6	**–2.6**	–

Life and health risk

Change from 2011 +4%

Description

Swiss Re's life and health insurance risk arises from the business we take on when providing mortality (death), longevity (annuity), and morbidity (illness and disability) coverage through both the Reinsurance Business Unit, and when acquiring run-off business through the Admin Re® Business Unit. In addition to potential shock events, such as a severe pandemic, we monitor and manage underlying risks inherent in life and health contracts (such as pricing and reserving risks) that arise when mortality, morbidity, or lapse experience deviates from expectations. The investment risk that is part of some life and health business is monitored and managed as financial market risk.

Developments in 2012 section

Our life and health risk increased by 4% in 2012 (see table on page 49) mainly due to higher mortality trend risk. Business growth was partially offset by the sale of the Admin Re® US business. Longevity risk increased through new deals (see example on page 27) but as it is negatively correlated with mortality trend risk it reduced the overall life and health risk.

The table above shows that Swiss Re's exposure to a severe lethal pandemic remained stable. This is mainly due to the issuance of extreme mortality bonds in 2012 which offset business growth. These bonds are part of an established Vita programme, used to manage our lethal pandemic exposure.

Management

We have an aggregate Group limit governing the acceptance of all life and health risks, with separate individual limits for mortality and longevity exposures. At the Business Unit level, acceptance of life and health risks is governed by aggregated Business Unit limits. Local teams can write reinsurance within their allocated capacity and clearly defined boundaries, such as per-life retention limits for individual business. Market exposure limits are in place for catastrophe and stop-loss business. We pay particular attention to accumulation risk in densely populated areas and apply limits for individual buildings. Following a process similar to the one in property and casualty, all large, complex, or unusual transactions are reviewed and require individual approval from Products Underwriting, Client Management, and Risk Management. We manage the risk exposure of Swiss Re's life and health book by external retrocession. In addition, insurance-linked securities are used to reduce peak exposures.

Financial market and credit risk

Group-wide financial market and credit risk management involves identifying, assessing and controlling risks inherent in the financial and credit markets; it includes the monitoring of compliance with our risk management standards. Both risk categories are managed by our Financial Risk Management team.

Financial Risk Management oversees financial market activities, sets limits, provides quantitative risk assessment across financial risk factors, monitors portfolio risk, develops tactical proposals for risk mitigation or risk reduction, reviews risk and valuation models, assesses asset valuations, and approves transactions and new products. These responsibilities are exercised through defined governance procedures, including monthly reviews by our Asset Management Senior Risk Committee, where the Head of Financial Risk Management is a voting member. Financial Risk Management is responsible for both internally managed assets and Swiss Re's external investment mandates.

Financial market risk

Change from 2011 –2%

Description

Financial market risk is the risk that Swiss Re's assets or liabilities may be affected by movements in financial market prices or rates – such as equity prices, interest rates, credit spreads, foreign exchange rates, or real estate prices. Our financial market risk originates from two main sources: our own investment activities and the sensitivity of the economic value of liabilities to financial market fluctuations. Swiss Re actively manages the potential mismatch in financial market risk between its liabilities and the assets held.

Developments in 2012

In 2012, Swiss Re's overall financial market shortfall decreased by 2% (see table on page 49) mainly due to lower credit spread exposure following the sale of the Admin Re® US business and reduced interest rate and foreign exchange risk. This was largely offset by new equity investments and from introducing a new financial market risk model (see box on page 54).

The table on page 53 shows Swiss Re's sensitivity to various market scenarios. The Group's sensitivity to credit spread widening decreased as a result of the sale of the Admin Re® US business, which partly offset new investments in credit products.

Overall interest rate risk was more balanced than at the prior year-end, with the net position after asset-liability matching showing a modest exposure to rising yields. Exposure to equity market risk increased, mainly as a result of additional investments in exchange-traded funds, and also growth in the asset value of existing holdings. The equity scenario includes listed and private equities, hedge funds, equity derivatives, equity exposure embedded in insurance liabilities (eg, guaranteed minimum death benefit products, including variable annuities), fee income related to equities in unit-linked business, and funding obligations from equity holdings in Swiss Re pension funds.

Management

Financial market risks are subject to limits at various levels of the organisation (eg, Group, Business Units, lines of business and legal entities). Individual limits are expressed in terms of stress testing, VaR and risk factor sensitivities. Asset Management determines a more detailed set of risk limits for its portfolio mandates.

Financial Risk Management regularly reviews and updates the risk framework. The unit is also responsible for monitoring financial market risk in accordance with our risk management standards. Daily and weekly Group-level reports are provided on risks, and on specific limits for internally and externally managed investment mandates and for the Business Units. These reports track exposures, document limit usage (which is independently monitored by Financial Risk Management), and provide information on key risks that could affect the portfolio. Specific limits are assigned to line of business heads, who seek to optimise their portfolios within those limits, using cash and derivative instruments to do so, if necessary. The reports are presented and discussed with the relevant business line responsibles at the weekly Asset Management Risk Committee. This process is complemented by regular risk discussions between Financial Risk Management, Asset Management and the Group's external fund managers.

Financial market and credit risk stress tests

Pre-tax impact on economic capital in USD billions, as of 31 December	2011	**2012**	Change in %
Market scenarios			
100bp increase in credit spreads	–3.5	**–3.3**	–5
30% fall in global equity markets (incl. hedge funds)	–2.2	**–2.9**	29
15% fall in global real estate markets	–0.6	**–0.6**	3
100bp parallel increase in global yield curves	0.5	**–0.1**	–122
Credit stress test			
Credit default stress test	–1.6	**–1.5**	–7

Credit risk

Change from 2011 **+7%**

Description

Credit risk is primarily the risk of incurring a financial loss from the default of Swiss Re's counterparties or of third parties. We also take account of the increase in risk from any deterioration in credit ratings. Credit risk arises directly from our investment activities as well as from liabilities underwritten by our Business Units.

Swiss Re distinguishes between three types of credit exposure: the risk of issuer default from instruments in which Swiss Re invests or trades, such as corporate bonds, counterparty exposure in a direct contractual relationship, such as retrocession or over-the-counter (OTC) derivatives, and risk assumed by Swiss Re through reinsurance contracts, such as Trade Credit and Surety reinsurance business. Credit risk is viewed separately from credit spread risk, which is included under financial market risk.

Developments in 2012

In 2012 Swiss Re's credit risk increased 7% mainly due to a change in the financial market risk model (see box on page 54). The increase was partly offset by the sale of the Admin Re® US business. Exposure to a defined credit default stress situation decreased in 2012 (see table above), predominantly driven by the sale of the Admin Re® US business. This stress test is based on 20 years of historical corporate default data from Moody's and assumes that a combination of the worst default frequencies observed over a 12-month period for all credit rating categories occurs in the same year.

Management

Credit risk is managed and monitored by a dedicated Credit Risk Management team within our Financial Risk Management unit. In addition to the credit default stress limit set by the Group Risk and Capital Committee, we assign aggregate credit limits by Business Unit, corporate counterparty and country. These limits are based on a variety of factors, including the prevailing economic environment, the nature of the underlying credit exposures and, in the case of corporate counterparties, a detailed internal assessment of a corporate entity's financial strength, industry position and other qualitative factors. Risk Management is also responsible for regularly monitoring corporate counterparty credit quality and exposures, and compiling watch lists of cases that merit close attention.

Risk Management monitors and reports credit exposure and limits on a weekly basis for the Group and its Business Units. The reporting process is supported by a Group-wide credit exposure information system that contains all relevant data, including corporate counterparty details, ratings, credit risk exposures, credit limits and watch lists. All key credit practitioners in the Group and Business Units have access to this system, thus providing the necessary transparency to implement specific exposure management strategies for individual counterparties, industry sectors and geographic regions.

To take account of country risks other than from credit default, Swiss Re's Political and Sustainability Risk Management unit prepares specific country ratings in addition to the sovereign ratings used by the Group and the Business Units. These ratings are considered in the decision-making process and cover political, economic and security-related country risks.

Risk modelling and risk measures
We use a proprietary integrated risk model to determine the capital required to support the risks on Swiss Re's books, and to allocate risk-taking capacity to the different lines of business. Our internal model is based on two important principles. First, it applies an asset-liability management (ALM) approach, which measures the net impact of risk on the economic value of both assets and liabilities. Second, it adopts an integrated perspective, recognising that a single risk factor can affect different sub-portfolios and that different risk factors can have mutual dependencies.

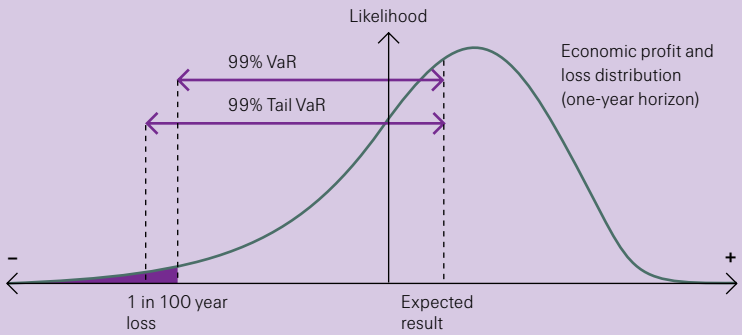
Swiss Re's risk model provides a meaningful assessment of the risks to which the company is exposed and is an important tool for managing our business. It is used for determining capital requirements for internal purposes and for regulatory reporting under the Swiss Solvency Test (SST). The model provides the basis for capital cost allocation in our Economic Value Management (EVM) framework, which is used for pricing, profitability evaluation and compensation decisions (see pages 43 - 44 for further information on EVM).

The model generates a probability distribution for the Group's annual economic profit and loss, specifying the likelihood that the outcome will fall within a given range. From this distribution, we derive a base capital requirement that captures the potential for severe, but rare, aggregate losses over a one-year time horizon.

Swiss Re's risk model assesses the potential economic loss at a specific confidence level. There is thus a possibility that actual losses may exceed the selected threshold. In addition, the reliability of the model may be limited when future conditions are difficult to predict. For this reason, we continuously review and update our model and its parameters to reflect changes in the risk environment and current best practice. We complement our risk models by ensuring a sound understanding of the underlying risks and applying robust internal controls.

In April 2012, a new financial market risk model was introduced, which comprises a new fat tail approach to better reflect extreme market movements as well as a new calibration framework, a refined treatment for credit risk of asset-backed securities and an improved risk factor mapping for indirect private equity.

The risk measures derived from the integrated risk model are expressed as economic loss severities taken from the total economic profit and loss distribution. In line with SST, Swiss Re measures its total capital requirement at 99% Tail VaR (expected shortfall). This represents an estimate of the average annual loss likely to occur with a frequency of less than once in one hundred years. A less conservative measure is the 99% value at risk (VaR), which measures the loss likely to be exceeded in only one year out of one hundred. 99.5% value at risk (VaR) measures the loss likely to be exceeded in only one year out of two hundred.



Operational risk
The Basel II framework defines operational risk as the expected and unexpected economic impact of inadequate or failed internal processes, people or systems risks or external events, including compliance risks. The definition also includes financial reporting risk, where a material misstatement by the Group causes significant reputational damage.

Swiss Re mitigates these risks based on a three lines of defence principle, beginning with the day-to-day risk management activities of the individual risk takers in the business units, corporate and enabling functions. The second line of defence comprises the independent oversight functions of Risk Management, Compliance and the Group Security Office. The third line of defence performs independent audits of processes and procedures carried out by Group Internal Audit.

The purpose at every stage is to identify and manage cost-effectively those operational events with the potential to cause large financial loss or significant reputational damage.

Members of Swiss Re's Group Management Board and Executive Committee are required to assess and certify the effectiveness of the internal control system for their particular business unit, corporate, or enabling function on a quarterly basis.

Strategic risk
Strategic risk for Swiss Re represents the risk that poor strategic decision-making, execution, or response to industry changes or competitor actions could harm Swiss Re's competitive position and consequently franchise value.

The responsibility for managing strategic risk lies with the Board of Directors. It is addressed by examining multi-year scenarios, considering the related risks, as well as monitoring the implementation of the chosen strategy year-by-year in terms of the annual business plan. The operational risks of implementing the strategy are reviewed through our integrated assurance framework comprising business management, risk management and independent internal audits.

Regulatory risk
Regulatory risk includes the potential impact of changes in the regulatory and supervisory regimes of the countries in which we operate. In 2012, reinsurers were confronted with an increasing number of regulatory reforms, particularly in the US and Europe.

A further delay of the Solvency II Directive, due to ongoing discussions on the treatment of long-term guarantee products, raises concerns about the fragmentation of the solvency regime in Europe. The possible uncoordinated national introduction of parts of Solvency II before the overall implementation may lead to a lack of harmonised supervision.

The first list of globally systemically important insurers is expected to be released in early 2013. To the degree to which this list introduces policy measures governing large global reinsurance groups, Swiss Re will aim to improve the recognition of risk mitigating solutions (eg, reinsurance under risk-based solvency regimes), gain clarity in supervisory behaviour (eg, Supervisory Colleges and crisis management measures), and remove discriminatory requirements.

Swiss Re remained fully engaged in the regulatory debate during 2012, striving to mitigate potentially negative impacts while supporting those reforms that could generate convergence of regulatory standards and business opportunities.

Reputational risk
Swiss Re's continued business success depends on maintaining our reputation with clients, investors, employees and other stakeholders. Environmental, socio-economic and related ethical risks to reputation may arise from individual business transactions; our reputation could also be impacted by operational failures.

We have a long-standing commitment to sustainable business practices, active corporate citizenship and good governance. We mitigate potential damage to our reputation through clear corporate values, robust internal controls and active dialogue with external stakeholders. All our employees are required to commit to and comply with the values and rules of behaviour defined in the Group Code of Conduct. We support these values with processes that enable us to identify potential problems early.

We have a formal framework to manage environmental, socio-economic, and related ethical risks that may be inherent in some of our business transactions. Currently, this framework contains eight policies for sectors or issues, each with pre-defined exclusions, criteria and quality standards. Transactions that could potentially compromise these standards need to be submitted to our Sensitive Business Risks process for review by our sustainability experts. We also consider the potential impact on Swiss Re's reputation when assessing and controlling operational risk.

In addition, Swiss Re has been actively contributing over the years to the development of the UN Principles for Sustainable Insurance (UN PSI) and was a founding signatory at its launch on 19 June 2012 as part of the UN Conference on Sustainable Development in Rio de Janeiro (Rio+20).

In 2012, for the fifth year running, Swiss Re was named the insurance "Super Sector Leader" by SAM in their annual review for the Dow Jones Sustainability Indexes (DJSI).

Emerging risks
Anticipating possible developments in Swiss Re's risk landscape is an important element of our integrated approach to enterprise risk management. We encourage pre-emptive thinking on risk in all areas of our business, combining our broad claims experience and risk expertise with a structured horizon-scanning process. The key objectives are to reduce uncertainty and help diminish the volatility of the Group's results, but also to identify new business opportunities and raise awareness both within the Group and across the industry.

Our internal SONAR system gives Swiss Re employees a forum to raise ideas on emerging risks and report early signals using an interactive platform. This information is complemented with insights from collaboration with think tanks, academic networks and international organisations and institutions. Findings are reported at semi-annual intervals to senior management and other internal stakeholders, providing them with a prioritised overview of newly identified emerging risks and an estimate of their potential impact on Swiss Re's business.

To further advance risk awareness across the industry and beyond, Swiss Re actively participates in strategic risk initiatives such as the World Economic Forum's Risk Response Network, the International Risk Governance Council and the CRO Forum's Emerging Risk Initiative. We contributed to several publications on emerging risk topics in 2012, including the World Economic Forum's annual Global Risks Report and a CRO Forum position paper on endocrine disruptors.

Corporate Governance

Swiss Re's new Corporate Governance Guidelines harmonise our governance principles and procedures across the Group.

Overview

Swiss Re's corporate governance adheres to the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance, including its annex, as issued in 2002 and amended in 2009. It is also in line with the principles of the Swiss Code of Best Practice for Corporate Governance (Swiss Code) issued in 2002 by economiesuisse, the Swiss business federation. An additional appendix was issued in 2007 which deals with compensation principles. Swiss Re, moreover, conforms to the Swiss Financial Market Supervisory Authority (FINMA) provisions on corporate governance, risk management and internal control systems, which came into effect on 1 January 2009. Finally, Swiss Re's corporate governance complies with applicable local rules and regulations in all jurisdictions where it conducts business.

The Board of Directors assesses the Group's corporate governance on an annual basis against relevant best practice standards. It monitors corporate governance developments globally. It receives updates on developments affecting corporate governance from selected jurisdictions and considers the relevant studies and surveys on corporate governance.

Information on compensation, shareholdings of and loans to members of the Board of Directors and the Group Executive Committee (Group EC) is provided on pages 93–117.

Swiss Re's corporate governance framework

Swiss Re has a dual Board structure: the Board of Directors is responsible for oversight, while the Group EC is responsible for managing operations. This structure maintains effective mutual checks and balances between the top corporate bodies. Our corporate governance principles and procedures are defined in a series of documents governing the organisation and management of the company. These include on a Group level:

- the Code of Conduct, outlining our compliance framework and setting out the basic legal and ethical principles and policies we apply globally;
- the Corporate Governance Guidelines (the Guidelines), setting forth the Group's governance framework, principles and processes, ensuring efficient and consistent corporate governance across the Group;
- the Articles of Association, defining the legal and organisational framework of the Group's holding company;
- the Group Bylaws, defining the governance structure within the Group as well as the responsibilities of the Board of Directors, Chairman, Board committees, Group CEO, Regional Presidents and Group EC and the relevant reporting procedures;
- the Board Committee Charters, outlining the duties and responsibilities of the Board committees;
- the Group committee charters, outlining the duties and responsibilities of the committees at the Group EC level;
- the instructions and guidelines describing working methods, governance processes and timetables of the Board of Directors and Board committees.

Furthermore they include on a Business Unit level:

- Business Unit Regulations, defining the governance structure and principles within the Business Units Reinsurance, Corporate Solutions and Admin Re® in line with the Group Bylaws.

2012 Focus areas

Corporate Governance Guidelines

The Group's new Guidelines harmonise our governance principles and procedures across the Group. The Guidelines explain the classification levels of the legal entities, with their applicable governance requirements and processes. In so doing, the Guidelines take into account the nature, size and complexity of the Group's legal entities.

In particular, they:

- determine the responsibilities for the issuance, application, and implementation of legal documents at both Group and Business Unit level;
- allocate the responsibilities for a legal entity's governance;
- define the concept of significance levels of legal entities;
- create governance standards and procedures applicable to all legal entities, including the creation and dissolution of legal entities;
- establish procedures for the appointment and assimilation of Board of Directors and management members; and
- introduce an annual Board self-assessment and certification process to ensure compliance with the Guidelines.

The Guidelines take into account relevant recommendations by FINMA, as well as the Swiss Code.

Revision of Bylaws

In 2012 the Board of Directors reviewed and revised the Group Bylaws and the Business Unit Regulations. The revisions reflect experience gained under the new corporate structure.

Proposed election to Board of Directors

The Board of Directors nominated Mary Francis to be proposed to the General Meeting of Shareholders in 2013 for election as new Board member.

Executive management further strengthened

Reflecting its new corporate structure and operating model, Swiss Re further strengthened its Group EC in 2012 by appointing additional members for the newly created positions of Regional President (one each for the Americas, Asia and EMEA) and of Group Chief Strategy Officer.

Key developments in 2012

Board of Directors

- The shareholders elected C. Robert Henrikson to the Board of Directors at the AGM on 13 April 2012 for a three-year term.
- The Board of Directors appointed Renato Fassbind as additional Vice Chairman at its constitutional meeting in April 2012.
- The Board of Directors nominated Mary Francis to be proposed to the AGM in 2013 for election as new Board member.

Executive management

- Michel M. Liès was appointed Group Chief Executive Officer and member of the Group Executive Committee as of February 2012, succeeding Stefan Lippe.
- Matthias Weber was appointed Group Chief Underwriting Officer and member of the Group Executive Committee as of 1 April 2012, succeeding Brian Gray.
- Jean-Jacques Henchoz was appointed Regional President EMEA, Martyn Parker was appointed Regional President Asia and J. Eric Smith was appointed Regional President Americas; they took up these positions and joined the Group Executive Committee as of 1 January 2012.
- Moses Ojeisekhoba was appointed Regional President Asia and member of the Group Executive Committee as of 15 March 2012, succeeding Martyn Parker who was appointed Chairman Global Partnerships.
- John R. Dacey was appointed Group Chief Strategy Officer, member of the Group Executive Committee, and Chairman Admin Re® as of 1 November 2012.
- Guido Fürer was appointed Group Chief Investment Officer and member of the Group Executive Committee as of 1 November 2012, succeeding David Blumer.

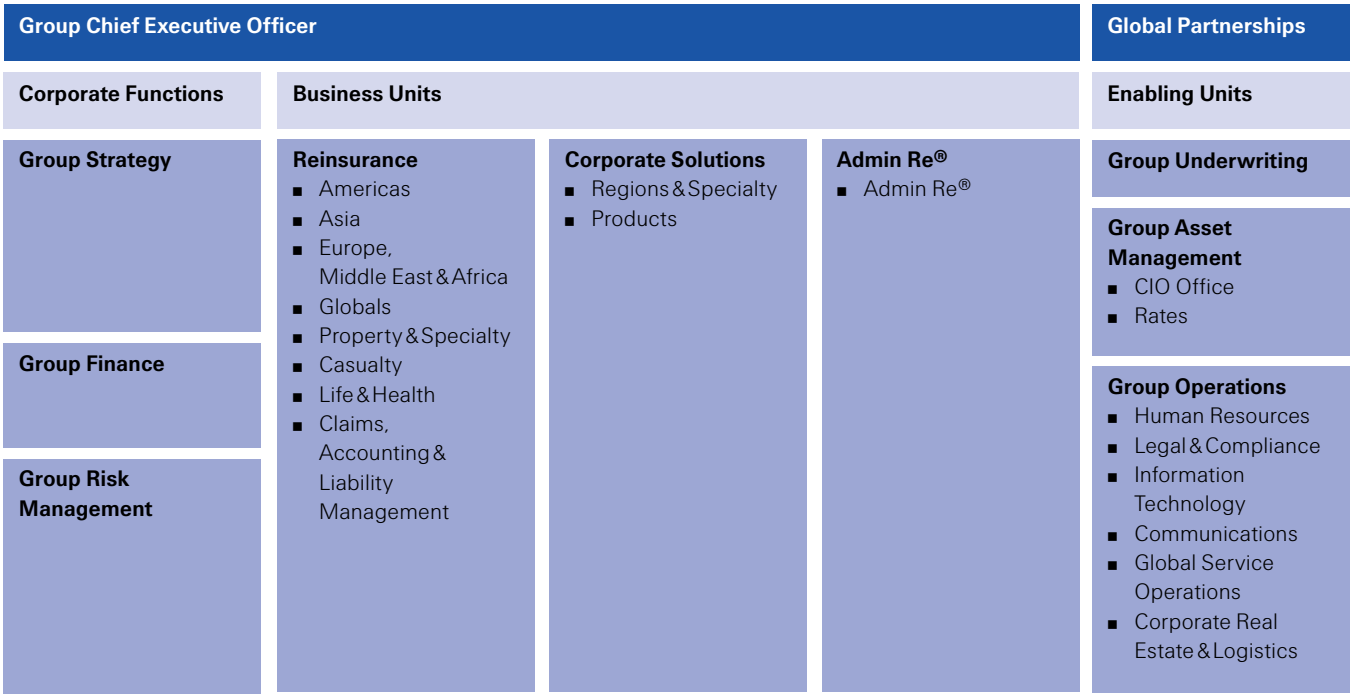
Governance highlights

- The Group adopted new Corporate Governance Guidelines which harmonise our governance principles and processes across all our legal entities.
- Reflecting the new Group structure, the Group Executive Committee was strengthened by appointing additional members for the newly created positions of Regional Presidents for the Americas, Asia and EMEA, along with a Group Chief Strategy Officer.

Group structure and shareholders

Group structure

Operational Group structure



Legal structure – listed and non-listed Group companies

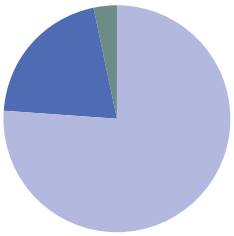
Swiss Re Ltd, the Group's holding company, is a joint stock company, listed, in accordance with the Main Standard, on the SIX Swiss Exchange (ISIN CH0126881561), domiciled at Mythenquai 50/60 in 8022 Zurich, and organised under the laws of Switzerland. No further Group companies have shares listed. More information is provided in Note 18 to the Group financial statements on page 210.

Swiss Re Ltd has a level I American Depositary Receipts (ADRs) programme in the US. The ADRs are traded over the counter (ISIN US8708861088, DTC symbol SSREY). Neither the ADRs, nor the underlying Swiss Re shares, are listed on a securities exchange in the US.

Significant shareholders and shareholder structure

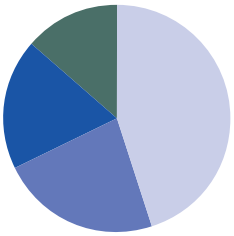
Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX Swiss Exchange is required to notify the company and the SIX Swiss Exchange if their direct or indirect holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised. Notifications must also include financial instruments, regardless of whether cash or physically settled, constituting a purchase or a sale position. Upon receipt of such notifications, the company is required to inform the public. The following table provides a summary of the current disclosure notifications. In line with the SESTA requirements, the percentages indicated were calculated in relation to the share capital reflected in the commercial register at the time of the respective notification.

Registered shareholders by type
as of 31 December 2012



- 76.3% Institutional shareholders
- 20.5% Individual shareholders
- 3.2% Swiss Re employees

Registered shareholdings by country
as of 31 December 2012



- 45.0% Switzerland
- 23.0% United Kingdom
- 18.5% USA
- 13.5% Other registered shareholders

Significant shareholders

Shareholder[1]	Number of shares	% of voting rights and share capital	Creation of the obligation to notify
Franklin Resources, Inc.	18 277 452	4.93	2 August 2012
Dodge & Cox	12 639 368	3.48	10 June 2011
MFS Investment Management	11 485 890	3.16	10 June 2011
Berkshire Hathaway Inc.	11 262 000	3.10	10 June 2011
BlackRock, Inc.	11 134 246	3.09	26 September 2011

[1] In the context of Swiss Reinsurance Company Ltd's issuance of Perpetual Subordinated Capital Instruments with a face value of USD 750 million with a stock settlement in registered shares of Swiss Re Ltd, Aquarius + Investments plc ("Aquarius") reported in compliance with the Federal Act on Stock Exchanges and Securities Trading and the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (Stock Exchange Ordinance – FINMA, SESTO-FINMA) a disclosable purchase and a sales position each corresponding to 6.32% of the voting rights. Aquarius does not hold any registered shares of Swiss Re Ltd.

In addition, Swiss Re Ltd and Group companies held, as of 31 December 2012, directly and indirectly, 27 560 372 shares, representing 7.4% of voting rights and share capital. Neither the company nor the Group companies can exercise the voting rights of the own shares they hold themselves. All notifications received in 2012 are published at swissre.com/investors/shares/disclosure_of_shareholdings and at www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

Shareholder structure

Registered – unregistered shares

As of 31 December 2012	Shares	in %
Shares registered in the share register[1]	199 866 789	53.9
Unregistered shares[1]	143 279 770	38.7
Shares held by Swiss Re	27 560 372	7.4
Total shares issued	**370 706 931**	**100.0**

[1] Without shares held by Swiss Re Ltd and Group companies

Registered shares with voting rights by shareholder type

As of 31 December 2012	Shareholders	in %	Shares	in %
Individual shareholders	52 073	88.7	40 947 141	20.5
Swiss Re employees	3 428	5.8	6 415 572	3.2
Total individual shareholders	**55 501**	**94.5**	**47 362 713**	**23.7**
Institutional shareholders	**3 221**	**5.5**	**152 504 076**	**76.3**
Total	**58 722**	**100.0**	**199 866 789**	**100.0**

Registered shares with voting rights by country

As of 31 December 2012	Shareholders	in %	Shares	in %
Switzerland	53 231	90.7	89 938 981	45.0
United Kingdom	594	1.0	45 958 094	23.0
USA	436	0.7	37 041 441	18.5
Other	4 461	7.6	26 928 273	13.5
Total	**58 722**	**100.0**	**199 866 789**	**100.0**

Registered shares with voting rights by size of holding

As of 31 December 2012	Shareholders	in %	Shares	in %
Holdings of 1– 2 000 shares	53 453	91.0	22 200 855	11.1
Holdings of 2 001– 200 000 shares	5 171	8.8	48 985 559	24.5
Holdings of > 200 000 shares	98	0.2	128 680 375	64.4
Total	**58 722**	**100.0**	**199 866 789**	**100.0**

Cross-shareholdings

Swiss Re has no cross-shareholdings in excess of 5% of capital or voting rights with any other company.

Capital structure

Capital
As of 31 December 2012, the fully paid-in share capital of Swiss Re Ltd amounted to CHF 37 070 693.10. It was divided into 370 706 931 registered shares, each with a par value of CHF 0.10.

The table below provides an overview of the issued, conditional and authorised capital of Swiss Re Ltd as of 31 December 2012, compared with the issued, conditional and authorised capital as of 31 December 2011.

More information is provided in the sections "Conditional and authorised capital in particular" below and "Changes in capital" on page 64.

Conditional and authorised capital in particular

Conditional capital
As of 31 December 2012, the conditional capital of Swiss Re Ltd consisted of the following category:

Conditional capital for Equity-Linked Financing Instruments
The share capital of the company may be increased up to 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. Such shares are issued through the voluntary or mandatory exercise of conversion and/or option rights granted by the company or Group companies in connection with bonds or similar instruments, including loans or other financial instruments (Equity-Linked Financing Instruments).

Existing shareholders' subscription rights are excluded. The then current holders of the conversion and/or option rights granted in connection with Equity-Linked Financing Instruments shall be entitled to subscribe for the new registered shares. Subject to the Articles of Association, the Board of Directors may decide to restrict or exclude existing shareholders' advance subscription rights with regard to these Equity-Linked Financing Instruments. Such decision may be made in order to issue Equity-Linked Financing Instruments on national and/or international capital markets (including private placements to selected strategic investors), and/or to finance or re-finance the acquisition of companies, parts of companies, participations or new investments planned by the company and/or Group companies.

If advance subscription rights are excluded, then the Equity-Linked Financing Instruments are to be placed at market conditions, the exercise period is not to exceed ten years for option rights and twenty years for conversion rights, and 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 the Articles of Association.

Authorised capital
As of 31 December 2012, the authorised capital of Swiss Re Ltd consisted of the categories as presented in the table below.

According to the Articles of Association, 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 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 Board of Directors determines 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.

The subscription rights of existing shareholders may not be excluded 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 authorised capital.

	31 December 2011		**31 December 2012**	
	Capital in CHF	Shares	Capital in CHF	Shares
Share capital	37 070 693.10	370 706 931	37 070 693.10	370 706 931
Conditional capital				
for Equity-Linked Financing Instruments	5 000 000.00	50 000 000	5 000 000.00	50 000 000
Authorised capital				
regular	8 500 000.00	85 000 000	8 500 000.00	85 000 000
for exchange of shares	4 005 061.30	40 050 613	4 005 061.30	40 050 613

The Board of Directors may exclude or restrict the subscription rights of existing shareholders 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 authorised capital. Such exclusion or restriction relates to the use of shares in connection with mergers, acquisitions (including take-over) of companies, parts of companies or holdings, participations or new investments planned by the company and/or Group companies, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities. Exclusion and restriction may also relate to improving the regulatory capital position of the company or Group companies, including private placements, in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so.

The subscription and acquisition of the new registered shares, as well as each subsequent transfer of registered shares, shall be subject to the restrictions specified in the Articles of Association.

Joint provision for conditional capital for Equity-Linked Financing Instruments and for the above-mentioned authorised capital
The total of shares issued from the authorised capital, where the existing shareholders' subscription rights were excluded, and from the shares issued from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments were excluded, may not exceed 74 140 927 shares up to 20 May 2013.

Authorised capital for the exchange of shares
The Board of Directors is authorised to increase the share capital of the company for use as consideration for any remaining minority shareholders of Swiss Reinsurance Company Ltd for any voluntary or mandatory surrendering of their shares in Swiss Reinsurance Company Ltd after the execution of the company's public exchange offer at any time up to 20 May 2013. Such increase in share capital may not exceed CHF 4 005 061.30 through the issue of up to 40 050 613 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 Board of Directors determines the date of issue, the issue price, the type of contribution and any possible acquisition of assets as well as the date of dividend entitlement.

Existing shareholders' subscription rights for registered shares issued according to this provision are excluded.

The subscription and acquisition of the new registered shares, as well as each subsequent transfer of the registered shares, shall be subject to the restrictions specified in the Articles of Association.

Changes in capital

Changes in 2012
No changes in capital took place during 2012.

Changes in 2011
The Annual General Meeting of shareholders of the former parent company, Swiss Reinsurance Company Ltd, approved the cancellation of the conditional capital which had been created for employee participation in the maximum nominal amount of CHF 1 695 280.70, which corresponds to 16 952 807 registered shares, each with a nominal value of CHF 0.10.

The Annual General Meeting of shareholders of Swiss Reinsurance Company Ltd also approved the cancellation of the conditional capital which had been created in favour of Berkshire Hathaway Inc. in the maximum nominal amount of CHF 16 000 000, which corresponds to 160 000 000 registered shares, each with a nominal value of CHF 0.10.

Furthermore, the Annual General Meeting of shareholders of Swiss Reinsurance Company Ltd approved the increase of the existing conditional capital for bonds or similar instruments from CHF 839 479.20 to CHF 5 000 000. In line with this increase, the Extraordinary General Meeting of shareholders of Swiss Re Ltd approved at its meeting on 20 May 2011 the creation of conditional capital for bonds or similar instruments by an amount not exceeding CHF 5 000 000 through the issue of a maximum of 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10.

The Annual General Meeting of shareholders of Swiss Reinsurance Company Ltd also approved the reduction of the existing authorised capital from CHF 18 000 000 to CHF 8 500 000 and authorised the Board of Directors to increase the share capital by a maximum nominal amount of CHF 8 500 000, which corresponds to 85 000 000 registered shares, each with a nominal value of CHF 0.10, until 15 April 2013. In line with this increase, the Extraordinary General Meeting of shareholders of Swiss Re Ltd approved at its meeting on 20 May 2011 the creation of authorised capital by an 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.

The Extraordinary General Meeting of shareholders of Swiss Re Ltd approved at its meeting on 20 May 2011 the creation of authorised capital by an amount not exceeding CHF 4 732 323.50, through the issue of up to 47 323 235 registered shares, payable in full, each with a nominal value of CHF 0.10, for the use as consideration for any remaining minority shareholders of Swiss Reinsurance Company Ltd for any voluntary or mandatory surrendering of their shares in Swiss Reinsurance Company Ltd after the execution of the public exchange offer of the company at any time up to 20 May 2013.

In the course of 2011, CHF 727 262.20 of the authorised capital for the exchange of shares were used through the issue of 7 272 622 registered shares with a nominal value of CHF 0.10.

In 2011, 2 778 shares were issued from conditional capital for employee participation purposes.

Changes in 2010 and previous years

Information about changes in capital in 2010 is provided on pages 54 and 55 of the 2010 Annual Report. Information about changes in capital for earlier years is provided in the Annual Reports for the respective years.

Shares

All shares issued by Swiss Re Ltd are fully paid-in registered shares, each with a par value of CHF 0.10. Each share carries one vote. There are no categories 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 the company's share capital. The company cannot exercise the voting rights of treasury shares. As of 31 December 2012, shareholders had registered 199 866 789 shares for the purpose of exercising their voting rights, out of a total of 370 706 931 shares issued. As of 31 December 2012, 343 169 258 shares were entitled to dividend payment.

Profit-sharing and participation certificates

Swiss Re Ltd has not issued any profit-sharing and participation certificates.

Limitations on transferability and nominee registrations

Free transferability

The company maintains a share register for the registered shares, in which owners and usufructuaries are entered.

The company may issue its registered shares in the form of single certificates, global certificates and intermediated securities. The company may convert its registered shares from one form into another at any time and without the approval of the shareholders. The shareholders have no right to demand a conversion into a certain form of registered shares. Each shareholder may, however, at any time request a written confirmation from the company of the registered shares held by such shareholder, as reflected in the company's share register.

The registered shares are administered as intermediated securities. The transfer of intermediated securities and furnishing of collateral in intermediated securities must conform to the Intermediary-Held Securities Act. The transfer and furnishing of collateral by assignment is excluded.

Persons acquiring registered shares will, upon application, be entered in the share register without limitation as shareholders with voting power if evidence of the acquisition of the shares is provided and if they expressly declare that they have acquired the shares in their own name and for their own account and, where applicable, that they are compliant with the disclosure requirement stipulated by the Federal Act on Stock Exchanges and Securities Trading (SESTA). The Board of Directors is allowed to remove the entry of a shareholder with voting rights from the share register retroactively from the date of entry if the entry was obtained under false pretences or if the owner, whether acting alone or as part of a group, has breached notification rules.

Admissibility of nominee registrations

Persons not expressly declaring in their application for entry in the share register that they are holding shares for their own account (nominees) are entered without further inquiry in the share register of Swiss Re Ltd as shareholders with voting rights of up to a maximum of 2% of the outstanding share capital available at the time. Additional 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 any persons for whose account the nominee is holding 0.5% or more of the outstanding share capital. In addition, such nominees must comply with the disclosure requirements of the SESTA.

Convertible bonds and options

Convertible bonds

As of 31 December 2012, neither Swiss Re Ltd nor any of its subsidiaries has any bonds convertible into equity securities of Swiss Re Ltd solely at the option of bondholders outstanding. During 2012, Swiss Reinsurance Company Ltd issued CHF 320 000 000 of 7.25% perpetual subordinated notes and USD 750 000 000 of 8.25% perpetual subordinated capital instruments both with stock settlement (collectively the "subordinated securities"), which provide Swiss Reinsurance Company Ltd with options to initiate settlement of the subordinated securities by delivery of shares of Swiss Re Ltd.

Options

Stock options granted to Swiss Re employees will be settled with treasury shares. The number of issued shares will not be affected.

For details on stock options granted to Swiss Re employees, see Note 14 to the Group financial statements on pages 193.

Board of Directors

Members of the Board of Directors
According to the Articles of Association, the Board of Directors of Swiss Re Ltd, the holding company of the Swiss Re Group, consists of at least seven members.
As of 31 December 2012 the Board of Directors consisted of the following members:

Name	Nationality	Age	Initial election*	Current term ends
Walter B. Kielholz (Chairman)	Swiss	61	1998	2013
Mathis Cabiallavetta (Vice Chairman)	Swiss	67	2008	2014
Renato Fassbind (Vice Chairman)	Swiss	57	2011	2014
Jakob Baer	Swiss	68	2005	2015
Raymund Breu	Swiss	67	2003	2014
Raymond K. F. Ch'ien	Chinese	60	2008	2014
John R. Coomber	British	63	2006	2015
Rajna Gibson Brandon	Swiss	50	2000	2014
C. Robert Henrikson	American	65	2012	2015
Malcolm D. Knight	Canadian	68	2010	2013
Hans Ulrich Maerki	Swiss	66	2007	2014
Carlos E. Represas	Mexican	67	2010	2013
Jean-Pierre Roth	Swiss	66	2010	2013

* The members were initially elected to the Board of Directors of Swiss Reinsurance Company Ltd, the Group's former parent company; all members were subsequently elected to the Board of Directors of the Group's new holding company, Swiss Re Ltd, on 17 February 2011 with the exception of the following two members who joined later; Renato Fassbind was elected to the Board of Directors of Swiss Re Ltd on 15 April 2011 and C. Robert Henrikson was elected to the Board of Directors of Swiss Re Ltd on 13 April 2012.

Company Secretary
Felix Horber

Independence
Swiss Re's Group Bylaws stipulate that the Board of Directors consists of at least a majority of independent members. To be considered independent, a director may not be employed as an executive officer of the Group, or have been employed in such function for the previous three years. Moreover, he or she must not have a material relationship with any part of the Group, directly or as a partner, director, or shareholder of an organisation that has a material relationship with the Group. All directors of Swiss Re meet our independence criteria.

The members of the Board of Directors are also subject to procedures to avoid any conflict of interest.

Walter B. Kielholz (1951), Swiss
Chairman, non-executive and independent

Career
Walter B. Kielholz began his career at the General Reinsurance Corporation, Zurich, in 1976. In 1986, he joined Credit Suisse, where he was responsible for banking relationships with large insurance groups. He joined Swiss Re in 1989 where he became an Executive Board member in 1993 and was Chief Executive Officer from 1997 to 2002. He was Executive Vice Chairman of the Board of Directors from 2003 to 2006 and Vice Chairman from 2007 until he was nominated Chairman in 2009. In addition, he chairs the Chairman's and Governance Committee of the Swiss Re Board.

External appointments
- Board member of Credit Suisse Group AG
- Chairman of the European Financial Services Round Table, where the Chairman and CEOs of the largest European financial institutions meet regularly
- Board member of the Institute of International Finance
- Member of the Board of Trustees of Avenir Suisse, the liberal Swiss think tank
- Chairman of the Zurich Art Society, the organisation that is in charge of the Zurich Kunsthaus

Educational background
- Business finance and accounting degree, University of St.Gallen, Switzerland

Mathis Cabiallavetta (1945), Swiss
Vice Chairman, non-executive and independent

Career
Mathis Cabiallavetta held several positions at UBS AG from 1971, including President of the Group Executive Board in 1996 and Chairman in 1998. He joined Marsh & McLennan Companies in 1999 and was Vice Chairman of the company from 2001 to 2004. He was elected to Swiss Re's Board of Directors in 2008 and became Vice Chairman in 2009. He chairs the Finance and Risk Committee as well as the Investment Committee and is a member of the Chairman's and Governance Committee.

External appointments
- Board member of Philip Morris International and BlackRock, Inc.
- Executive Advisory Board member of General Atlantic Partners (GAP)
- Former member of the Bank Council of Swiss National Bank
- Past Vice Chairman of the Board of Directors of the Swiss Bankers Association
- Past committee member of the Board of Directors of SIX Swiss Exchange
- Past member of the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York

Educational background
- Bachelor's degree in Economics, University of Montreal, Canada

Renato Fassbind (1955), Swiss
Vice Chairman, non-executive and independent

Career
After two years with Kunz Consulting AG, Renato Fassbind joined F. Hoffmann-La Roche AG in 1984, becoming Head of internal audit in 1988. From 1986 to 1987, he worked as a public accountant with Peat Marwick in New Jersey. In 1990, he joined ABB Ltd as Head of Corporate Staff Audit and, from 1997 to 2002, was Chief Financial Officer and member of the Group Executive Committee. In 2002, he joined Diethelm Keller Holding Ltd as Group Chief Executive Officer. From 2004 to 2010, he was Chief Financial Officer and member of the Executive Board of Credit Suisse Group AG. Renato Fassbind was elected to Swiss Re's Board of Directors in 2011 and is a member of the Chairman's and Governance Committee, the Audit Committee and the Compensation Committee.

External appointments
- Board member of Kühne + Nagel International Ltd
- Board member of the Swiss Federal Audit Oversight Authority

Educational background
- PhD in Economics, University of Zurich, Switzerland
- Certified Public Accountant (CPA), Denver, USA

For full biographies, please visit
swissre.com/about_us/leadership/

Jakob Baer (1944), Swiss
Member, non-executive and independent

Career
Jakob Baer began his career with the Swiss Federal Finance Administration. He joined Fides Trust Company in 1975, then following a buyout became a member of KPMG Switzerland's Management Board in 1992. He was appointed Chief Executive Officer of KPMG Switzerland in 1994 and became a member of KPMG's European and international Management Boards. He retired from KPMG in 2004. Jakob Baer was elected to Swiss Re's Board of Directors in 2005. He chairs the Audit Committee and is a member of the Chairman's and Governance Committee and the Finance and Risk Committee.

External appointments
- Board member of Allreal Holding AG, Barry Callebaut AG, Rieter Holding AG and Stäubli Holding AG

Educational background
- Attorney-at-Law, Bern, Switzerland
- PhD in Law, University of Bern, Switzerland

Raymund Breu (1945), Swiss
Member, non-executive and independent

Career
Raymund Breu started in group treasury at Sandoz in 1975, rising to Chief Financial Officer of Sandoz Corporation in New York in 1985. In 1990, he became Group Treasurer of Sandoz Ltd and in 1993 Head of Group Finance and a member of the Executive Board. From 1996 to 2010, he was Chief Financial Officer and member of the Executive Committee of Novartis. Raymund Breu was elected to Swiss Re's Board of Directors in 2003 and is a member of the Audit Committee and the Investment Committee.

External appointments
- Board member of Nobel Biocare Holding AG
- Member of the Swiss Takeover Board

Educational background
- PhD in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

Raymond K.F. Ch'ien (1952), Chinese
Member, non-executive and independent

Career
Raymond K.F. Ch'ien was Group Managing Director of Lam Soon Hong Kong Group from 1984 to 1997 and Chairman of CDC Corporation from 1999 to 2011. He was elected to Swiss Re's Board of Directors in 2008 and is a member of the Audit Committee and the Investment Committee.

External appointments
- Chairman of the Boards of Directors of MTR Corporation Ltd and Hang Seng Bank Ltd
- Board member of the Hong Kong and Shanghai Banking Corporation Ltd, Convenience Retail Asia Ltd, China Resources Power Holdings Company Ltd, The Wharf (Holding) Ltd, Hong Kong Mercantile Exchange Ltd and UGL Ltd
- Honorary president of the Federation of Hong Kong Industries
- Trustee of the University of Pennsylvania

Educational background
- PhD in Economics, University of Pennsylvania, USA

John R. Coomber (1949), British
Member, non-executive and independent

Career
John R. Coomber has been the Chief Executive Officer of Pension Insurance Corporation Limited since 2008.

He joined Swiss Re in the UK in 1973. From 1987, he led the Life Division and, in 1993, was made Head of the UK operations. He was appointed a member of the Group Executive Board in 1995, responsible for the Life & Health division. He became a member of the Executive Committee in 2000 and was Swiss Re's Chief Executive Officer from 2003 to 2005. He was elected to the Group's Board of Directors in 2006. He is a member of the Chairman's and Governance Committee, the Audit Committee and the Finance and Risk Committee.

External appointments
- Chairman of The Climate Group
- Chairman of ClimateWise
- Member of the Deutsche Bank Climate Advisory Panel
- Chairman of MH (GB) Limited

Educational background
- Theoretical Mechanics degree, Nottingham University, United Kingdom

Rajna Gibson Brandon (1962), Swiss
Member, non-executive and independent

Career
Rajna Gibson Brandon is a Professor of Finance at the University of Geneva and Director of the Geneva Finance Research Institute.

She held professorships at the University of Lausanne from 1991 to 2000 and the University of Zurich from 2000 to 2008. She was a member of the Swiss Federal Banking Commission from 1997 to 2004. She was elected to Swiss Re's Board of Directors in 2000 and is a member of the Finance and Risk Committee and the Investment Committee.

External appointments
- Board member of Banque Privée Edmond de Rothschild S.A.
- Deputy Director of the Swiss National Centre of Competence in Research "Financial Valuation and Risk Management" research network
- Director of Research of the Swiss Finance Institute

Educational background
- PhD in Economics and social sciences, University of Geneva, Switzerland

C. Robert Henrikson (1947), American
Member, non-executive and independent

Career
C. Robert Henrikson was Chairman and Chief Executive Officer of MetLife, Inc. from 2006 to 2011. Before, he held senior positions in MetLife's individual, group and pension businesses and became Chief Operating Officer of the company in 2004. He is a former Chairman of the American Council of Life Insurers, a former Chairman of the Financial Services Forum, Director Emeritus of the American Benefits Council and a former member of the President's Export Council. He was elected to Swiss Re's Board of Directors in 2012 and chairs the Compensation Committee. In addition, he is a member of the Chairman's and Governance Committee and the Finance and Risk Committee.

External appointments
- Board member of Invesco Ltd
- Chairman of the S.S. Huebner Foundation for Insurance Education
- Member of the Board of Trustees of Emory University

Educational background
- Bachelor of Arts, University of Pennsylvania, USA
- Juris Doctorate, Emory University, USA

Malcolm D. Knight (1944), Canadian
Member, non-executive and independent

Career
Malcolm D. Knight began his career as an academic at the University of Toronto and the London School of Economics. In 1975, he joined the International Monetary Fund, holding positions in both research and operations until 1999. From 1999 to 2003, he was Senior Deputy Governor of the Bank of Canada and from 2003 to 2008 he was General Manager (CEO) of the Bank for International Settlements. He was Vice Chairman of Deutsche Bank from 2008 to 2012, where he is now an Advisor. He was elected to Swiss Re's Board of Directors in 2010 and is a member of the Audit Committee and the Finance and Risk Committee.

External appointments
- Visiting Professor in Finance at the London School of Economics
- Trustee of the International Valuation Standards Council
- Member of the Board of Patrons of the European Association for Banking and Financial History
- Member of the Board of Directors of the Global Risk Institute in Financial Services

Educational background
- Honour BA in Political Science and Economics, University of Toronto, Canada
- M.Sc. and PhD in Economics, the London School of Economics, United Kingdom

Hans Ulrich Maerki (1946), Swiss
Member, non-executive and independent

Career
Hans Ulrich Maerki worked for IBM for 35 years, starting in 1973. From 1993 to 1995, he was General Manager of IBM Switzerland. He was appointed Chairman of the Board of Directors of IBM Europe, Middle East and Africa (EMEA) in 2001 and was Chief Executive Officer of IBM EMEA from 2003 to 2005. Hans Ulrich Maerki was elected to Swiss Re's Board of Directors in 2007 and is a member of the Compensation Committee and the Finance and Risk Committee.

External appointments
- Board member of ABB Ltd and Mettler Toledo International
- Member of the Foundation Board of the Schulthess-Klinik Zurich
- Member of the international advisory boards of the École des Hautes Études Commerciales (EDHEC), Paris, the IESE Business School University of Navarra and Bocconi University Milan

Educational background
- Master of Science in Business Administration, University of Basel, Switzerland
- Senior Fellow of Advanced Leadership, Harvard University, Cambridge, USA

Carlos E. Represas (1945), Mexican
Member, non-executive and independent

Career
Between 1968 and 2004, Carlos E. Represas held various senior positions at Nestlé in the US, Latin America and Europe, including Executive Vice President and Head of the Americas of Nestlé S.A. in Switzerland from 1994 to 2004. He was Chairman of the Board of Nestlé Group Mexico from 1983 to 2010. Carlos E. Represas was elected to Swiss Re's Board of Directors in 2010 and is a member of the Compensation Committee.

External appointments
- Board member of Bombardier Inc. and Merck & Co. Inc.
- Chairman Latin America, Bombardier Inc.
- President of the Mexico Chapter of the Latin American Chamber of Commerce in Switzerland
- Member of the Latin America Business Council (CEAL)

Educational background
- Economics degree, National University of Mexico, Mexico
- Industrial economics degree, National Polytechnic Institute, Mexico

Jean-Pierre Roth (1946), Swiss
Member, non-executive and independent

Career
Jean-Pierre Roth joined the Swiss National Bank (SNB) in 1979. He was Chairman of the SNB Governing Board from 2001 to 2009, during which time he also served as the Swiss governor of the International Monetary Fund. From 2001, he was also a member and, from 2006, Chairman of the Board of the Bank for International Settlements. He was a Swiss Representative on the Financial Stability Board from 2007 to 2009. Jean-Pierre Roth was elected to Swiss Re's Board of Directors in 2010 and is a member of the Investment Committee.

External appointments
- Chairman of the Board of Directors of Geneva Cantonal Bank
- Board member of Nestlé S.A. and Swatch Group AG

Educational background
- Economics degree, University of Geneva, Switzerland
- PhD in Political Science, Graduate Institute of International Studies, Geneva, Switzerland

Information about managerial positions and significant business connections of non-executive directors
All members of the Board of Directors are non-executive. Walter B. Kielholz, Chairman of the Board of Directors since 1 May 2009, was Swiss Re's CEO from 1 January 1997 to 31 December 2002. John R. Coomber was CEO from 1 January 2003 to 31 December 2005. No other director has ever held a management position within the Group. None of the members of the Board of Directors has any significant business connection with Swiss Re Ltd or any of its Group companies.

Other activities and functions
Any activities of Board members in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations, as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, which are material, are stated in each of the directors' biographies, which can be found on pages 67–71.

Changes in 2012
At the Annual General Meeting on 13 April 2012, Robert A. Scott stepped down as member of the Board of Directors. C. Robert Henrikson was elected as a new member of the Board of Directors. At the same time, the shareholders re-elected Jakob Baer and John R. Coomber to the Board for a further three-year term of office.

Election and term of office
Election procedure
Members of the Board of Directors are elected individually by the shareholders' meeting.

The Chairman's and Governance Committee evaluates candidates for Board membership and makes recommendations to the Board for election or re-election proposals. The Board nominates candidates for Board membership for election at the shareholders' meeting, ensuring that the Board retains an adequate size and well-balanced composition and that the majority of the Board remains independent.

The Board aims to assemble among its members the requisite balance of managerial expertise and knowledge from different fields required for sound independent decision-making according to today's business needs. Potential new candidates are assessed against Board approved selection criteria, which include: integrity, selected skills and qualifications, experience, communication ability and community standing. Swiss Re's Board members represent a wide range of backgrounds and capabilities in such key areas as insurance and reinsurance, finance, accounting, capital markets, risk management and regulatory topics.
The company aims to constantly develop further the abilities of its Board members. Newly elected Board members receive a comprehensive introduction in order to gain a sound understanding of the Group's organisation and business, allowing them to perform their duties effectively. All Board members update and enhance their knowledge of emerging business trends and risks through regular meetings with internal and external experts throughout the year.

Term of office
The regular term of a directorship is three years. It begins with the date of election and ends at the third subsequent Annual General Meeting.

Members whose term has expired are immediately eligible for re-election. Members who reach the age of 70 during a regular term of office shall resign at the Annual General Meeting after reaching that age, although the Board can exempt a member from this age limit under exceptional circumstances.

The term of office of a committee member is described below in the section on the committees of the Board of Directors on this page.

First election date and remaining term of each director

In line with good corporate governance, Swiss Re's Board of Directors terms are set in a way that they lead to a staggered renewal of the Board. The initial election year as well as the end of the current term of office of each member are stated in the table on page 66.

Nominations for election by the Annual General Meeting on 10 April 2013

The Board of Directors proposes that the following Board members be re-elected for a three-year term:

- Walter B. Kielholz
- Malcolm D. Knight
- Carlos E. Represas
- Jean-Pierre Roth

Furthermore, the Board has nominated

- Mary Francis

to be proposed to the Annual General Meeting in 2013 for first-time election as member of the Board of Directors for a three-year term. Mary Francis was born in 1948 and is a British national. She is currently Senior Independent Director of Centrica plc and a Senior Adviser to Chatham House. Formerly she was a member of the Boards of Directors of the Bank of England, Aviva plc, Alliance & Leicester plc, Cable & Wireless Communications plc and St Modwen Properties plc. Mary Francis was Director General of the Association of British Insurers from 1999 to 2005. From 1995 to 1999 she was Deputy Private Secretary to the Queen. Prior to this, she held several senior positions with the UK Civil Service, including Private Secretary to the Prime Minister from 1992 to 1995, and Financial Counsellor at the British Embassy in Washington DC from 1990 to 1992.

Organisational structure of the Board of Directors

The Board of Directors constitutes itself and elects among its members the Chairman and Vice Chairmen as well as the chairpersons and members of the Board committees. It appoints its secretaries who do not need to be members of the Board.

The organisation of the Board of Directors is set forth in the Group Bylaws, which define the responsibilities of the Board of Directors, its committees and the Group Executive Committee (Group EC), as well as the respective reporting procedures. The Chairman's and Governance Committee and the full Board annually review the Group Bylaws to ensure their continued effectiveness and compliance with the Articles of Association, applicable laws, regulations and best practice.

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 Group on behalf of the Board. He has the right to attend the meetings of the Group EC and the Business Units and receives all corresponding documentation and minutes. He ensures adequate reporting by the Group CEO and the Group EC to the Board of Directors and facilitates their communication with the Board. He is also responsible, with the chairperson of the Audit Committee, for overseeing Group Internal Audit and appoints its head, subject to confirmation by the Audit Committee.

The Chairman convenes meetings of the Board and its committees and makes preparations for, and presides over, Board meetings. He coordinates the activities of Board committees and ensures that the Board is kept informed about the committees' activities and findings. In cases of doubt, he makes decisions about the authority of the Board or its committees and about interpreting and applying the Group Bylaws.

He presides at General Meetings of Shareholders and represents the Group vis-à-vis shareholders and other stakeholders such as regulatory and political authorities, industry associations, or the media.

The Chairman arranges orientation for new Board members and appropriate training for all Board members.

If the Chairman of the Board is prevented from performing any of these duties, one of the Vice Chairmen or another member of the Board will assume them.

Vice Chairmen

One of the Vice Chairmen will act in place of the Chairman in the latter's absence or in the event of a conflict of interest of the Chairman. A Vice Chairman may prepare and execute Board resolutions on request of the Board and liaises between the Board and the Group EC in matters not reserved to the Chairman.

Committees of the Board of Directors

The Board has delegated certain responsibilities, including the preparation and execution of its resolutions, to five committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee, the Finance and Risk Committee and the 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.

Each committee is governed by a Charter which defines the committee's responsibilities. The committees operate in line with the Group Bylaws and according to their respective Charters. The committees have the following overall responsibilities:

Board committee memberships

Name	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Finance and Risk Committee	Investment Committee
Walter B. Kielholz	■ (chair)				
Mathis Cabiallavetta	■			■ (chair)	■ (chair)
Renato Fassbind	■	■	■		
Jakob Baer	■	■ (chair)		■	
Raymund Breu		■			■
Raymond K. F. Ch'ien		■			■
John R. Coomber	■	■		■	
Rajna Gibson Brandon				■	■
C. Robert Henrikson	■		■ (chair)	■	
Malcolm D. Knight		■		■	
Hans Ulrich Maerki			■	■	
Carlos E. Represas			■		
Jean-Pierre Roth					■

Chairman's and Governance Committee

Responsibilities

The Chairman's and Governance Committee's primary function is to act as adviser to the Chairman and to address corporate governance issues affecting the Group. It is in charge of the succession planning process at the Board of Directors level and oversees the annual performance assessment and self-assessment at both the Board of Directors and Group EC level.

Members

The Chairman's and Governance Committee is headed by the Chairman of the Board.

- Walter B. Kielholz, Chair
- Mathis Cabiallavetta
- Renato Fassbind (as of 13 April 2012)
- Jakob Baer
- John R. Coomber
- C. Robert Henrikson (as of 13 April 2012)
- Robert A. Scott (until 13 April 2012)

Audit Committee

Responsibilities

The central task 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 and the Group's financial statements, the Swiss Re Group's compliance with legal and regulatory requirements, the external auditor's qualifications and independence, and the performance of the Swiss Re Group's internal audit function (GIA) and the Group's external auditor. The Audit Committee serves as an independent and objective monitor of Swiss Re's and the Group's financial reporting process and system of internal control, and facilitates ongoing communication between the external auditor, Group EC, Business Units, GIA, and the Board with regard to the Swiss Re Group's financial situation.

Members

- Jakob Baer, Chair
- Renato Fassbind
- Raymund Breu
- Raymond K. F. Ch'ien
- John R. Coomber
- Malcolm D. Knight (as of 13 April 2012)

Independence and other qualifications

All members of the Audit Committee are non-executive and independent. In addition to the independence criteria applicable to Board members for other committee memberships, members of the Audit Committee may not accept any consulting, advisory, or other compensation fee from the Swiss Re Group, and will be required to possess such additional attributes as the Board 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 to qualify as an Audit Committee financial expert, as determined by the Board of Directors. Members of the Audit Committee should not serve on audit committees of more than two listed companies outside the Swiss Re Group. Audit Committee members have to advise the Chairman before accepting any further invitation to serve on an audit committee of another listed company outside the Group.

Compensation Committee

Responsibilities

The Compensation Committee's primary function is to propose to the Board for approval compensation principles in line with the Swiss Re Group's legal and regulatory requirements and, within those approved principles, to determine the establishment of new (and amendments to existing) compensation plans, and determine, or propose as appropriate, individual compensation as outlined in its Charter. The Compensation Committee will also ensure that compensation plans do not encourage inappropriate risk-taking within the Swiss Re Group and that all aspects of compensation are fully compliant with remuneration disclosure requirements.

Members

- C. Robert Henrikson, Chair (as of 13 April 2012)
- Robert A. Scott, Chair (until 13 April 2012)
- Renato Fassbind
- Hans Ulrich Maerki
- Carlos E. Represas

Finance and Risk Committee

Responsibilities

The Finance and Risk Committee annually reviews the Group Risk Policy and proposes it for approval to the Board of Directors, reviews the Risk Control Framework and important risk exposures, including new products, strategic expansions, and compensation related risks. It reviews critical underwriting standards as well as principles used in internal risk measurement, asset and liability valuation, capital and liquidity adequacy assessment, and economic performance management. In addition, it reviews the Group's funding structure, as well as capital and liquidity management activities.

Members

- Mathis Cabiallavetta, Chair (as of 13 April 2012)
- John R. Coomber (Chair until 13 April 2012)
- Jakob Baer
- Rajna Gibson Brandon
- C. Robert Henrikson (as of 13 April 2012)
- Malcolm D. Knight
- Hans Ulrich Maerki

Investment Committee

Responsibilities

The Investment Committee approves strategic asset allocation and reviews tactical asset allocation decisions. It reviews the monthly performance of all financial assets of the Swiss Re Group and makes proposals to the Board on strategic holdings. It reviews the risk analysis methodology as well as the valuation methodology related to each asset class and ensures that the relevant management processes and controlling mechanisms in Asset Management are in place.

Members

- Mathis Cabiallavetta, Chair
- Raymund Breu
- Raymond K. F. Ch'ien
- Rajna Gibson Brandon
- Jean-Pierre Roth

Work methods of the Board of Directors and its committees

Swiss Re's Board of Directors oversees governance, audit, compensation, finance and risk, and investment and is supported in this responsibility by its committees. The full Board and its committees meet at the invitation of the Chairman of the Board as often as business requires or at least quarterly. Any member of the Board of Directors or the Group EC may, for a specific reason, require the Chairman to call an extraordinary Board of Directors or committee meeting,

The Chairman defines the agenda for each meeting and therefore works closely with the chairpersons of the committees and the Group CEO. The agenda, along with any supporting documents, is delivered to the participants about ten days before the meeting in order to allow enough preparation time.

A quorum is constituted when at least half of the members of the Board or the committee are present in person or participate using some alternative means of communication. Resolutions are adopted by majority vote. Board and committee meetings consider and discuss the items on the agenda incorporating presentations by members of the Group EC and, where needed, by other specialist employees or outside advisers. It is contemplated for every meeting that an executive session is held for discussions between the Board of Directors and the Group CEO. Furthermore, private sessions are held for discussions involving all members of the Board of Directors only. The Board and its committees can also adopt resolutions by written agreement if no member of the Board of Directors requests a discussion of the topic. Each committee provides a report of its activities and recommendations following a committee meeting at the next Board of Directors meeting. If any significant topic comes up, the committees contact the Board of Directors immediately. It is the responsibility of each committee to keep the full Board of Directors informed on a timely basis as deemed appropriate.

Minutes are kept of discussions and resolutions taken at each meeting of the Board of Directors and its committees.

The Board has an assessment process in place, allowing the members to gauge the effectiveness of the Board on an annual basis.

Each committee annually reviews the adequacy of the scope of its responsibilities, including processes and membership requirements, and also evaluates its performance.

The table below provides an overview of the meetings of the Board of Directors and its committees held in 2012:

Body	Number of meetings Average duration Average attendance	Invitees in advisory capacity, in addition to members
Board of Directors	13 meetings 3.5 hours 94.1%	Group EC members, President Swiss Re Ltd, Group General Counsel, Company Secretary
Chairman's and Governance Committee	8 meetings 1.5 hours 97.9%	Group CEO, Company Secretary
Audit Committee	11 meetings 2.5 hours 89.4%	Group CEO, Group CFO, Group CRO, Group COO, Group General Counsel, Chief Compliance Officer, Head Group Internal Audit, Chief Accounting Officer, Lead auditors of external auditor, Company Secretary
Compensation Committee	8 meetings 3 hours 96.9%	Group CEO, Group COO, Head Group Human Resources, Head Compensation, Benefits & International Mobility, Advisers*
Finance and Risk Committee	4 meetings 3.5 hours 92.9%	Group CEO, Group CFO, Group CRO, Group Chief Underwriting Officer, Group Chief Investment Officer, Group Treasurer, CEO Reinsurance, CEO Corporate Solutions, Company Secretary
Investment Committee	6 meetings 2 hours 93.9%	Group CEO, Group CFO, Group CRO, Group Chief Investment Officer, Head Financial Risk Management, CFO Admin Re®, Company Secretary

*The human resources consulting firm Mercer and the law firm Niederer Kraft & Frey AG (NKF) provided support and advice for compensation issues during the reporting year. Mercer organised benchmark studies and helped to review and amend the compensation philosophy. NKF provided support in disclosure matters. Representatives of Mercer and of NKF participated in 7 committee meetings each in 2012. During 2012 the Compensation Committee also received independent advice from Hostettler, Kramarsch & Partner AG relating to the compensation framework review.

Board of Directors and Group EC: areas of responsibility

The Board of Directors exercises ultimate responsibility for the Group. It delegates the responsibility for managing the Group's operations to the Group EC (see section Executive management, starting on page 80). The Group EC also supports the Board of Directors in fulfilling its duties and prepares proposals for consideration and decision-making by the Board of Directors related to the following key responsibilities with Group relevance: strategy, the business plan, organisational structure, accounting principles, risk tolerance levels, share capital and any share repurchase programme, along with principles of financing through capital markets as well as for strategic transactions. The following tables provide a summary of the key responsibilities of the Board of Directors and delegations to the Group EC.

Key responsibilities of the Board of Directors

Governance
- Supervises the Swiss Re Group
- Retains overall responsibility for corporate governance
- Prepares for and convenes General Meetings of shareholders and executes their resolutions

Strategy and structure
- Approves the Group's strategy and the strategies of the Business Units
- Determines the basic organisational structure of the Group

Planning
- Approves the Group's consolidated short- and medium-term business plan and endorses the business plans of the Business Units

Financial reporting
- Approves the annual report of the holding company and the Group

Capital management
- Proposes capital measures to the General Meeting of shareholders
- Approves principles on capital allocation and capital steering for the Group
- Approves aggregate limits for long-term debt issuances, bank facilities and similar instruments

Risk management
- Approves the Group Risk Policy
- Monitors risk developments and adherence to the Group's risk and capacity limits framework
- Assesses the capital adequacy, funding structure and liquidity management of the Group

Business transactions
- Decides on strategic transactions

Legal, regulatory and compliance matters
- Approves legal, regulatory and compliance matters which have a material effect on the Group's business

Human resources
- Nominates Board member candidates for election by the General Meeting of shareholders
- Appoints the members of the Group Executive Committee (Group EC)
- Ensures appropriate succession planning at Board of Directors and Group EC level

Compensation
- Approves the Group's compensation principles
- Determines the compensation of the members of the Board of Directors
- Determines the compensation of the Group CEO and the overall compensation available for the members of the Group EC
- Approves the overall incentive pool for the Group

Key responsibilities of the Group Executive Committee

Governance
- Has overall responsibility for managing operations, subject to the delegations by the Board of Directors
- Issues guidelines relating to the delegation of decision-making authority within the Group

Strategy and structure
- Ensures implementation of the Group's strategy
- Decides on legal, financial and management structures, subject to the delegations by the Board of Directors

Planning
- Prepares and proposes the Group business plan to the Board of Directors for approval and reviews the Business Units' business plans

Financial reporting
- Prepares and presents to the Board the annual and interim financial statements of the Group together with segment reporting on the Business Units

Capital management
- Establishes principles on financing through capital markets and the allocation of financial resources within the Group
- Establishes the principles for intra-Group transactions and funding

Risk management
- Establishes the principles for external retrocession and the balancing of Group-wide catastrophe and accumulated risks
- Supervises the Group's internal control evaluation and certification process

Business transactions
- Prepares and proposes strategic transactions to the Board of Directors for discussion and decision

Legal, regulatory and compliance matters
- Oversees implementation of Group-wide compliance procedures and monitors remediation of any regulatory and compliance deficiencies

Human resources
- Has responsibility for the Group's talent management subject to the authority of the Board of Directors

Compensation
- Proposes short-term compensation and benefit plans to the Compensation Committee for discussion and decision
- Proposes individual compensation of Group Management Board members (other than Group EC) to Group CEO for discussion and decision

Board supervision of executive management
Swiss Re's Board of Directors maintains effective and consistent oversight and monitors the execution of responsibilities it has delegated to executive management through the following control and information instruments.

Participation of Board members at executive management meetings
The Chairman of the Board is invited to all meetings of the Group EC and Business Units and receives the corresponding documentation and minutes.

Special investigations
The Board committees are entitled to conduct or authorise special investigations at any time and at their full discretion into any matters within their respective scope of responsibilities, taking into consideration relevant peer group practice and general best practice. The committees are empowered to retain independent counsel, accountants or other experts if deemed necessary.

Involvement of executive management in meetings of the Board of Directors
As a matter of principle, all members of the Group EC are requested to attend the regular meetings of the Board of Directors as advisers. The members of the Group EC do not attend the constitutional meeting of the Board of Directors following the Annual General Meeting. The entire Group EC was present at six regular Board meetings in 2012. At three meetings one member of the Group EC was absent (being a different member each time). At four meetings the presence of Group EC members was not required.

Involvement of executive management in Board committee meetings
As a matter of principle, selected members of the Group EC as well as further executive management members participate at Board committee meetings as advisers. The Charters of the Board committees specify management participation at committee meetings. A detailed summary of executive management participation in Board committee meetings is provided on page 75.

Periodic reports to Board of Directors
A comprehensive Executive Report on business developments, including major business transactions, claims, corporate development and key projects, is provided to the Board of Directors at each of its regular meetings.

Executive management furthermore regularly provides the Board of Directors with specific written reports containing:
- risk management issues and related actions;
- the legally required update on the solvency of the Swiss Re Group, Swiss Reinsurance Company Ltd, European Reinsurance Company of Zurich Ltd and Swiss Re Corporate Solutions Ltd;
- a detailed analysis of the loss reserves development of the major Group companies;
- the use of derivative financial instruments within the Group;
- an overview of the activities of the assurance work of Operational Risk Management and by the Business Risk Review, by Group Internal Audit and Compliance – including key risk indicators and significant losses and issues;
- major pending legal matters such as litigation and arbitration, investigations and inquiries, as well as information about key legal developments and risks;
- material compliance matters, including assessments of compliance risks and related mitigation efforts;
- an update on the most important regulatory issues and supervisory developments; as well as
- a description of trends and forecasts regarding the economic environment and the Property & Casualty and Life & Health re/insurance and financial markets.

Risk management
Swiss Re's Risk Management function provides regular risk reports to the Board of Directors, which are discussed in depth by the Finance and Risk Committee. These reports cover Swiss Re's compliance with the Group's risk tolerance criteria, major changes in risk and capital adequacy measures and a description of the Group's main risk issues, including related risk management actions. The Finance and Risk Committee regularly reports to the full Board of Directors as deemed appropriate.

Duty to inform on extraordinary events
As soon as the Group CEO or the Group EC becomes aware of any significant extraordinary business development or event, it is obliged to inform the Board of Directors immediately. The Board has specific reporting procedures in place for this eventuality.

Right to obtain information
The Board of Directors has complete and open access to the Group CEO, the Group CFO, the Group CRO, the Group General Counsel, the Group Chief Compliance Officer and the Head of Group Internal Audit. Any member of the Board of Directors who wishes to have access to any other officer or employee of the Group will coordinate such access through the Chairman.

Any member of the Board of Directors may demand at Board meetings to obtain information on any aspect of the Group's business. Any member may, in such meetings, request that books and records be produced for timely inspection. Outside Board meetings, any member can direct a request for production of information and business records to the Chairman.

Group Internal Audit

Group Internal Audit (GIA) is an independent assurance function, evaluating the adequacy and effectiveness of the Group's internal control environment. It helps the Group accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

GIA applies a risk-based approach, performing its own risk assessment as well as making use of risk assessments performed by the Group's risk management and other assurance functions (after reviewing the quality of the assurance work performed). Based on the results of the risk assessment, GIA produces an annual Audit Plan for review and approval by the Audit Committee. The Audit Plan is updated on a quarterly basis according to the Group's evolving needs. GIA provides formal quarterly updates on its activities to the Audit Committee, which include audit results, the status of management actions required, the appropriateness of the resources and skills of GIA and any changes in the tools and methodologies it uses.

The Head of GIA meets at least once per quarter with the Audit Committee, and immediately reports any issue which could have a potentially material impact on the business of the Group to the Chairman of the Audit Committee.

GIA is an integral part of the Group's Integrated Assurance Framework and coordinates its activities with those of the other assurance functions as well as the external auditor whilst still ensuring its independence. As part of this process it reviews the quarterly Assurance Report, which provides a summary of key issues as well as the assurance activities across the Group.

GIA has unrestricted access to any of the Group's property and employees relevant to any function under review. All employees are required to assist GIA in fulfilling its duty. GIA has no direct operational responsibility or authority over any of the activities it reviews.

GIA staff govern themselves by following the Code of Ethics issued by the Institute of Internal Auditors (IIA). The IIA's International Standards for the Professional Practice of Internal Auditing constitute the operating guidance for the department.

External auditor

For information regarding the external auditors, please refer to pages 88 - 89.

Executive management

Members of the Group Executive Committee

The Group Executive Committee (Group EC) consisted of the following members as of 31 December 2012:

Name	Nationality	Age	Function
Michel M. Liès	Luxembourg	58	Group CEO
David Cole	Dutch, American	51	Group Chief Risk Officer
John R. Dacey	American	52	Group Chief Strategy Officer / Chairman Admin Re®
Guido Fürer	Swiss	49	Group Chief Investment Officer
Agostino Galvagni	Italian	52	CEO Corporate Solutions
Jean-Jacques Henchoz	Swiss	48	Regional President EMEA
Christian Mumenthaler	Swiss	43	CEO Reinsurance
Moses Ojeisekhoba	Nigerian, American	46	Regional President Asia
George Quinn	British	46	Group CFO
J. Eric Smith	American	55	Regional President Americas
Matthias Weber	Swiss, American	51	Group Chief Underwriting Officer
Thomas Wellauer	Swiss	57	Group Chief Operating Officer

Michel M. Liès (1954), Luxembourg
Group Chief Executive Officer

Professional experience

Michel M. Liès joined Swiss Re in 1978, working initially for the life markets in Latin America and then Europe from 1983 to 1993. Moving to the non-life sector in 1994, he took responsibility for the Spanish market, becoming Head of the Southern Europe / Latin America Department in 1999. In 2000, he was appointed Head of the Europe Division of the Property & Casualty Business Group. In 2005, he assumed the position of Head Client Markets and was appointed member of the Group Executive Committee. Michel was Chairman Global Partnerships from January 2011 until becoming Group CEO in February 2012.

External appointments

- Board member of Fördergesellschaft des Instituts für Versicherungswirtschaft, St. Gallen
- Board member of Geneva Association
- Board member of Global Risk Forum
- Board member of Insurance Europe's Reinsurance Advisory Board (RAB)
- Board member of IMD Foundation Board
- Board member of Pan-European Insurance Forum (PEIF)
- Board member of Swiss American Chamber of Commerce
- Voting member of The Conference Board

Educational background

- DipMath, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- Stanford Executive Program 1991, Stanford University, USA
- Senior Executive Program 1995-1996, Harvard University, USA

David Cole (1961), Dutch and American
Group Chief Risk Officer

Professional experience

David Cole began his career in 1984 with ABN AMRO. In 1999, he was appointed Executive Vice President and regional Head of Risk Management for Latin America, located in Brazil. In 2001, he returned to Amsterdam to assume Corporate Centre responsibility within Group Risk Management. He became Chief Financial Officer of Wholesale Clients (WCS) change management in 2002 and was appointed Senior Executive Vice President and Chief Operating Officer of WCS in 2004. In January 2006, he became Head of Group Risk Management for ABN AMRO Bank and in 2008 was named Chief Financial Officer and Chief Risk Officer. David joined Swiss Re in November 2010 as Deputy Chief Risk Officer and was appointed Group Chief Risk Officer and member of the Group Executive Committee in March 2011.

External appointments

- Chairman of the CRO Forum since 2012

Educational background

- Bachelor of Business Administration, University of Georgia, USA
- International Business Program, Nijenrode Universiteit, The Netherlands

John R. Dacey (1960), American
Group Chief Strategy Officer,
Chairman Admin Re®

Professional experience

John R. Dacey started his career in 1986 at the Federal Reserve Bank of New York. From 1990 to 1998, he was a consultant and subsequently Partner at McKinsey & Company. He joined Winterthur Insurance in 1998 and was its Chief Financial Officer from 2000 to 2004 as well as member of their Group Executive Board until 2007. From 2005 to 2007, he was Chief Strategy Officer and member of their risk and investment committees. He joined AXA in 2007 as Group Regional CEO and Group Vice Chairman for Asia-Pacific as well as member of their Group Executive Committee. John joined Swiss Re in October 2012 and was appointed Group Chief Strategy Officer and Chairman Admin Re® as well as member of the Group Executive Committee in November 2012.

Educational background

- Bachelor of Arts in Economics, Washington University, St. Louis, USA
- Master in Public Policy, Harvard University, USA

For full biographies, please visit
swissre.com/about_us/leadership/

Guido Fürer (1963), Swiss
Group Chief Investment Officer

Professional experience
Before joining Swiss Re, Guido Fürer worked for eight years in leading positions for the Swiss Bank Corporation/ O'Connor & Associates in option trading and structured capital markets transactions. Guido joined the New Markets Division of Swiss Re in 1997, focusing on Alternative Risk Transfer. Between 2001 and 2004, he worked for Swiss Re Capital Partners with responsibility for European strategic participations. He was named Head of the Chief Investment Office in 2008, with responsibility for Global Asset Allocation, Portfolio Steering and Portfolio Analytics. Guido became Group Chief Investment Officer and member of the Group Executive Committee in November 2012. In addition, he is Head Asset Management Reinsurance.

Educational background
- Master's Degree in Economics, University of Zurich, Switzerland
- PhD in Financial Risk Management, University of Zurich, Switzerland
- Executive MBA, INSEAD, France

Agostino Galvagni (1960), Italian
Chief Executive Officer Corporate Solutions

Professional experience
Agostino Galvagni joined Bavarian Re, a former Swiss Re subsidiary, in 1985 as a trainee in the fields of underwriting and marketing. He joined Swiss Re New Markets in New York in 1998. Agostino returned to Bavarian Re in 1999 as a member of the Management Board. In 2001, he joined Swiss Re in Zurich as Head of the Globals Business, and in 2005 was appointed to the Executive Board to head the Globals & Large Risks Division within Client Markets. In 2009, Agostino was appointed Chief Operating Officer and member of the Group Executive Committee. He was made CEO Corporate Solutions in October 2010.

Educational background
- Master's Degree in Economics, Bocconi University, Italy

Jean-Jacques Henchoz (1964), Swiss
Chief Executive Officer Reinsurance Europe, Middle East and Africa (EMEA) / Regional President EMEA

Professional experience
Jean-Jacques Henchoz started his career in 1988 at the Swiss Federal Department of Economic Affairs and the European Bank for Reconstruction and Development. Jean-Jacques joined Swiss Re in 1998 and worked in several underwriting roles in the Europe Division until becoming Head of Strategy for Property & Casualty in 2003. From 2005 until 2010, he was Chief Executive Officer of Swiss Re Canada. Jean-Jacques assumed leadership of the Europe Division in March 2011. He was appointed Chief Executive Officer EMEA, Regional President EMEA and member of the Group Executive Committee in January 2012.

Educational background
- Master's Degree in Political Science, University of Lausanne, Switzerland
- MBA, International Institute for Management Development (IMD), Switzerland

Christian Mumenthaler (1969), Swiss
Chief Executive Officer Reinsurance

Professional experience
Christian Mumenthaler started his career in 1997 as associate with the Boston Consulting Group. He joined Swiss Re in 1999 and was responsible for key company projects. In 2002, he established and headed the Group Retro and Syndication unit. He served as Group Chief Risk Officer between 2005 and 2007 and was Head of Life & Health between 2007 and 2010. In January 2011, Christian was appointed Chief Marketing Officer Reinsurance and member of the Group Executive Committee until he became Chief Executive Officer Reinsurance that October.

External appointments
- Board member of International Risk Governance Council (IRGC)
- Board member of The Sustainability Forum Zurich (TSF)

Educational background
- PhD in Molecular Biology and Biophysics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

Moses Ojeisekhoba (1966),
Nigerian and American
Chief Executive Officer Reinsurance Asia / Regional President Asia

Professional experience
Moses Ojeisekhoba started his career in insurance as a registered representative and agent of The Prudential Insurance Company of America in 1990. From 1992 to 1996, he was a Risk and Underwriting Manager at Unico American Corporation. He then joined the Chubb Group of Insurance Companies as regional Underwriting Manager and in 1999 became Corporate Product Development Manager in New Jersey and thereafter moved to London as Strategic Marketing Manager for Chubb Europe. In 2002, he was appointed International Field Operations Officer for Chubb Personal Insurance before becoming Head Asia Pacific in 2009. Moses joined Swiss Re in February 2012 and was appointed Chief Executive Officer Asia, Regional President Asia and member of the Group Executive Committee in March 2012.

Educational background
- Master's Degree in Management, London Business School, United Kingdom
- Bachelor of Science in Statistics, University of Ibadan, Nigeria

George Quinn (1966), British
Group Chief Financial Officer

Professional experience
George Quinn started his career as an adviser and consultant to insurance and reinsurance companies with KPMG in London. He joined Swiss Re in 1999 as Chief Accounting Officer. Between 2003 and 2005, he served as Chief Financial Officer for the Financial Services business group, then was named Regional Chief Financial Officer for Swiss Re Americas in New York in 2005. He has been Group Chief Financial Officer and member of the Group Executive Committee since March 2007.

Educational background
- Bachelor's Degree in Engineering, University of Strathclyde, United Kingdom
- Member, Institute of Chartered Accountants in England and Wales

J. Eric Smith (1957), American
Chief Executive Officer Swiss Re Americas / Regional President Americas

Professional experience
J. Eric Smith worked in various roles in property and casualty insurance with Country Financial for more than 20 years, then joined Allstate in 2003 where he rose to the rank of President, Financial Services. He then moved to USAA Life Insurance Co. where he was named President in 2010. Eric joined Swiss Re in July 2011 as Chief Executive Officer of Swiss Re Americas and as a member of the Group Management Board. Eric was appointed Regional President Americas and member of the Group Executive Committee in January 2012.

Educational background
- Bachelor's Degree in Finance, University of Illinois, USA
- MBA, Kellogg School of Management, Northwestern University, USA

Matthias Weber (1961),
Swiss and American
Group Chief Underwriting Officer

Professional experience
Matthias Weber started his career at Swiss Re in Zurich in 1992 as an expert for natural perils. He moved to the Swiss Re Americas Division in 1998 and in 2000 became Regional Executive for the Western Region of the United States located in San Francisco. From 2001, he was responsible for property underwriting in the US Direct Business Unit, and in 2005 was named Head of the Americas Property Hub in Armonk. From 2008, Matthias served as Division Head of Property & Specialty. Matthias was appointed Group Chief Underwriting Officer and member of the Group Executive Committee in April 2012.

Educational background
- Master's Degree in Physics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- PhD in Natural Sciences, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

Thomas Wellauer (1955), Swiss
Group Chief Operating Officer

Professional experience
Thomas Wellauer 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 Chief Executive Officer 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 Chief Executive Officer of the Financial Services division in 2000. From 2003 to 2006, he headed the global turnaround project at Clariant. In 2007, he joined Novartis as Head of Corporate Affairs and became member of the Executive Committee of Novartis. From April 2009 until September 2010, he was a member of the Supervisory Board of Munich Re. Thomas joined Swiss Re in October 2010 as Group Chief Operating Officer and member of the Group Executive Committee.

Educational background
- PhD in Systems Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- MBA, University of Zurich, Switzerland

Changes in 2012
Michel M. Liès was appointed Group CEO and member of the Group EC as of 1 February 2012, succeeding Stefan Lippe who took early retirement.

Matthias Weber, Head Property & Specialty, was appointed Group Chief Underwriting Officer and member of the Group EC as of 1 April 2012, succeeding Brian Gray who has chosen to retire from this position.

Jean-Jacques Henchoz was appointed Regional President EMEA, Martyn Parker was appointed Regional President Asia, and J. Eric Smith was appointed Regional President Americas; they took up these positions and joined the Group EC on 1 January 2012. Moses Ojeisekhoba was appointed Regional President Asia and member of the Group EC as of 15 March 2012, succeeding Martyn Parker who was appointed Chairman Global Partnerships.

As of 1 November 2012, John R. Dacey joined the Group EC in the newly created role of Group Chief Strategy Officer and was appointed Chairman Admin Re®, succeeding David Blumer in the latter role, who left the company.

Guido Fürer was appointed Group Chief Investment Officer and member of the Group EC as of 1 November 2012, succeeding David Blumer.

Other activities and vested interests
Any activities of members of the Group EC in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, which are material, are stated in each of the Group EC members' biographies on pages 81–84.

Management contracts
Swiss Re has not entered into any management contract with any third party.

Shareholders' participation rights

Voting right restrictions, statutory group clauses and exception rules
There are no voting right restrictions and no statutory group clauses (other than the limitations on nominee registrations, page 65). Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. No such exceptions were made in 2012.

Statutory rules on participating in the General Meeting of shareholders
The share whose owner, usufructuary or nominee is entered in the share register as having voting rights on a specific qualifying day (Record Date) determined by the Board of Directors entitles its holder to one vote at the General Meeting of shareholders.

Swiss Re's legal provisions allow any shareholder with voting rights to have his shares represented at any General Meeting of shareholders by another person authorised in writing, or by corporate bodies, independent proxies or proxies for deposited shares. Such representatives need not be shareholders.

Business firms, partnerships and corporate bodies may be represented by legal or authorised representatives or other proxies, married persons by their spouses, minors and wards by their guardians, even though such representatives are not shareholders.

Statutory quorums
The General Meeting of shareholders may pass resolutions regardless of the number of shareholders present or shares represented by proxy. Resolutions pass by an absolute majority of votes validly cast, except where the law requires otherwise. The Chairman does not have a casting vote.

The Chairman of the General Meeting of shareholders determines the voting procedure. Provided that the voting is not done electronically, voting shall take place openly by a show of hands. The voting will only be carried out by written ballot if more than 50 of the shareholders present demand so by a show of hands.

Convocation of the General Meeting of shareholders
In accordance with Swiss Re's Articles of Association, the Board of Directors convenes the General Meeting of shareholders through a notice published in the Swiss Official Gazette of Commerce at least 20 days before the date of the meeting. The notice must state the day, time and place of the General Meeting of shareholders, along with the agenda and proposals, which will be submitted by the Board of Directors.

Extraordinary General Meetings of shareholders may be called by a resolution of the General Meeting of shareholders or the Board of Directors, or by one or more shareholders with voting powers whose combined holdings represent at least 10% of the share capital.

Agenda
The Board of Directors announces the agenda for the General Meeting of shareholders. Shareholders with voting power whose combined holdings represent shares with a nominal value of at least CHF 100 000 may, no later than 45 days before the date of the meeting, request that further matters be included in the agenda. Such requests must be in writing and must specify the items and the proposals to be submitted.

Registrations in the share register
In recent years, Swiss Re has acknowledged the voting rights of shares registered no later than two working days before the General Meeting of shareholders.

Changes of control and defence measures

The Board of Directors believes that the company's best protection is a fair valuation of its shares.

Duty to make an offer
Swiss Re has not put in place any specific measures to defend against potential unfriendly takeover attempts. The Board of Directors believes that the company's best protection is a fair valuation of its shares, and that the efficiency of a free market is preferable to artificial obstacles, which can have a negative impact on the share price in the long term.

In accordance with the Federal Act on Stock Exchanges and Securities Trading (SESTA), acquisition by one shareholder of more than 33⅓% of Swiss Re shares with voting rights, either directly, indirectly or in concert with a third party, and regardless of whether these rights are exercisable or not, triggers a mandatory takeover offer for the outstanding shares owned by all other shareholders. The SESTA allows companies to include an "opting up" provision in their articles of association, which raises the mandatory takeover offer threshold up to 49%, or an "opting out" provision, which waives the mandatory offer. Swiss Re's Articles of Association contain neither of these provisions.

Change of control clauses
Unvested incentive shares, share options and certain other employee benefit programmes would vest upon a change of control. In such an event, the rights of members of the Board of Directors and the Group Executive Committee (Group EC) as well as of further members of senior management are identical to those of all other employees.

The mandates and employment contracts of the members of the Board of Directors, Group EC, Group Management Board and other members of senior management do not contain any provisions such as severance payments, notice periods of more than 12 months or additional pension fund contributions that would benefit them in a change of control situation.

Auditors

Duration of the mandate and term of office of the lead auditors
PricewaterhouseCoopers Ltd (PwC) was appointed as the external auditor of Swiss Re Ltd when the company was founded on 2 February 2011. PwC had been elected as the external auditor of the previous parent company of the Group, Swiss Reinsurance Company Ltd, at its Annual General Meeting of 22 November 1991 and had been re-elected annually since then. The Annual General Meeting of 13 April 2012, following the proposal of the Board of Directors based on the recommendation of the Audit Committee, re-elected PwC for a term of one year as Swiss Re Ltd's auditor.

Dawn M. Kink and Alex Finn became lead auditors responsible for the auditing mandate of the former parent company, Swiss Reinsurance Company Ltd, on 1 September 2006 and 23 September 2011, respectively. With Swiss Re Ltd becoming the new holding company of the Group, they also became lead auditors for the Swiss Re Ltd audit mandate.

Auditing fees
PwC fees (excluding VAT) for professional services during the year ended 31 December 2012 were:
- Audit fees: USD 26.8 million
- Audit-related fees: USD 5.0 million

Audit-related fees include, among other tasks, review of the Economic Value Management report, Solvency II model validation, comfort letters, accounting advice and regulatory reports.

Additional fees
In addition to the auditing fees, PwC billed an aggregate amount of USD 6.6 million during the year ended 31 December 2012, primarily relating to:
- Income tax compliance and related tax services: USD 2.3 million
- Other fees: USD 4.3 million

Other fees include permitted advisory work related to a range of projects, but are primarily related to corporate realignment activities and accounting advice.

Information tools pertaining to the external audit
Responsibilities
The external auditor is accountable to the Audit Committee, the Board of Directors and ultimately to the shareholders. The Board of Directors reviews the external auditor's professional credentials, assisted in its oversight by the Audit Committee.

Cooperation and flow of information between the auditor and the Audit Committee
The Audit Committee liaises closely with the external auditor; the lead auditors participate as advisers at all the Audit Committee's meetings. For more information on these, see page 75.
The external auditor provides the Audit Committee with regular updates on the audit work and related issues as well as with reports on topics requested by the Audit Committee.

The Audit Committee reviews and approves in advance all planned audit services and any non-audit services provided by the external auditor. It discusses the results of annual audits with the external auditor, including reports on the financial statements, necessary changes to the audit plans and critical accounting issues.

The external auditor shares with the Audit Committee its findings on the adequacy of the financial reporting process and the efficacy of the system of internal controls. It informs the Audit Committee about any differences of opinion between the external auditor and management encountered during the audits or in connection with the preparation of the financial statements.

Evaluation of the external auditor
The Audit Committee, which is responsible for recommending an audit firm to the Board of Directors for election at the Annual General Meeting of shareholders, assesses the performance of the external auditor annually and presents its findings to the Board. This assessment is based on the external auditor's qualifications, independence and performance.

Qualifications
At least once a year, the external auditor submits a report to the Audit Committee describing the external auditor's own quality control procedures, including any material issues raised by its most recent internal reviews or inquiries or investigations by governmental or professional authorities within the preceding five years, as well as any steps taken to deal with any such issues.

Independence
At least once a year, the external auditor provides a formal written statement delineating all relationships with the company that might affect its independence. Any disclosed relationships or services that might bear on the external auditor's objectivity and independence are reviewed by the Audit Committee, which then recommends appropriate action to be taken by the Board.

In accordance with the Swiss Federal Act on the Licensing and Oversight of Auditors, and to foster external auditor independence, the lead audit partner rotates out from his or her role after seven years.

Performance
This assessment measures the external auditor's performance against a number of criteria, including: understanding of Swiss Re's business; technical knowledge and expertise; comprehensiveness of the audit plans; quality of the working relationship with management; and clarity of communication. It is compiled based on the input of key people involved in the financial reporting process and the observations of the Audit Committee members.

Audit fees
The Audit Committee reviews annually the audit fees as well as any fees paid to the external auditor for non-audit services, based on recommendations by the Group CFO.

Special Auditor
The Extraordinary General Meeting of shareholders of Swiss Re Ltd, held on 20 May 2011, elected OBT AG, Zurich, as special auditor for a term of three years. According to the Articles of Association, the special auditor is responsible for conducting special audits as required by law in connection with changes in capital. In line with best practice in ensuring the independence of external auditors, special audit reports are prepared by an auditor different from the external auditor responsible for the conduct of the statutory audits and the audit of the consolidated financial statements.

OBT AG had been elected the first time as special auditor by the Annual General Meeting of shareholders of the former parent company, Swiss Reinsurance Company Ltd, on 7 April 2010.

OBT AG did not prepare any audit reports under this mandate during the reporting year.

Information policy

Our information policy goes well beyond legal requirements in establishing transparency in our communications and equal access to the facts for all investors and the public.

Swiss Re's core business – managing global risk – makes us by necessity an information company. Our information policy therefore goes well beyond legal requirements in establishing transparency in our communications and equal access to the facts for all investors and the public.

The official medium for publications of the company is the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt). In addition, we use our website to provide comprehensive, timely news and information on our activities as well as background discussion and analysis of issues relating to Swiss Re's business and the broader insurance and reinsurance industries. Investors and other stakeholders can subscribe to receive ad hoc disclosures and other corporate news automatically at swissre.com/media. Our contact details are provided on page 262.

Our Investor Relations unit holds regular meetings with institutional investors and analysts. Private investors, too, can follow these meetings by telephone conference or through the Swiss Re website. In 2012, Swiss Re held a special Investors' Day to discuss the Group's strategy, targets and its new financial segments as well as its Underwriting, Risk Management and Asset Management functions and the business of the three Business Units: Reinsurance, Corporate Solutions and Admin Re®. The presentations and conference call recordings from this event are also available on our website http://www.swissre.com/investors/presentations/?year=2012.

Swiss Re observes a strict close period around the publications of the Group's quarterly and annual results. The close period applies throughout the preparation of the results and for an appropriate cooling-off period after the release of the results. During such close periods, employees of Swiss Re and members of the Board of Directors and Group Executive Committee are prohibited from trading in Swiss Re securities.

Corporate news in 2012

Date	News	Method of dissemination
19 January	Board of Directors appoints Michel M. Liès as Group CEO	News release, press conference
23 February	Swiss Re reports net income of USD 2.6 billion for 2011	News release, press conference
16 March	Swiss Re announces proposals for shareholder approval, including dividend of CHF 3.00	News release
23 March	Nairobi project wins international resource award 2012	News release
26 March	Swiss Re issues first catastrophe bond combining risks of two insurers	News release
28 March	Swiss Re releases sigma on natural catastrophes and man-made disasters in 2011	News release, sigma study
5 April	Swiss Re places USD 240 million in ILS on behalf of Allianz SE	News release
13 April	Shareholders approve proposed measures at AGM	News release, meeting in Zurich
17 April	Swiss Re reiterates Group targets at London Investors' Day	News release, analyst event
3 May	Farmers Exchanges announces USD 500 million surplus facility	News release
4 May	Swiss Re reports Q1 net income of USD 1.1 billion	News release, press conference
7 May	Swiss Re obtains USD 400 million in natural catastrophe cover	News release
24 May	Swiss Re announces USD 1.4 billion in longevity cover	News release
31 May	Swiss Re sells US Admin Re® company (REALIC) to Jackson National Life	News release
27 June	Swiss Re releases sigma study on world insurance in 2011	News release, sigma study
31 July	Swiss Re obtains USD 275 million of extreme mortality protection	News release
9 August	Swiss Re reports Q2 net income of USD 83 million	News release, press conference
15 August	Philip K. Ryan appointed Chairman of SR America Holding Corp	News release
5 September	Swiss Re completes sale of Admin Re® US business	News release
10 September	Swiss Re releases sigma study on how insurance rates affect insurers	News release, sigma study
10 September	Swiss Re expects moderate price rise	News release, press conference
19 September	Swiss Re Corporate Solutions official insurance provider to Solar Impulse	News release
28 September	Swiss Re proposes election of Mary Francis to its Board of Directors	News release
5 October	Swiss Re CIO David Blumer decides to leave company	News release
17 October	Swiss Re releases sigma study on ever-evolving commercial risks	News release, sigma study
19 October	Swiss Re appoints two new members to Group Executive Committee	News release
6 November	Swiss Re places first bonds to combine nat cat and mortality risks	News release
8 November	Swiss Re reports Q3 net income of USD 2.2 billion	News release, press conference
21 November	Swiss Re releases sigma study on insurance accounting practices	News release, sigma study
26 November	Swiss Re estimates its claims burden from Hurricane Sandy	News release
10 December	Swiss Re announces GBP 800 million longevity insurance cover for LV=	News release
19 December	Swiss Re issues preliminary catastrophe estimates for 2012	News release

Important dates for 2013

Date	Event
21 February	2012 annual results
15 March	Publication of 2012 Annual Report
10 April	149th Annual General Meeting
2 May	First quarter 2013 results
24 June	Investors' Day
8 August	Second quarter 2013 results
7 November	Third quarter 2013 results

Compensation

Swiss Re's compensation framework is designed to promote long-term sustainable performance for the Group and its shareholders through a mix of fixed and variable elements. It comprises core components such as base salary, pensions and other benefits, as well as a combination of short- and long-term incentives. Swiss Re is committed to performance-oriented, balanced compensation that aligns the interests of employees and shareholders.

Report from the Compensation Committee

Dear shareholders
I am pleased to present the Report of the Compensation Committee and would like to take this opportunity to recognise my predecessor, Robert A. Scott, for his valued contribution to the Committee's work over the past years.

The Compensation Committee continues to review and monitor the compensation framework at Swiss Re in light of business needs, regulatory requirements and market developments. There were no material changes during this reporting year to compensation governance and principles, which were largely maintained as described in previous years and are outlined in the following pages.

The compensation structure too, has not changed. In addition to market competitive base salaries, pensions and benefits, Swiss Re continues to reward employee performance through proven incentives: variable cash compensation that rewards results achieved in the previous performance year, with performance over a three-year period reflected in a deferred cash component. As in the past, a select number of key senior employees are also granted a forward-looking long-term award, that provides incentive for sustainable and successful performance.

We are continuing to implement the changes to the compensation framework outlined in last year's report; we provide an update on these on page 96 under "Key developments — Activities in 2012".

US GAAP and Economic Value Management (EVM) based business results continue to be the main drivers for variable compensation. While the 2011 business results based on EVM led to a downward adjustment to incentive pools and executive management compensation, the strong 2012 business performance positively influences incentive compensation for 2012.

As always, the Compensation Committee works continuously to gauge and improve its own effectiveness. It also continues to maintain a sustained interaction with the Swiss Financial Market Supervisory Authority FINMA, as well as monitoring other regulatory developments including Solvency II and Swiss corporate law.

The Compensation Committee is satisfied that this Compensation Report provides a comprehensive view of the compensation framework at Swiss Re. In addition, the Compensation Report provides compensation disclosure for 2012. The Report is divided into four sections:

- Compensation context and highlights in 2012
- Compensation governance
- Compensation framework
- Compensation decisions in 2012

Zurich, 14 March 2013

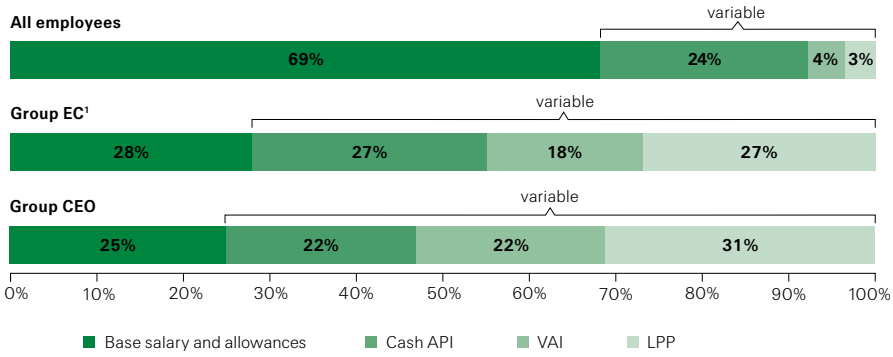
C. Robert Henrikson
Chairman of the Compensation Committee

Compensation context and highlights in 2012

Pay for performance
In addition to fixed compensation, Swiss Re rewards employee performance through short-term and long-term incentives. For senior executives, a substantial part of total compensation is performance related and deferred, as shown in the chart below. For the members of the Group Executive Committee (Group EC), more than 70% of their compensation is variable.

Total Compensation 2012

	Fixed	Variable/performance-related	of which deferred
All employees	69%	31%	23%
Group EC[1]	28%	72%	63%
Group CEO	25%	75%	70%



The Compensation Committee also monitors how compensation moves with specific business metrics including net income and EVM profit.

USDm (unless otherwise stated)	2010	2011	change	**2012**	change
US GAAP Net income	863	2 626	204%	4 201	60%
EVM profit	1 327	–1 704	–	4 152	–
Dividend payments to shareholders (CHF)[2]	2.75	3.00	9%	3.50	17%
Financial Strength Rating (Standard Poor's)	A+	AA–		AA–	
Total equity	26 906	31 287	16%	34 026	9%
Number of employees	10 362	10 788		11 193	
Aggregate compensation for all employees (CHF)	1 884	1 775	–6%	2 032	14%
Group EC members[3]	8	9		16	
Aggregate Group EC compensation (CHF)[1]	40	35	–13%	50	43%

[1] Including CEO
[2] Dividend payments are made in April of the following year. For 2012 a special dividend of CHF 4.00 is proposed. Distributions made in the form of Swiss witholding tax exempt distributions out of legal reserves from capital contributions
[3] Represents incumbents and not positions; four new Group EC positions were created in 2012 (see page 110 for more information)

In 2012, Swiss Re generated a US GAAP net income of USD 4.2 billion and an Economic Value Management (EVM) profit of USD 4.2 billion.

The 2011 total variable compensation pool was lowered based on the overall business results. In the context of Swiss Re's strong 2012 business results and based on the performance in 2012, the Company elected to increase the total variable compensation pool.

Key developments

Activities in 2012

Changes in the Compensation Framework

- We continued the compensation framework review initiated in 2011 through 2012 and into 2013, as outlined in the 2011 report.
- We reviewed and updated how we fund and allocate the API pools as described on page 103.
- In 2012, Swiss Re introduced the concept of Target API, along with a revised Performance Management framework, ensuring a balance between performance objectives, achievements and desired appropriate risk-taking (see page 103).
- These changes make the way we determine and allocate API pools more transparent, thus forging a stronger link between variable compensation, individual performance and business performance.
- Swiss Re awarded its first grant under the new Leadership Performance Plan (LPP) in March 2012. Further details are on pages 104 and 105.
- We reviewed the Employee Share Purchase Plan (EPP) with the aim of consolidating, as far as appropriate, its previous variations into one global plan. Further details are on page 102.
- The Compensation Committee strengthened the benefits governance and conducted a review of the benefits framework.

Specific Compensation Plans

- While the Asset Management VAI is based in the first instance on EVM results, additional targets and non-financial performance factors are also taken into consideration. The payout factor is still a linear function that ranges from 50% to 150%.

Regulatory oversight

- Swiss Re continued to work closely with the Swiss Financial Market Supervisory Authority FINMA. In 2012, this included submitting our annual compensation table and updating our internal framework to clarify hedging prohibitions.
- We have monitored developments in Solvency II regulation and have completed the alignment of our compensation framework with its current draft requirements.

Annual General Meeting

- As in previous years, the Compensation Report 2011 was subject to a consultative vote. At the Annual General Meeting on 13 April 2012, the report was approved by 81% of shareholder votes (up from 76% in 2011).
- At the Annual General Meeting on 13 April 2012, C. Robert Henrikson was elected to the Board of Directors and became Chairman of the Compensation Committee.

Compensation governance

Last year, Swiss Re's Compensation Report provided a detailed overview of the processes, roles and responsibilities relating to compensation governance. These remain largely unchanged; the table on the right provides a summary.

Roles and responsibilities

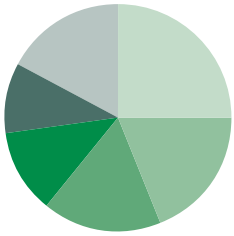
Function	Description of role and responsibilities
Board of Directors	■ Appoints members of the Compensation Committee ■ Reviews and approves the compensation framework and related matters as proposed and endorsed by the Compensation Committee ■ Further details can be found in the Corporate Governance section on pages 66 – 79
Compensation Committee	■ Composed of independent directors (as defined in the Corporate Bylaws) who are experienced and familiar with regulatory requirements, compensation practices and trends, particularly also relating to risk-related compensation issues ■ Authorised to endorse for approval, propose or approve compensation changes as defined in its charter and working instructions ■ Responsible for making recommendations and overseeing the design and implementation of compensation principles, policy, framework, disclosure and plans ■ Reviews principles, policy and plans annually to ensure that they remain in line with Swiss Re's objectives and strategy as well as with legal and regulatory requirements ■ Proposes the targets set for future compensation plans and the performance factors for plans that are due to vest ■ Acts on behalf of the Board of Directors in reviewing and approving, as appropriate, compensation proposals for senior management, ensuring that they comply with the Compensation Policy ■ Provides regular updates on its activities to the full Board of Directors ■ Further details can be found in the Corporate Governance section on pages 72 – 74
Management	■ The Group CEO, Group COO and Head Group Human Resources are normally invited to attend Compensation Committee meetings ■ Other members of senior management may attend as deemed appropriate by the Compensation Committee ■ No individual may attend any part of a meeting where his or her own compensation is discussed
Secretary	■ The Head of Compensation, Benefits & International Mobility serves as the Secretary to the Compensation Committee and attends its meetings (apart from the Executive Sessions)
External Advisors	■ Mercer – provides information about remuneration trends and advice on executive compensation issues ■ Niederer Kraft & Frey AG – provide legal advice, mainly about specific aspects of compliance and on disclosure matters These external advisors are retained by the Compensation Committee. They supply the Compensation Committee with market perspective and occasionally provide other services to Swiss Re. During 2012 the Compensation Committee also received independent advice from Hostettler, Kramarsch & Partner AG relating to the compensation framework review.

Compensation approval
The table on the right shows the role of the Compensation Committee in approving compensation levels.

Decision on	Proposed	Reviewed/Endorsed	Approved
Total amount for Annual Performance Incentive payments	Compensation Committee	Chairman	Board of Directors
Total amount for long-term incentive plans	Compensation Committee	Compensation Committee	Board of Directors
Remuneration of the members of the Board of Directors[1]	Compensation Committee, Chairman		Board of Directors
Compensation of the Group CEO	Compensation Committee, Chairman		Board of Directors
Individual compensation of the members of the Group EC (excl. Group CEO)	Group CEO	Chairman	Compensation Committee

[1] Board member concerned abstains from voting

Compensation Committee's time allocation to key topics in 2012



- 25% Variable compensation for the Group
- 19% Review of compensation framework
- 17% Compliance and Regulatory
- 12% Compensation and performance of Group EC members
- 10% Executive session
- 17% Other topics

Compensation Committee activities
The Compensation Committee has a predetermined annual agenda to ensure that important reviews take place at the appropriate times throughout the year. Along with these standing items, the Compensation Committee discusses matters relating to the Compensation Policy, labour market trends and regulatory developments. The Compensation Committee also conducts periodic self-reviews to ensure its continued high level of effectiveness and spends some time at each meeting in closed sessions. It held eight meetings during the reporting year and provided an update to the Board of Directors on decisions and topics discussed after each of these meetings. A summary of the topics dealt with by the Compensation Committee during the year is shown on page 99.

High-level overview of topics discussed	Meeting
Variable compensation for the Group At Swiss Re, the compensation cycle begins in December, with payments made in March /April of each year. The Compensation Committee oversees each stage of the process, starting with deciding on the variable compensation for the prior performance year, reviewing these decisions, and setting targets for the upcoming year.	
Items relating to past performance cycle	
■ Performance assessment process and proposal of the Annual Performance Incentive pool for the prior business year	January and February
■ Approval of performance factors for deferred compensation awards	February
■ Review of the decisions made during the prior compensation cycle	June
Items relating to the upcoming performance cycle	
■ Review and recommendation of the Leadership Performance Plan pool for the upcoming year	February
■ Setting of the performance targets for variable and long-term compensation for the upcoming year	February
Compensation and performance of Group EC and Group Management Board (GMB) members The compensation of senior management follows the same cycle as that for the Group. Again, the Compensation Committee is fully involved through all stages of the process, and all decisions are driven by the Compensation Committee and the Board of Directors.	
■ Performance assessment of the prior year	January and February
■ Approval of individual compensation proposals for the Group EC and review of aggregate compensation proposals for the Group Management Board (GMB)	February
■ Analysis of Group EC members' compensation relative to external peers	June
■ Analysis of GMB members' compensation relative to external peers	December
Compliance and Regulatory The Compensation Committee spends a considerable amount of time reviewing materials relating to regulatory or statutory reporting. In addition, the structure of the Compensation Committee and its advisors is reviewed on an ongoing basis.	
■ Review and proposal of the Compensation Report	January and February
■ Compliance and regulatory developments and submissions	All meetings
■ Review of the role and mandate of external advisors	June
Review of compensation framework In light of ongoing investor and regulator feedback as well as the organisational restructuring, a full review of the compensation framework was initiated during the second half of 2011. The implementation continued in 2012 rolling into 2013. At the various meetings proposals were reviewed and approved by the Compensation Committee.	All meetings

The role of the Control Functions in compensation

Swiss Re Control Functions (defined as Risk Management, Group Internal Audit and Compliance) play an increasing role in compensation matters. Their activities include providing management with information on risk and control awareness.

Control assessment of Group and business functions

The Compensation Committee continues to strengthen the link between compensation and risk awareness. The Control Functions provide the Group CEO and the Compensation Committee with assessments and information regarding control-related behaviour and performance. This information is collected from all Control Functions and combined into a Group report that covers each business function.

Control assessment of Key Risk Takers

Key Risk Takers are defined as individuals who, by the nature of their role, can materially commit or control Swiss Re's resources, or influence its risk profile. Swiss Re bears risks in the course of its business activities, including market, credit and liquidity, underwriting, operational (including legal and compliance) and reputational risk.

Swiss Re has identified 125 positions that qualify as Key Risk Takers, including the members of the Group Executive Committee, GMB members and numerous Managing Directors or Directors with significant risk authority. Risk Management reviews the list of Key Risk Takers on an annual basis.

Influence of the control assessment on compensation

The control assessment provides additional input to determining the Group Annual Performance Incentive (API) pool. It also influences the API pool that is ultimately allocated to each business function.

Since Key Risk Takers are responsible for managing substantial risk, their performance in this task needs to be assessed and considered when making compensation decisions. The Control Functions assess the risk performance of each Key Risk Taker and deliver a risk rating to Human Resources on an annual basis. This risk rating serves as an additional factor when considering the annual performance and compensation review.

Independence of the Control Functions

In order to ensure the continued independence of Control Functions, Swiss Re has modified its compensation approval processes. Although the compensation framework applicable to Control Functions remains the same as for all other employees, some of the key annual compensation decisions for these functions are approved differently. For example the Chairman of the Audit Committee and the Chairman of the Finance and Risk Committee approve the aggregate API pool of their respective Control Functions, as well as approving the individual compensation for the head of each Control Function. Each of the Control Functions also provides significant input toward determining the overall Group API pools, as already described.

Compensation framework

Compensation Policy
Swiss Re's guiding principles and compensation framework are captured within the global Swiss Re Group Compensation Policy. It governs the compensation structure and processes across all functions and locations at Swiss Re and is reviewed annually.

The Compensation Policy also contains guidance for the execution of individual compensation actions. The Compensation Committee, together with the Group CEO, has approved an authority matrix that defines the limits to which each level of management can authorise compensation payments. Separate limits apply to each compensation element, thereby ensuring that all payments receive the appropriate level of approval. The Group CEO or Compensation Committee, as applicable, is informed of salaries, incentives, severance packages or sign-on payments that exceed pre-set limits.

Line managers receive guidance on practical aspects of the Compensation Policy and its implementation. The Human Resources function conducts an annual self- assessment on Swiss Re's compliance with the Compensation Policy. The Compensation Committee reviews this self- assessment and identifies potential areas of improvement. Finally, the Compensation Committee receives regular reports on compensation decisions, including a comprehensive review of actions resulting from the Annual Compensation Review Cycle.

Swiss Re is required to assess the degree to which the Compensation Policy complies with the requirements of FINMA. As part of this process, the Finance and Risk Committee (FRC) is required to review risks related to Swiss Re's Compensation Policy. In order to facilitate the compliance certification process, a comprehensive risk analysis of the Compensation Policy is conducted on an annual basis.

In order to reflect best practices, the Compensation Policy prohibits the use of any personal hedging strategies or remuneration and liability-related insurance that could undermine the risk alignment effects and economic exposure embedded in compensation arrangements before vesting.

Guiding principles
Swiss Re's compensation framework is designed to attract, motivate, and retain the qualified talent the Group needs to succeed globally, while creating a tangible link between pay and performance. The aim is to provide compensation that is competitive in local labour markets while ensuring that employees focus on delivering outstanding results without taking inappropriate risks. A balanced compensation package is complemented by competitive pension plans and benefits. This approach contributes to the success of the business by:

- supporting a culture of high performance with a focus on risk-adjusted financial results;
- ensuring close correlation between business results, individual contribution, compliance and compensation;
- supporting Swiss Re's commitment to attract, motivate and retain key talent;
- aligning the interests of employees with those of Swiss Re's shareholders; and
- fostering compliance and supporting sensible risk taking.

Swiss Re has a range of incentive programmes that reflect the long-term nature of the business: both the Value Alignment Incentive plan and the Leadership Performance Plan aim to reward sustained performance rather than short-term results. This helps to align shareholder and employee interests more closely.

Overview of the compensation components
Compensation at Swiss Re is designed to encourage individual performance, company achievement and alignment with shareholder value. Annual and long-term incentives are balanced to reflect the risk-aligned performance of the Group, the business function, and the individual.

Swiss Re aims for total compensation that is competitive with that for equivalent positions in comparable companies in each of its markets.

The illustration on this page shows a summary of the compensation elements which are explained in the next section.

Base salary and benefits
Base salary represents the regular payments made to an employee as compensation for carrying out their role.

Swiss Re regularly reviews total compensation (of which base salary is an element) against the market to ensure that it remains competitive. Base salary is primarily determined by the employment markets in which Swiss Re competes for talent. However, Swiss Re also considers factors such as individual performance, skills and expertise when making salary-related decisions.

Swiss Re also aims to provide a package of employee benefits appropriate to local employment market conditions to attract, motivate and retain talent. The primary purpose is to provide a proper degree of security for employees and their dependents through pension, health, disability and death benefits.

Swiss Re offers its employees a share purchase programme, the Employee Participation Plan (EPP), to help align employee and shareholder interests and to encourage an ownership culture across the firm. In the past, employees were usually able to enrol in a two-year savings programme culminating in the purchase of a limited number of Swiss Re shares at a favourable price. In countries where a direct investment in shares was not possible, employees were offered an indirect interest in shares.

During the course of 2012, as part of the overall compensation framework review, the EPP was largely consolidated into a single global plan, the Global Share Participation Plan (GSPP). The updated plan will in most cases be a three-year monthly share purchase plan that will be opened to employees in the second quarter of 2013.

Summary of compensation elements

		Base salary	Annual Performance Incentive (API)	Value Alignment Incentive (VAI)	Leadership Performance Plan (LPP)
Eligible employees		All employees	All employees	Employees with an API at or above USD 100 000	Upon Group CEO invitation (approx. 250 employees)
Basis for funding		Role and experience	EVM results US GAAP results Qualitative drivers	No separate pool (deferred part of API)	Affordability and future strategy
Basis for individual assessment		Role and experience	Company, business unit and individual performance	Deferral table	Individual role, performance and talent assessment
Payout		Immediate	Immediate	Vests after 3 years	Vests after 3 years
Payout affected by	**Share price**	No	No	No	Yes
	Forfeiture rules	No	Yes	Yes	Yes
	KPIs	None	Business and individual performance	EVM profit margin development over 3-year period	Relative TSR RoE
Performance range		None	0%–200% (of target)	50%–150%	0%–150%
Settlement		Cash	Cash and shares	Cash	Shares

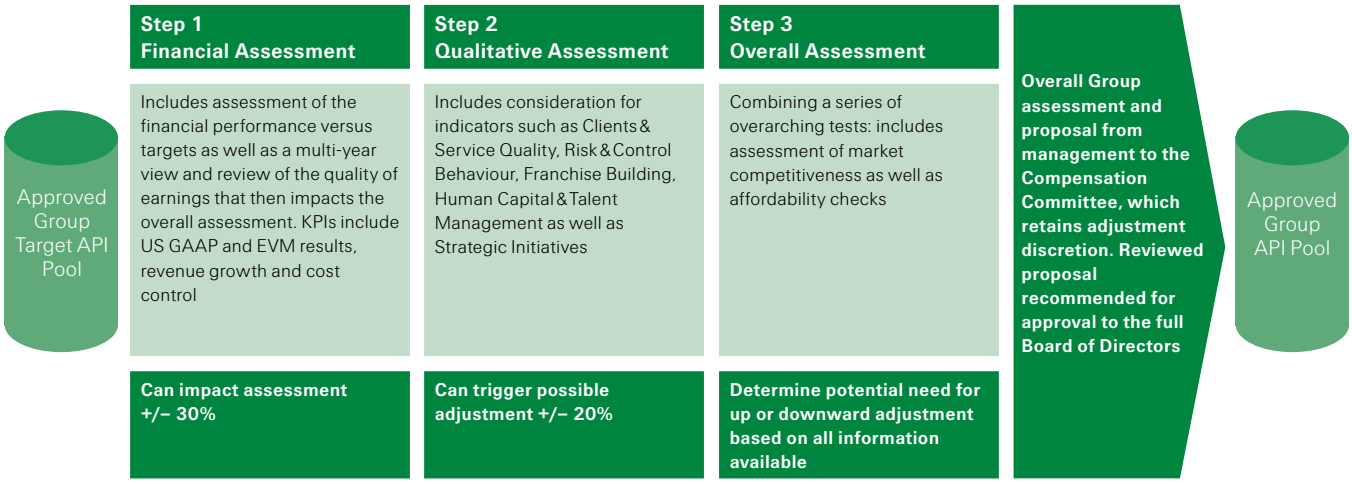
Funding the Annual Performance Incentive and Leadership Performance Plan pools

The Compensation Committee focuses primarily on financial results and qualitative criteria in determining global variable compensation pools. The Compensation Committee views these results in the context of sustaining and increasing Swiss Re's shareholder value through retaining key talent and protecting strongly performing business areas.

The Compensation Committee receives proposals from management requesting the total funding for variable compensation and allocating between the Annual Performance Incentive (API) and the Leadership Performance Plan (LPP). The management proposal for the annual API pool is based on the Group's overall performance for the year. The LPP pool is reviewed in the context of sustainable business performance and affordability, but generally remains stable. The Compensation Committee considers these proposals and recommends a total pool to the full Board of Directors for approval. The Compensation Committee and the Chairman also propose an individual award for the Group CEO within this overall pool. The Value Alignment Incentive (VAI) is not funded as a separate pool, and the API pool will include amounts paid in cash as well as the amounts to be deferred in the VAI.

In 2012 Swiss Re introduced a three-step process based on business performance to determine the overall Group API pool. The process comprises a financial, a qualitative and an overall assessment including a series of sense checks. The financial assessment is primarily based on profitability as measured by EVM and US GAAP, although quality of earnings is also considered. The chart below gives more detail on the criteria used to determine the size of the pool. The Compensation Committee requires that the Business Units follow the same process when allocating their pools.

Group API Pool funding process



Annual Performance Incentive

The API is a discretionary, variable component of the compensation package for employees. Combined with the base salary, it provides competitive total cash compensation when an employee achieves his or her performance targets.

In 2012 Swiss Re started introducing the concept of Target API along with a revised Performance Management framework that provides equal weighting to "behavioural" criteria along with quantitative "results". In this way, API is awarded both for objectives achieved and for demonstration of desired behaviours. The Target API is set in advance for each employee based on multiple factors, including market benchmarks with payout linked both to individual performance and to Swiss Re's results.

The weighting of corporate versus individual performance will vary with seniority within the organisation. Higher ranks will have a greater proportion of their API linked to the results of the Group as well as their Business Unit.

When the variable annual compensation level for an employee exceeds a pre-defined amount, the variable pay is delivered in two components: a cash incentive payment (cash API) and a deferred Value Alignment Incentive (VAI).

Employees also have the opportunity to take some or all of their cash API in the form of Swiss Re shares at a discount of 10% (the Incentive Share Plan), encouraging alignment with shareholder interests. At the end of a one-year period, the employee assumes full ownership of the shares.

Value Alignment Incentive
The VAI is a mandatory deferral of a portion of the API adding a time component to variable compensation. This supports the Group's business model by aligning a substantial portion of variable compensation with sustained long-term results. The aim is to ensure that the ultimate value of the deferred variable compensation through VAI, though awarded for short-term performance, is significantly affected by the longer-term performance of the line of business and the Group.

The higher the total variable annual compensation, the greater the portion of variable compensation that remains at risk through the VAI, as shown in the table below.

The payout factor of the VAI is based on the underwriting year EVM results – EVM is used to evaluate, price, reserve and steer the business decisions within Swiss Re. As EVM recognises all cash flows associated with a contract upfront, measuring the VAI over the following three years enables a clawback of VAI if performance is lower than expected; conversely, if performance is higher than expected, a premium will apply. The VAI tracks the EVM profit margin over the subsequent three years after grant. EVM profit margin is the ratio of EVM profit divided by EVM capital employed. The average EVM profit margin over the three-year measurement period is used to determine the final payout factor. The payout factor is a linear function that ranges from 50% (for an average EVM profit margin development of –15%) to 150% (for an average EVM profit margin development of 15%).

VAI awards granted prior to 2012 contained an additional mark-up element as compensation for the time value of money. This mark-up has been eliminated for the VAI 2011 (awarded in 2012) and for VAI 2012 (awarded in 2013).

The Asset Management VAI (see also page 96) is based in the first instance on EVM results with performance averaged over the three-year deferral period. Three times during each VAI (ie once a year), EVM results, additional targets and non-financial performance factors are taken into consideration. The annual payout factors are averaged over the three-year measurement period to determine the final payout factor. The payout factor is still a linear function that ranges from 50% to 150%.

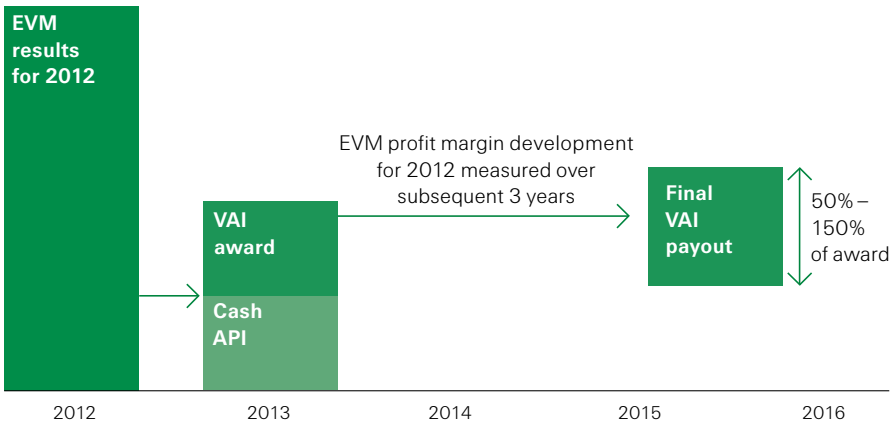
For the full three-year performance measurement period, forfeiture conditions apply. Additionally, clawback provisions apply to downward financial restatement which is caused or partially caused by the VAI participant's fraud or misconduct. In this case, the company is entitled to seek repayment of any vested and settled award.

Leadership Performance Plan (LPP)
In March 2012 the previous long-term incentive scheme was replaced with the LPP. The purpose of the LPP is to provide an additional incentive for Swiss Re's senior management to achieve exceptional business performance over a three-year period. The LPP is a forward-looking instrument focusing on motivating top executives to take decisions that are in the shareholders' long-term interest.

Portion of API that remains at risk

	Deferral into VAI
Group CEO	50% of API
Group EC members	45% of API
GMB members	40% of API
All other employees	50% of the amount at or above USD 100 000 up to a maximum of 40% of API

Value Alignment Incentive – 2012 results measured over 3 years



The LPP is awarded to a select group of key decision makers. The intention is to:

- focus participants' energies on earnings, capital efficiency and our position against peers, all of which are critical to long-term shareholder value creation;
- focus participants on long-term goals which are forward-looking;
- attract and retain individuals of exceptional skill; and
- provide competitive compensation that rewards long-term performance.

At grant date, the award is split into two equal underlying components – Restricted Share Units (RSUs), and Performance Share Units (PSUs), as explained below.

Restricted Share Units (RSUs)

The return on equity (RoE) performance condition is based on a linear vesting line with 0% vesting for an RoE at risk free rate* and 100% vesting for an RoE at a predefined premium above risk free rate. The premium is set at the beginning of the plan period. At the end of each year, the performance against the RoE condition is assessed and one third of the RSUs are locked in within a range from 0–100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest.

Performance Share Units (PSUs)

Swiss Re total shareholder return (TSR) performance is assessed relative to TSR of the peer group. A peer group is set at the beginning of the plan period and consists of companies that are similar in scale, have a global footprint or have a similar business mix as Swiss Re. The current list of peers is: Ace LTD, Aegon NV, Allianz SE, The Allstate Corporation, Aviva PLC, AXA SA, ING Groep NV, Metlife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, PartnerRe Ltd, Prudential Financial Inc, QBE Insurance Group Ltd, SCOR SE and Zurich Insurance Group AG.

The performance condition for PSUs is relative TSR measured over 3 years. The PSUs can then vest within a range of 0–200%. In the case of a negative TSR over three years, the Compensation Committee retains the right to reduce the level of vesting.

Final Settlement

For the full three-year performance measurement period, forfeiture conditions apply. Additionally, clawback provisions apply to downward financial restatement which is caused or partially caused by the LPP participant's fraud or misconduct. In this case, the company is entitled to seek repayment of any vested and settled award. At the end of the three-year measurement period, both components will be settled in Swiss Re shares.

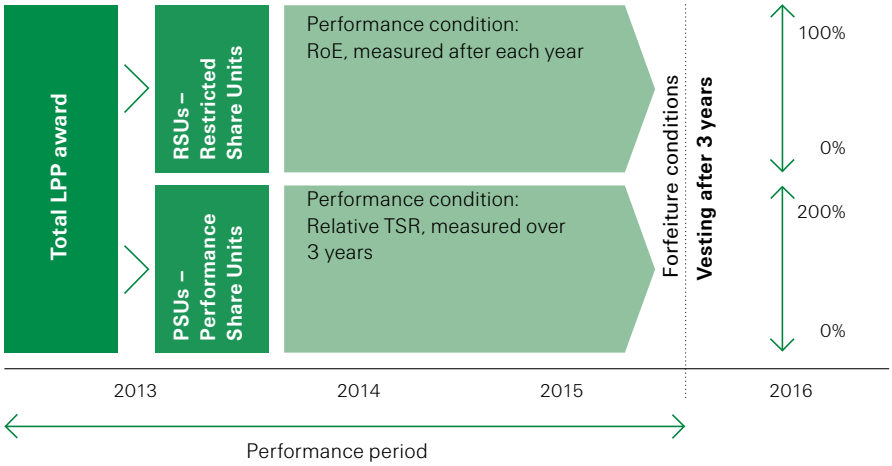
LPP grant

The amounts disclosed under LPP in the section Compensation decisions in 2012 reflect the grants made in March 2013. This LPP award will be measured over the period 2013–2015.

The targets for this grant have been set as follows: The RSUs has a performance condition for vesting of 900 basis points above risk free rate. The PSUs vesting curve starts at the 35th percentile of TSR relative to peers. At the 50th percentile there is 50% vesting, and at the 75th percentile there is 200% vesting.

* Annual risk free rate is defined as the average of 12 monthly rates for 5-year US Treasury Bonds of the corresponding performance year.

Leadership Performance Plan



Discontinued compensation plans

Long-Term Incentive (LTI)
Until 2011, a different vintage of the Long-Term Incentive (LTI) plan was awarded to employees. There are still two vintages of awards outstanding under this plan, vesting in March 2013 and 2014.

The LTI awards vest after three years and are paid in Swiss Re shares, provided the performance thresholds are met. For each LTI plan year, final payment, if any, occurs at the end of the respective three-year performance measurement period. The plan includes a payout factor which can vary between 0 and 2, driven by average return on equity (RoE) and earnings per share (EPS) over the vesting period. The final payment in respect of each plan year will depend on whether performance targets, expressed by average RoE and EPS, have been achieved over the plan period, as well as the share price at conclusion.

Compensation framework for Group EC members

Compensation principles

The Group CEO and the other members of the Group EC are remunerated under the same compensation framework and guiding principles as all other Swiss Re employees. The Group CEO and the other members of the Group EC are paid a fixed base salary and are eligible to receive variable compensation in the form of API, VAI as well as LPP.

For the members of the Group EC including the CEO in 2012, the total of the aggregate Target APIs are CHF 15.8 million (capped at 3 x annual base salary) and the aggregate Target LPP award is CHF 12.4 million.

The Compensation Committee assesses the performance of the Group CEO and the Group EC members against a set of quantitative and qualitative objectives. The main financial performance indicators are based on the Group's economic profit, net income, return on equity, earnings per share and cost targets. The qualitative criteria include client service quality, franchise building, leadership and talent management as well as risk and control related behaviour objectives in areas vital to the overall success of the Group. These objectives are agreed at the beginning of the year and are aligned with the Group's financial plan.

Benchmarking

The external adviser, Mercer, conducts an annual review of the total compensation for the Group EC relative to a group of reference companies in the financial services industry to ensure that market competitiveness is maintained. This peer group consists of the following globally active primary insurance and reinsurance firms: Ace LTD, Aegon NV, Allianz SE, The Allstate Corporation, Aviva PLC, AXA SA, ING Groep NV, Metlife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, PartnerRe Ltd, Prudential Financial Inc, QBE Insurance Group Ltd, SCOR SE and Zurich Insurance Group AG.

Employment conditions

The Group CEO and the other Group EC members have standard employment contracts with maximum notice periods of 12 months and without severance payment agreements. There are no specific "change in control" or retention agreements in place with members of the Group EC, aside from those provisions applicable to all Swiss Re employees. Executives are covered by the Group's standard defined-contribution pension plan.

Stock Ownership Guidelines

With effect from 1 January 2010, the Compensation Committee established stock ownership guidelines which articulate the levels of stock ownership expected of the members of the Group EC and the GMB. The guidelines are designed to increase the alignment of individual members of management with shareholders and demonstrate that Swiss Re executives bear the same risks as other shareholders.

The guidelines define target ownership by role and the ownership levels required are outlined below:

- Group CEO — 3x annual base salary
- Group EC members — 2x annual base salary
- GMB members — 1x annual base salary

Members have a five-year timeframe to achieve these targets. In addition, because Swiss Re believes that a meaningful stock ownership position is essential, restrictions on the cash portion of API delivered will apply if these levels are not met within a specified timeframe.

Compensation framework for the Board of Directors

Compensation principles

The objective in compensating members of the Board of Directors is to attract and retain experienced individuals who are motivated to perform a critical role in the strategic oversight of the company and to contribute their individual business experience and expertise. The structure of compensation for members of the Board of Directors must, however, take account of the way their contribution to the success of Swiss Re differs from that of the Group EC.

It is important that the compensation elements be used so as to achieve a strong alignment with the interests of the shareholders of Swiss Re. Therefore, a significant portion of the compensation arrangements for the Board of Directors consists of shares of the company or instruments linked to the performance of the company's shares, in line with best practice.

Unlike the annual performance incentive for the Group EC, which is determined in arrears based on the results of the performance year, the fees for the Board of Directors are determined in advance at the start of the financial year. The fee level for each Board member is reviewed annually to ensure that it remains appropriate.

Compensation structure

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

Roles and time commitment

The fees for the members of the Board of Directors reflect differing levels of responsibility and time commitment. The individual levels of pay therefore vary considerably. Certain committees, such as the Audit Committee and the Investment Committee, meet more frequently with longer meetings and require more preparation time than other committees and hence have higher workloads. Chairpersons of the committees devote even more time to their task.

The Chairman of the Board of Directors devotes himself full-time to his role. In defining the position of Chairman as a full-time role, Swiss Re applies international best practice for highly regulated, complex financial institutions. The Chairman participates in developing the firm's strategy, supervises the implementation of the agreed strategy and organises the work of the Board of Directors and its committees. He also has an important task, together with the Group CEO, in representing the firm to outside parties including shareholders, industry associations, the media and the general public, at all key locations where Swiss Re operates.

Swiss Re has two Vice Chairmen. One Vice Chairman was appointed in 2009 and chairs the Investment Committee, and since 2012 also the Finance and Risk Committee. Additionally he is a member of the Chairman's and Governance Committee. Throughout the year, this Vice Chairman devotes about three-quarters of his time to this task. An additional Vice Chairman was appointed in 2012 and is also a member of the Chairman's and Governance Committee and furthermore is a member of the Audit Committee and the Compensation Committee. The Board of Directors may assign further tasks to the Vice Chairmen. Additional tasks include representation of the Board of Directors in the Boards of the Group's US or European subsidiaries, which are highly relevant to Swiss Re from both a risk and revenue perspective.

The degree of in-depth oversight requires from each Board member a high level of professional experience and expertise in their respective field. Furthermore, the demands on the chairs of the respective Board committees continue to increase. Swiss Re is confident that the skill set of its Board of Directors is well-balanced, which in turn promotes a high level of supervision and integrity.

Valid cross-border comparisons of the roles and responsibilities of the Swiss Re Board against the boards of other international companies are clearly difficult to make, given both the differing legal environment and operating context within each country. Nevertheless, it is apparent that the demands on the Swiss Re Board members are particularly significant, and that these requirements continue to increase. In addition to their core responsibilities, Board members, similar to the Chairman, are regularly asked to meet with multiple external stakeholders including regulators, political authorities and investors, all of which warrant additional time, dedication and commitment from the individuals concerned.

Subsidiary boards of directors

The majority of the members of the boards at the subsidiary level are Swiss Re executives and they receive no additional fees for their services in this role. The non-executive members of the boards only receive their fees 100% in cash.

Compensation decisions in 2012

General compensation

Payouts of deferred compensation plans

Value Alignment Incentive (VAI)

The VAI performance is measured for each underlying business area. Participants receive the performance factor relating to the business area that they were in at the time of award. In March 2012, the Group VAI 2008 (awarded in 2009) vested with an average performance factor of 135.7%.

The VAI plan year 2008 performance factor resulted from favourable claims development and lower than expected natural catastrophe losses on business that was still at risk in 2009, together with favourable mortality experience in the Americas and Europe.

Status of Value Alignment Incentive (VAI) awards

VAI plan year	Performance measurement period as of 31 December 2012	Performance factor
2006	3 years (closed)	124.2%
2007	3 years (closed)	123.4%
2008	3 years (closed)	135.7%
2009	3 years	to be determined
2010	2 years	to be determined
2011	1 year	to be determined

Long Term Incentive (LTI)

The performance hurdles for the LTI award defined in 2010, expiring in March 2013, were centred on a return on equity (RoE) target of 10.5% and average earnings per share (EPS) growth rate target of USD 7.50. Considerations which led to the respective targets were the market outlook, the level of uncertainty and the clear priority set by the Board to de-risk the balance sheet.

The LTI plan has been discontinued and the last award of LTI was granted in March 2011. The last grant of LTI was disclosed in the 2010 Compensation Report. The table below reflects the units awarded and subsequently vested across all LTI plan years.

in CHF millions		LTI plans vested in 2009–2012	LTI plan due to vest in 2013	LTI plans due to vest in 2014	Total
Grant	Units awarded[1]	3 941 300	1 085 550	1 010 570	6 037 420
	Value awarded[2]	175	52	59	286
	Weighted average value per unit at grant	44.62	47.86	58.49	47.17
Vesting	Units vested[1]	3 685 450	961 350	to vest	4 646 800
	Value vested of which:	84	65	to vest	149
	Vesting related to performance factor	26	42	to vest	68
	Vesting related to share price growth	58	23	to vest	81
	Weighted average value per unit at vesting	22.91	67.50	to vest	32.14

[1] Number of units
[2] "Value awarded" includes awards to all employees.

Of the plans that have expired or are due to expire in 2013, the LTI represented 28% of the Total Compensation disclosed for the EC members over that period. The LTI plans that have expired to date (2006–2010) have resulted or will result in a settlement value of 70% of the award value disclosed for the EC members. Consequently, the Total Compensation disclosed for the EC members over that period was 8.4% higher than the value realised upon vesting.

Aggregate compensation of the Swiss Re Group

The aggregate compensation for the performance years 2011 and 2012 for all employees was as follows:

		Performance Year 2011		**Performance Year 2012**	
Category	Type of plan	Number of participants	Values (in CHF millions)	Number of participants	Values (in CHF millions)
Fixed compensation	Base salaries	10 788	966	11 193	1 082
	Pensions, social security and benefits	10 788	418	11 193	424
Annual Performance Incentive	Cash Annual Performance Incentive	9 414	269	10 015	379
	Value Alignment Incentive	719	42	1 081	72
Long-term variable compensation	Long-term incentives (LPP)	217	46	243	43
Other payments	Severance payments[1]	356	27	393	28
	Sign-on payments	96	7	94	4

[1] Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration.

As of 31 December 2012, Swiss Re Group employed 11 193 regular staff worldwide, compared to 10 788 employees at the end of 2011.

Aggregate compensation for Key Risk Takers

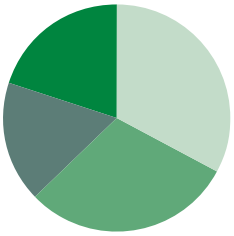
The aggregate compensation of the individuals that held a key risk taking position during the performance years 2011 and 2012 was:

		Performance Year 2011		**Performance Year 2012**	
Category	Type of plan	Number of participants	Values (in CHF millions)	Number of participants	Values (in CHF millions)
Fixed compensation	Base salaries	120	48	125	53
	Pensions, social security and benefits	120	22	125	22
Annual Performance Incentive	Cash Annual Performance Incentive	120	39	125	51
	Value Alignment Incentive	119	23	124	33
Long-term variable compensation	Long-term incentives (LPP)	100	21	114	32
Other payments	Severance payments[1]	1	0	4	6
	Sign-on payments	2	0	7	2

[1] Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration.

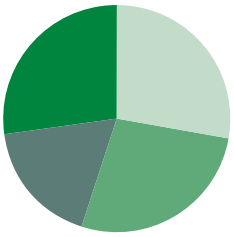
Compensation mix for Group EC

2011



- 33% Base salary and allowances
- 30% Cash API
- 17% VAI (paid after 3 years)
- 20% LPP (paid after 3 years)

2012



- 28% Base salary and allowances
- 27% Cash API
- 18% VAI (paid after 3 years)
- 27% LPP (paid after 3 years)

Aggregate variable compensation expense

The Compensation Committee takes its decisions to award variable compensation on an economic value basis at the time of grant. In the financial statements the recognition of deferred compensation follows the accrual principles as defined under US GAAP. The financial statements reflect the aggregate value of variable compensation for the year under review as follows:

		US GAAP accounting year 2012		
CHF millions	Economic value at grant	Accrued grant value	Fair value mark-up	Total expense
Cash API 2012	379	379		379
VAI 2012 (granted in April 2013)	72			
LPP 2013 (granted in April 2013)	43			
Cash API 2011[1]	n.a.		–21	–21
VAI 2008–2011 (granted between 2009 and 2012)[2]	n.a.	68	–8	60
LPP 2012 (granted in April 2012)[2]	n.a.	10	0	10
LTI 2009–2011 (granted between 2009 and 2011)[2]	n.a.	33	4	37
Total	**494**	**490**	**–25**	**465**

[1] Accrual related to prior performance year
[2] Plans were granted in prior years.

Compensation decisions for the Group EC

The variable compensation awarded to all members of the Group EC (including the Group CEO) totalled CHF 33.2 million for 2012, compared to CHF 21.2 million in 2011. Reflecting its new corporate structure and operating model, Swiss Re further strengthened its Group EC in 2012. Four additional members were appointed to the Group EC in 2012, taking up the newly created positions of Regional President (one each for the Americas, Asia, and EMEA region) and of Group Chief Strategy Officer. The following table covers payments to sixteen members for 2012, of whom seven were employed for the full year. The 2011 payments cover nine members, of whom eight were employed for the full year.

CHF thousands	9 members 2011	16 members[5] **2012**
Base salary and allowances[1]	10 687	12 985
Funding of pension benefits	1 397	1 656
Total fixed compensation	**12 084**	**14 641**
Cash Annual Performance Incentive[2]	9 573	12 394
Value Alignment Incentive (VAI)	5 378	8 359
Long-term Incentives (LPP)[3]	6 250	12 400
Total variable compensation	**21 201**	**33 153**
Total fixed and variable compensation[4]	**33 285**	**47 794**
Compensation due to members leaving	1 448	2 268
Total compensation	**34 733**	**50 062**

[1] Allowances consist of housing, schooling, lump sum expenses, child and similar allowances.
[2] Does not include sign-on bonuses in the amount of CHF 1.4 million as payments were made prior to joining the Group EC. These amounts are however included in both "Aggregate compensation" tables on page 109.
[3] Disclosure reflects all awards within a compensation cycle: the 2011 value reflects the fair value of LPP granted in March 2012, and the 2012 value reflects the fair value of LPP granted in March 2013. Furthermore, the 2011 values disclosed exclude the LPP granted in March 2012 of CHF 2.5 million for the incoming Group CEO, given he was not a member of the Group EC until 1 February 2012.
[4] For 2012 includes payments reflecting the time in the role as Group EC members. For comparison purposes, if this approach had been applied in 2011, the 2011 "Compensation due to members leaving" of CHF 1.448 million would have been CHF 1.193 million, with the difference included in the 2011 "Total fixed and variable compensation" above, with no change to 2011 "Total compensation".
[5] Represents incumbents and not positions; four new Group EC positions were created in 2012 (see above for more information).

Compensation decisions for the Group CEOs
Stefan Lippe, Group CEO from February 2009 until January 2012
Michel M. Liès, Group CEO since February 2012

CHF thousands	2011	**2012[2]**
Base salary and allowances	2 180	1 663
Funding of pension benefits	175	175
Total fixed compensation	**2 355**	**1 838**
Cash Annual Performance Incentive	3 000	1 450
Value Alignment Incentive (VAI)	0	1 450
Long-term incentives (LPP)[1]	0	2 000
Total variable compensation	**3 000**	**4 900**
Total compensation	**5 355**	**6 738**

[1] The 2011 values disclosed exclude the LPP granted in March 2012 of CHF 2.5 million for the incoming Group CEO, given he was not a member of the Group EC until 1 February 2012. Disclosure reflects all awards within a compensation cycle: the 2011 value reflects the fair value of LPP granted in March 2012, and the 2012 value reflects the fair value of LPP granted in March 2013.
[2] For 2012, includes 1 month for the former Group CEO and 11 months for the current Group CEO

All amounts reported are stated prior to the deduction of any social security contributions. Amounts reported under base salary and allowances include the base salary which is paid in cash, as well as benefits or allowances paid in cash.

Total Fixed Compensation reflects the portion of the Total Compensation that is fixed and therefore not performance related. For 2012, the portion of Group EC compensation that is fixed amounts to 28% (compared to 33% for 2011).

The LPP 2012 represents the fair value of the LPP award made in March 2012. This LPP may lead to a payment in March 2015, subject to return on equity and relative total shareholder return performance conditions from 2012 to 2014. In the same way, the LPP 2013 represents the fair value of the LPP award made in March 2013, which may (subject to the performance conditions from 2013 to 2015) lead to a payment in March 2016. The LPP is described in detail on pages 104 and 105.

The members of the Group EC including the Group CEO, participate in a defined-contribution pension scheme. The funding of pension benefits shown in the table above reflects the actual employer contributions.

Shares held by members of the Group EC

The following table reflects total current Swiss Re share ownership by members of the Group EC as of 31 December:

	2012
Michel M. Liès, Group CEO[1]	129 562
Guido Fürer, Group Chief Investment Officer[2]	1 500
Agostino Galvagni, CEO Corporate Solutions	69 371
Jean-Jacques Henchoz, CEO Reinsurance EMEA	12 287
Christian Mumenthaler, CEO Reinsurance	50 000
Moses Ojeisekhoba, CEO Reinsurance Asia[3]	1 139
George Quinn, Group CFO	57 987
Matthias Weber, Group Chief Underwriting Officer[4]	24 237
Thomas Wellauer, Group Chief Operating Officer	16 714
Total	**362 797**

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

Unvested restricted shares held by members of the Group EC

Prior to the introduction of the LPP, Swiss Re did not grant employee stock options or restricted share units (RSUs) on a regular basis, except for events such as exceptional business cycles, significant acquisitions or the replacement of forfeited equity for new executive hires.

The following table reflects unvested restricted share ownership by members of the Group EC as of 31 December:

	2012
Moses Ojeisekhoba, CEO Reinsurance Asia	13 093
Total	**13 093**

Vested options held by members of the Group EC

The following table reflects total vested option ownership by members of the Group EC as of 31 December:

	2012
Weighted average strike price in CHF	**82.32**
Michel Liès, Group CEO	66 000
Guido Fürer, Group Chief Investment Officer	7 500
George Quinn, Group CFO	26 000
Matthias Weber, Group Chief Underwriting Officer	9 500
Total	**109 000**

Swiss Re granted options to senior management in the past and the last grant was made in 2006. The remaining vested options held by active members of the Group EC will expire between 2013 and 2015, and have a weighted average exercise price of CHF 82.32 (within a range between CHF 67.65 and CHF 93.00).

Long Term Incentive units held by members of the Group EC

The following table reflects total outstanding Long Term Incentive units held by members of the Group EC as of 31 December. This includes both awards under the previous LTI and the current LPP:

	2012
Michel Liès, Group CEO	125 480
David Cole, Group Chief Risk Officer	51 595
Guido Fürer, Group Chief Investment Officer	50 925
Agostino Galvagni, CEO Corporate Solutions	101 790
Jean-Jacques Henchoz, CEO Reinsurance EMEA	37 240
Christian Mumenthaler, CEO Reinsurance	91 390
Moses Ojeisekhoba, CEO Reinsurance Asia	20 765
George Quinn, Group CFO	110 340
J. Eric Smith, CEO Swiss Re Americas	20 765
Matthias Weber, Group Chief Underwriting Officer	73 370
Thomas Wellauer, Group Chief Operating Officer	60 140
Total	**743 800**

Loans to members of the Group EC

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 employees of the Swiss Re Group in their particular 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 floating interest rates are preferential, the value of this benefit has been included in the line item "base salary and allowances".

CHF thousands	2012
Total mortgages and loans to members of the Group EC	3 710
Highest mortgages and loans to an individual member of the Group EC:	
Christian Mumenthaler	2 143
Total mortgages and loans not at market conditions to former members of the Group EC	4 300

Compensation for former members of the Group EC

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

Compensation for members of the Board of Directors

Aggregate compensation for the members of the Board of Directors
The aggregate compensation for members of the Board of Directors was:

CHF thousands	2011	**2012**
Fees and allowances in cash	7 047	7 429
Fees in blocked shares	4 678	4 862
Total	**11 725**	**12 291**

Compensation for the Chairman and Vice Chairmen
Please also refer to page 107 for further details on roles and responsibilities.

Walter B. Kielholz
Chairman

CHF thousands	2011	**2012**
Fees and allowances in cash	2 892	3 092
Total cash	**2 892**	**3 092**
Fees in blocked shares	1 912	2 045
Total	**4 804**	**5 137**

Mathis Cabiallavetta
Vice Chairman[1]

CHF thousands	2011	**2012**
Fees and allowances in cash	1 434	1 533
Total cash	**1 434**	**1 533**
Fees in blocked shares	956	1 023
Total	**2 390**	**2 556**

[1] Chairman of the Finance and Risk Committee since 13 April 2012, Chairman of the Investment Committee

Renato Fassbind
Vice Chairman[1,2]

CHF thousands	2011	**2012**
Fees and allowances in cash	150	277
Total cash	**150**	**277**
Fees in blocked shares	100	184
Total	**250**	**461**

[1] since 13 April 2012
[2] received additional fees in cash for his duties on the board of the Luxembourg Group companies of CHF 130 000 for 2011 and for Q1 2012 (pro-rata); as of 13 April 2012 no such additional fees were paid.

Compensation for the remaining members of the Board of Directors

The individual compensation for the remaining members of the Board of Directors for 2012 was:

CHF thousands	Total 2011	Fees and allowances in cash	Fees in shares	**Total 2012**
Jakob Baer, Chairman of the Audit Committee	800	484	323	807
Raymund Breu, Member	375	216	144	360
Raymond K.F. Ch'ien, Member	375	216	144	360
John R. Coomber, Chairman of the Finance and Risk Committee[1]	706	299	196	495
Rajna Gibson Brandon, Member	350	201	134	335
C. Robert Henrikson, Chairman of the Compensation Committee[2]	–	183	123	306
Malcolm D. Knight, Member	275	199	133	332
Hans Ulrich Maerki, Member	325	197	131	328
Carlos E. Represas, Member[3]	275	274	111	385
Jean-Pierre Roth, Member	300	171	113	284
Robert A. Scott, former Chairman of the Compensation Committee[4]	500	87	58	145
Total	4 281	**2 527**	**1 610**	**4 137**

[1] Chairman of the Finance and Risk Committe until 13 April 2012
[2] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 13 April 2012
[3] Received additional fees in cash for his duties on the board of US Group companies of USD 115 000 for 2011; for 2012 this has been included above
[4] Term of office expired as of 13 April 2012 and did not stand for re-election due to retirement.

Shares held by members of the Board of Directors

The number of shares held by members of the Board of Directors as of 31 December were:

	2012
Walter B. Kielholz, Chairman	290 230
Mathis Cabiallavetta, Vice Chairman	54 546
Renato Fassbind, Vice Chairman	5 073
Jakob Baer, Chairman of the Audit Committee	40 568
Raymund Breu, Member	34 310
Raymond K.F. Ch'ien, Member	13 240
John R. Coomber, Chairman of the Finance and Risk Committee[1]	138 134
Rajna Gibson Brandon, Member	24 368
C. Robert Henrikson, Chairman of the Compensation Committee	2 144
Malcolm D. Knight, Member	5 857
Hans Ulrich Maerki, Member	23 915
Carlos E. Represas, Member	7 479
Jean-Pierre Roth, Member	5 341
Total	**645 205**

[1] until 13 April 2012

Performance shares held by members of the Board of Directors

The number of performance shares held by members of the Board of Directors as of 31 December were:

	2012
Walter B. Kielholz, Chairman	55 971
Mathis Cabiallavetta, Vice Chairman	27 986
Total	**83 957**

In 2009 and 2010, the Chairman and the then Vice Chairman received half of their respective total fees in the form of a three-year performance share plan. The final number of shares to vest after the three years could vary between 0% and 150% of the original award, depending on Swiss Re's relative total shareholder return (TSR) ranking against a peer group over the performance period. For a vesting at 150% of the original award, performance on this measure had to be at or above the 75th percentile. The peer group companies comprises Ace LTD, Allianz SE, The Allstate Corporation, Aviva PLC, AXA SA, Credit Suisse Group AG, Assicurazioni Generali S.p.A, Hannnover Rückversicherung AG, ING Groep NV, MetLife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, Prudential Financial Inc, UBS AG and Zurich Insurance Group AG. Awards under this plan were only made in 2009 and 2010.

In March 2012, the 2009 award vested, and based on a third-party assessment of achievement against the performance targets set, Swiss Re achieved a ranking of 2nd out of 15 participants as well as a relative TSR of 219.92%. Given this performance, the vesting percentage was determined at the maximum 150%. For the Chairman, Swiss Re has subsequently donated the 50% "outperformance" to charitable causes on the Chairman's behalf. Therefore the Chairman has not received any additional shares as a result of the "outperformance" of the plan. To the Vice Chairman 20 834 such shares were delivered.

Vested options held by members of the Board of Directors

Swiss Re does not grant employee stock options to members of the Board of Directors. The stock options shown in the table below were awarded at a period when the recipients were still members of Swiss Re's executive management. The vested options held by members of the Board of Directors as of 31 December were:

	2012
Weighted average strike price in CHF	**86.26**
Walter B. Kielholz, Chairman	40 000
John R. Coomber, Chairman of the Finance and Risk Committee [1]	210 000
Total	**250 000**

[1] until 13 April 2012

As of 31 December 2012, the range of expiry for vested options held by members of the Board of Directors was 2013–2015, and the weighted average exercise price is CHF 86.26.

Loans to members of the Board of Directors

CHF thousands	2012
Walter B. Kielholz, Chairman	2 000

The mortgage is secured against real estate and its terms and conditions are the same as those available to all Swiss Re employees in Switzerland. It carries a fixed rate and has a maturity of five years. The interest rate corresponds to the five-year Swiss franc swap rate plus a margin of 10 basis points at the time of fixing.

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Financial statements

Income statement

For the years ended 31 December

USD millions	Note	2011	**2012**
Revenues			
Premiums earned	9	21 300	**24 661**
Fee income from policyholders	9	876	**785**
Net investment income – non-participating	2	4 626	**4 473**
Net realised investment gains/losses – non-participating business (total impairments for the years ended 31 December were 435 in 2011 and 215 in 2012, of which 254 and 162, respectively, were recognised in earnings)	2	1 634	**947**
Net investment result – unit-linked and with-profit	2	–403	**2 570**
Other revenues		50	**188**
Total revenues		28 083	**33 624**
Expenses			
Claims and claim adjustment expenses	9	–8 810	**–7 763**
Life and health benefits	9	–8 414	**–8 878**
Return credited to policyholders		–61	**–2 959**
Acquisition costs	9	–4 021	**–4 548**
Other expenses		–3 051	**–3 217**
Interest expenses		–851	**–736**
Total expenses		–25 208	**–28 101**
Income before income tax expense		2 875	**5 523**
Income tax expense	12	–77	**–1 125**
Net income before attribution of non-controlling interests		2 798	**4 398**
Income attributable to non-controlling interests		–172	**–141**
Net income after attribution of non-controlling interests		2 626	**4 257**
Interest on contingent capital instruments		0	**–56**
Net income attributable to common shareholders		2 626	**4 201**
Earnings per share in USD			
Basic	11	7.68	**11.85**
Diluted	11	7.49	**11.06**
Earnings per share in CHF[1]			
Basic	11	6.79	**11.13**
Diluted	11	6.63	**10.39**

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

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2011	**2012**
Net income before attribution of non-controlling interests	2 798	**4 398**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses (tax: –1 326 in 2011 and 59 in 2012)	3 181	**184**
Change in other-than-temporary impairment (tax: –24 in 2011 and –47 in 2012)	51	**90**
Change in foreign currency translation (tax: –42 in 2011 and 28 in 2012)	–199	**332**
Change in adjustment for pension benefits (tax: 83 in 2011 and 59 in 2012)	–253	**–178**
Total comprehensive income before attribution of non-controlling interests	5 578	**4 826**
Interest on contingent capital instruments		**–56**
Attribution of value to option on redeemable non-controlling interest[1]		**–132**
Comprehensive income attributable to non-controlling interests	–172	**–141**
Total comprehensive income attributable to common shareholders	5 406	**4 497**

[1] In 2000, Swiss Re and the shareholders of New California Holdings, Inc. entered into a put/call agreement for the acquisition of New California Holdings, Inc. by Swiss Re. The put/call agreement was considered a redeemable non-controlling interest; however, a value was not assigned to this instrument as the exercise was contingent on several items occurring to complete the transaction. During the second quarter of 2012, the majority of the contingencies had been resolved and the exercise of the put/call option at the predetermined price became probable. In accordance with US GAAP requirements, the difference between the carrying value of the minority interest and the redemption price, USD 132 million, was recorded against shareholders' equity and as a reduction in the net income attributable to common shareholders for the purposes of calculating earnings per share. In August 2012, the put/call option was exercised and New California Holdings, Inc. was acquired. Please refer to Note 6 "Acquisitions and Disposals" for further information.

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

Balance sheet

As of 31 December

Assets

USD millions	Note	2011	**2012**
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 7 034 in 2011 and 9 529 in 2012 subject to securities lending and repurchase agreements) (amortised cost: 86 984 in 2011 and 80 594 in 2012)		93 770	**86 974**
Trading (including 620 in 2011 and 196 in 2012 subject to securities lending and repurchase agreements)		3 453	**1 874**
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 2 789 in 2012)		1 960	**3 102**
Trading		571	**672**
Policy loans, mortgages and other loans		5 640	**2 299**
Investment real estate		645	**777**
Short-term investments, at amortised cost which approximates fair value (including 87 in 2011 and 3 464 in 2012 subject to securities lending and repurchase agreements)		13 660	**18 645**
Other invested assets		20 176	**12 968**
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 095 in 2011 and 4 630 in 2012, equity securities trading: 16 182 in 2011 and 18 617 in 2012)		22 349	**25 501**
Total investments		162 224	**152 812**
Cash and cash equivalents (including 36 in 2011 and 75 in 2012 subject to securities lending)		11 407	**10 837**
Accrued investment income		1 220	**1 050**
Premiums and other receivables		11 441	**11 529**
Reinsurance recoverable on unpaid claims and policy benefits		11 837	**10 109**
Funds held by ceding companies		9 064	**13 245**
Deferred acquisition costs	5	3 923	**4 039**
Acquired present value of future profits	5	4 226	**3 023**
Goodwill		4 051	**4 092**
Income taxes recoverable		720	**467**
Other assets		5 786	**4 582**
Total assets		225 899	**215 785**

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

Liabilities and equity

USD millions	Note	2011	**2012**
Liabilities			
Unpaid claims and claim adjustment expenses		64 878	**63 670**
Liabilities for life and health policy benefits	3	39 044	**36 117**
Policyholder account balances		34 162	**29 349**
Unearned premiums		8 299	**9 384**
Funds held under reinsurance treaties		2 436	**3 642**
Reinsurance balances payable		3 962	**3 754**
Income taxes payable		442	**604**
Deferred and other non-current taxes		2 853	**3 724**
Short-term debt	7	4 127	**3 612**
Accrued expenses and other liabilities		17 868	**11 617**
Long-term debt	7	16 541	**16 286**
Total liabilities		194 612	**181 759**
Equity			
Contingent capital instruments	7	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		8 985	**7 721**
Treasury shares, net of tax		–1 096	**–995**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		4 223	**4 407**
Other-than-temporary impairment, net of tax		–118	**–28**
Cumulative translation adjustments, net of tax		–3 941	**–3 609**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–775	**–953**
Total accumulated other comprehensive income		–611	**–183**
Retained earnings		22 277	**26 322**
Shareholders' equity		29 590	**34 002**
Non-controlling interests		1 697	**24**
Total equity		31 287	**34 026**
Total liabilities and equity		225 899	**215 785**

[1] Please refer to Note 1 "Organisation and summary of significant accounting policies" and Note 11 "Earnings per share" for details on the number of shares authorised and issued.

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

Statement of shareholders' equity

For the years ended 31 December

USD millions	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	**8 985**
Contingent capital instruments' issuance costs		**–18**
Share-based compensation	–87	**–29**
Realised gains/losses on treasury shares	–423	**–83**
Dividends on common shares[1]	–1 035	**–1 134**
Balance as of period end	8 985	**7 721**
Treasury shares, net of tax		
Balance as of 1 January	–1 483	**–1 096**
Purchase of treasury shares	–261	**–147**
Issuance of treasury shares, including share-based compensation to employees	648	**248**
Balance as of period end	–1 096	**–995**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	1 042	**4 223**
Other changes during the period	3 181	**184**
Balance as of period end	4 223	**4 407**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–169	**–118**
Other changes during the period	51	**90**
Balance as of period end	–118	**–28**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 742	**–3 941**
Other changes during the period	–199	**332**
Balance as of period end	–3 941	**–3 609**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–522	**–775**
Change during the period	–253	**–178**
Balance as of period end	–775	**–953**
Retained earnings		
Balance as of 1 January	19 651	**22 277**
Net income after attribution of non-controlling interests	2 626	**4 257**
Interest on contingent capital instruments, net of tax		**–56**
Cumulative effect of adoption of ASU 2010-26[2], net of tax		**–24**
Attribution of value to option on redeemable non-controlling interest[3]		**–132**
Balance as of period end	22 277	**26 322**
Shareholders' equity	29 590	**34 002**
Non-controlling interests		
Balance as of 1 January	1 564	**1 697**
Change during the period[4]	–39	**–1 946**
Income attributable to non-controlling interests	172	**141**
Attribution of value to option on redeemable non-controlling interest[3]		**132**
Balance as of period end	1 697	**24**
Total equity	31 287	**34 026**

[1] Dividends to shareholders were paid in the form of a withholding tax-exempt repayment out of legal reserves from capital contributions.
[2] The Group adopted a new accounting guidance, ASU 2010-26 "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" as of 1 January 2012, which required the release of USD 24 million of deferred acquisition costs against retained earnings. Refer to Note 5 for more details on the adoption of ASU 2010-26.
[3] In 2000, Swiss Re and the shareholders of New California Holdings, Inc. entered into a put/call agreement for the acquisition of New California Holdings, Inc. by Swiss Re. The put/call agreement was considered a redeemable non-controlling interest; however, a value was not assigned to this instrument as the exercise was contingent on several items occurring to complete the transaction. During the second quarter of 2012, the majority of the contingencies had been resolved and the exercise of the put/call option at the predetermined price became probable. In accordance with US GAAP requirements, the difference between the carrying value of the minority interest and the redemption price, USD 132 million, was recorded against shareholders' equity and as a reduction in the net income attributable to common shareholders for the purposes of calculating earnings per share. In August 2012, the put/call option was exercised and New California Holdings, Inc. was acquired. Please refer to Note 6 "Acquisitions and Disposals" for further information.
[4] The sale of Swiss Re Private Equity Partners AG, the management company of Swiss Re's private equity fund-of-fund business, to BlackRock, Inc. was closed on 4 September 2012. The sale resulted in the deconsolidation of a number of private equity funds, which led to a reduction in non-controlling interests of USD 1 400 million. In addition, New California Holdings, Inc. was acquired for USD 548 million in cash. As of acquisition date, Swiss Re also fully owns Aurora National Life Assurance Company and consequently no longer reports any non-controlling interest related to this subsidiary. Please refer to Note 6 "Acquisitions and Disposals" for further information.

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

Statement of cash flow

For the years ended 31 December

USD millions	2011	**2012**
Cash flows from operating activities		
Net income attributable to common shareholders	2 626	**4 201**
Add net income attributable to non-controlling interests	172	**141**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	3 115	**3 888**
Net realised investment gains/losses	–388	**–2 688**
Change in:		
Technical provisions, net	–4 093	**–3 397**
Funds held by ceding companies and other reinsurance balances	–1 501	**46**
Reinsurance recoverable on unpaid claims and policy benefits	275	**17**
Other assets and liabilities, net	–17	**235**
Income taxes payable/recoverable	–532	**1 138**
Income from equity-accounted investees, net of dividends received	–222	**–380**
Trading positions, net	2 847	**–543**
Securities purchased/sold under agreement to resell/repurchase, net	–785	**1 845**
Net cash provided/used by operating activities	1 497	**4 503**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	142 952	**108 231**
Purchases	–145 183	**–106 064**
Net purchase/sale/maturities of short-term investments	6 952	**–5 073**
Equity securities:		
Sales	2 351	**1 501**
Purchases	–3 173	**–2 242**
Cash paid/received for acquisitions/disposal and reinsurance transactions, net[1]	80	**106**
Net purchases/sales/maturities of other investments	–573	**10**
Net cash provided/used by investing activities	3 406	**–3 531**
Cash flows from financing activities		
Issuance/repayment of long-term debt	–33	**740**
Issuance/repayment of short-term debt	–8 991	**–2 200**
Proceeds from the issuance of contingent capital instruments, net of issuance cost		**1 084**
Purchase/sale of treasury shares	–261	**–133**
Dividends paid to shareholders	–1 035	**–1 134**
Net cash provided/used by financing activities	–10 320	**–1 643**
Total net cash provided/used	–5 417	**–671**
Effect of foreign currency translation	–104	**101**
Change in cash and cash equivalents	–5 521	**–570**
Cash and cash equivalents as of 1 January	16 928	**11 407**
Cash and cash equivalents as of 31 December	11 407	**10 837**

[1] Swiss Re has closed the sale of the Admin Re® US business to Jackson National Life Insurance Company. The purchase price included a cash payment of USD 589 million. New California Holdings, Inc. was acquired for USD 548 million in cash. Swiss Re Private Equity Partners AG, Swiss Re's private equity fund-of-fund business, has been sold to BlackRock, Inc. for USD 65 million in cash. Swiss Re continues to be invested as a limited partner in the funds. Please refer to Note 6 "Acquisitions and Disposals" for further information.

Interest paid was USD 1 099 million and USD 887 million for the years ended 31 December 2011 and 2012, respectively.

Tax paid was USD 748 million and USD 123 million for the years ended 31 December 2011 and 2012, respectively.

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

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Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

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

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

These financial statements reflect the structure announced by the Group on 17 February 2011 and which was fully implemented with effect from 1 January 2012. The segmental disclosures have been revised to reflect the way the Group now manages its business activities. The Group reporting structure consists of the Reinsurance unit, with separate disclosure of the Property & Casualty Reinsurance and Life & Health Reinsurance reporting segments, the Corporate Solutions reporting segment and the Admin Re® reporting segment. The Group items reporting segment includes the Group's holding company (Swiss Re Ltd), and certain treasury activities as well as the remaining non-core activities that have been in run-off since November 2007. The segmental disclosures for the comparative period have been restated to reflect the current structure. Please refer to Note 17 for further information. Additional details on segment results are included in Notes 5, 9 and 10.

As of 1 January 2012, the Group changed the presentation of its investments related to unit-linked and with-profit business in Life & Health Reinsurance and Admin Re®. These assets are presented in separate line items on the face of the income statement and balance sheet. The comparative period has been revised and presented accordingly.

On 4 September 2012, the Group completed the sale of Admin Re® US to Jackson National Life Insurance Company (Jackson National). Subsequently, the subject business was deconsolidated as of that date. For more details on the transaction and its impact on the Swiss Re Group financial statements, please refer to Note 6.

On 4 September 2012, the Group completed the sale of Swiss Re Private Equity Partners AG to BlackRock, Inc. The sale resulted in a reduction in non-controlling interests of USD 1 400 million related to private equity funds. The Group continues to be invested as a limited partner in the funds. Please refer to Note 6 for further information.

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

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

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

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

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2012, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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 or to other comprehensive income for shadow loss recognition.

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

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

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

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

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

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

Unpaid claims and claim adjustment expenses
Liabilities for unpaid claims and claim adjustment expenses for property and casualty 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 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 directly linked to a reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Liabilities for life and health policy benefits
Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest assumptions for life and health (re)insurance benefits liabilities range from 0.4% 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 with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held as AFS, these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

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 except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

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

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.

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

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

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

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

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

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

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

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

Share-based payment transactions
The Group has a long-term incentive plan, a fixed option plan, a restricted share plan, and an employee participation plan. These plans are described in more detail in Note 14. 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.

Related parties
The Group defines the following as related parties to the Group: Subsidiaries of Swiss Re Ltd, entities in which the group has significant influence, pension plans, members of governing bodies of Swiss Re Ltd and their close family members, and entities which are directly and indirectly controlled by members of governing bodies of Swiss Re Ltd and their close family members.

As part of the consolidation process, transactions between Swiss Re Ltd and subsidiaries are eliminated in consolidation and are not disclosed in the notes. Transactions with affiliates are entered into the ordinary course of business.

Contributions made to defined benefit pension plans and post-retirement benefit plans are disclosed in Note 13 Benefit Plans. Related party transactions with the Group's governing bodies are disclosed in Note 12 of the financial statements of Swiss Re Ltd.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 14 March 2013. 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 shareholders' 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 repurchase agreements 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 adopted this guidance as of 1 January 2012 by adjusting 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) was as follows:

USD millions	2011	**2012**
Fixed income securities	3 637	3 063
Equity securities	78	91
Policy loans, mortgages and other loans	405	313
Investment real estate	134	134
Short-term investments	103	102
Other current investments	15	78
Share in earnings of equity-accounted investees	286	508
Cash and cash equivalents	100	79
Net result from deposit-accounted contracts	145	166
Deposits with ceding companies	339	430
Gross investment income	5 242	**4 964**
Investment expenses	–511	–464
Interest charged for funds held	–105	–27
Net investment income – non-participating	4 626	**4 473**

Dividends received from investments accounted for using the equity method were USD 64 million and USD 128 million for 2011 and 2012, respectively.

Realised gains and losses

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

USD millions	2011	**2012**
Fixed income securities available-for-sale:		
Gross realised gains	2 607	2 336
Gross realised losses	–612	–383
Equity securities available-for-sale:		
Gross realised gains	96	181
Gross realised losses	–234	–77
Other-than-temporary impairments	–254	–162
Net realised investment gains/losses on trading securities	575	58
Change in net unrealised investment gains/losses on trading securities	71	67
Other investments:		
Net realised/unrealised gains/losses	–881	–230
Net realised/unrealised gains/losses on insurance-related derivatives	–67	–189
Gain/loss related to sale of Admin Re® US operations[1]		–399
Foreign exchange gains/losses	333	–255
Net realised investment gains/losses – non-participating	1 634	**947**

[1] Refer to Note 6 for more information.

Proceeds from sales of fixed income securities available-for-sale amounted to USD 115 775 million and USD 101 046 million for 2011 and 2012, respectively. Sales of equity securities available-for-sale were USD 2 389 million and USD 1 494 million for 2011 and 2012, respectively.

Investment result – unit-linked and with-profit business

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

		2011		**2012**
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	119	95	128	97
Investment income – equity securities	545	39	531	32
Investment income – other	21	24	18	24
Total investment income – unit-linked and with-profit business	685	158	**677**	**153**
Realised gains/losses – fixed income securities	109	99	65	88
Realised gains/losses – equity securities	–1 364	–73	1 679	89
Realised gains/losses – other	–17		–149	–32
Total realised gains/losses – unit-linked and with-profit business	–1 272	26	**1 595**	**145**
Total net investment result – unit-linked and with-profit business	–587	184	**2 272**	**298**

Impairment on fixed income securities related to credit losses

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

For securitised products, cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities, and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and 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 other-than-temporary impairment related to credit losses recognised in earnings was as follows:

USD millions	2011	**2012**
Balance as of 1 January	829	515
Credit losses for which an other-than-temporary impairment was not previously recognised	141	14
Reductions for securities sold during the period	–418	–237
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	54	54
Impact of increase in cash flows expected to be collected	–85	–61
Impact of foreign exchange movements	–6	6
Balance as of 31 December	515	**291**

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:

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	13 375	746	–26		14 095
US Agency securitised products	4 063	114	–7		4 170
States of the United States and political subdivisions of the states	85	19			104
United Kingdom	14 820	1 268	–48		16 040
Canada	3 556	760	–2		4 314
Germany	5 963	273	–7		6 229
France	3 201	255	–6		3 450
Other	7 627	514	–37		8 104
Total	52 690	3 949	–133		56 506
Corporate debt securities	21 347	2 369	–46	–18	23 652
Residential mortgage-backed securities	911	46	–23	–14	920
Commercial mortgage-backed securities	2 894	245	–33	–2	3 104
Other asset-backed securities	2 752	56	–9	–7	2 792
Fixed income securities available-for-sale	**80 594**	**6 665**	**–244**	**–41**	**86 974**
Equity securities available-for-sale	**2 789**	**373**	**–60**		**3 102**

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

Investments trading

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

USD millions	2011	**2012**
Debt securities issued by governments and government agencies	2 957	1 506
Corporate debt securities	214	182
Mortgage- and asset-backed securities	282	186
Fixed income securities trading – non-participating	3 453	**1 874**
Equity securities trading – non-participating	571	**672**

Investments held for unit-linked and with-profit business

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

	2011		**2012**	
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 354	1 741	2 559	2 071
Equity securities trading	15 231	951	17 686	931
Investment real estate	828	510	636	489
Short-term investments	734		1 129	
Total investments for unit-linked and with-profit business	19 147	3 202	**22 010**	**3 491**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities AFS 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 2011 and 2012, USD 10 274 million and USD 9 958 million, respectively, of fixed income securities AFS 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	2 746	2 768
Due after one year through five years	19 696	20 156	20 799	21 452
Due after five years through ten years	17 955	19 072	14 928	16 183
Due after ten years	38 594	43 977	35 855	40 048
Mortgage- and asset-backed securities with no fixed maturity	7 719	7 525	6 266	6 523
Total fixed income securities available-for-sale	86 984	93 770	**80 594**	**86 974**

Assets pledged

As of 31 December 2012, investments with a carrying value of USD 9 731 million were on deposit with regulatory agencies in accordance with local requirements. As of 31 December 2012, investments with a carrying value of USD 12 644 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2011 and 2012, securities of USD 7 823 million and USD 12 994 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 6 349 million and USD 2 612 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying value of USD 258 million serves as collateral for short-term senior operational debt of USD 710 million.

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

As of 31 December 2011 and 2012, the fair value of the government and corporate bond securities received as collateral was USD 4 241 million and USD 4 329 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2011 and 2012 was nil and USD 1 195 million, respectively. The sources of the collateral are reverse repurchase agreements and derivative transactions.

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 2012. As of 31 December 2011 and 2012, USD 144 million and USD 32 million, respectively, of the gross unrealised loss on equity securities AFS relates to declines in value for less than 12 months and USD 4 million and USD 28 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	2 766	26			2 766	26
US Agency securitised products	734	7			734	7
States of the United States and political subdivisions of the states	4				4	0
United Kingdom	3 316	48			3 316	48
Canada	291	2	2		293	2
Germany	524	6	32	1	556	7
France	147	6	5		152	6
Other	1 846	33	37	4	1 883	37
Total	9 628	128	76	5	9 704	133
Corporate debt securities	1 845	32	318	32	2 163	64
Residential mortgage-backed securities	56	2	424	35	480	37
Commercial mortgage-backed securities	190	14	347	21	537	35
Other asset-backed securities	547	9	98	7	645	16
Total	**12 266**	**185**	**1 263**	**100**	**13 529**	**285**

Mortgages, loans and real estate

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

USD millions	2011	**2012**
Policy loans	3 664	284
Mortgage loans	1 336	1 362
Other loans	640	653
Investment real estate	645	777

The fair value of the real estate as of 31 December 2011 and 2012 was USD 2 215 million and USD 2 536 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2011 and 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 390 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2011 and 2012, investments in real estate included USD 6 million and USD 5 million, respectively, of real estate held for sale.

Depreciation expense related to income-producing properties was USD 21 million and USD 24 million for 2011 and 2012, respectively. Accumulated depreciation on investment real estate totalled USD 460 million and USD 549 million as of 31 December 2011 and 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 liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the year ended 31 December 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, 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 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 Risk & Capital Committee (GRCC), chaired by the Group Chief Risk Officer, has primary responsibility for governing and overseeing all of the Group's valuation policies and operating parameters (including level 3 measurements). The GRCC 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 the Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

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

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2011 and 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	6 992	2 646	–7 252	2 436
Interest rate contracts[2]		4 141	1 471		5 612
Foreign exchange contracts	3	866	112		981
Derivative equity contracts[2]	40	1 400	41		1 481
Credit contracts		391	986		1 377
Other contracts	7	194	36		237
Other assets	2 773	1 860	2 041		6 674
Total assets at fair value	41 367	89 131	5 895	–7 252	129 141
Liabilities					
Derivative financial instruments	–33	–4 898	–5 875	5 950	–4 856
Interest rate contracts[2]	–16	–3 435	–1 075		–4 526
Foreign exchange contracts	–4	–764	–66		–834
Derivative equity contracts[2]	–6	–376	–170		–552
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			–6 472
Total liabilities at fair value	–2 959	–8 444	–6 216	5 950	–11 669

[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.

[2] During 2012 the Group revised the classification of certain derivative instruments from interest rate contracts to equity contracts and the 2011 figures have been revised accordingly. The revision has no impact on net income and shareholders' equity of the Group.

As of 31 December 2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	13 474	74 676	698		88 848
Debt securities issued by US government and government agencies	13 474	752			14 226
US Agency securitised products		4 178			4 178
Debt securities issued by non-US governments and government agencies		39 608			39 608
Corporate debt securities		23 149	685		23 834
Residential mortgage-backed securities		990			990
Commercial mortgage-backed securities		3 199	13		3 212
Other asset-backed securities		2 800			2 800
Fixed income securities backing unit-linked and with-profit life and health policies		4 630			4 630
Equity securities	21 781	536	74		22 391
Equity securities backing unit-linked and with-profit life and health policies	18 607	10			18 617
Equity securities held for proprietary investment purposes	3 174	526	74		3 774
Derivative financial instruments	262	6 657	1 010	–5 645	2 284
Interest rate contracts	194	5 235			5 429
Foreign exchange contracts	26	415			441
Derivative equity contracts	34	508	636		1 178
Credit contracts		392	223		615
Other contracts	8	107	151		266
Other assets	747	1 372	2 098		4 217
Total assets at fair value	**36 264**	**87 871**	**3 880**	**–5 645**	**122 370**
Liabilities					
Derivative financial instruments	–274	–5 574	–2 865	4 990	–3 723
Interest rate contracts	–205	–3 972			–4 177
Foreign exchange contracts	–12	–792			–804
Derivative equity contracts	–43	–380	–232		–655
Credit contracts		–412	–271		–683
Other contracts	–14	–18	–2 362		–2 394
Liabilities for life and health policy benefits			–272		–272
Accrued expenses and other liabilities	–885	–2 556			–3 441
Total liabilities at fair value	**–1 159**	**–8 130**	**–3 137**	**4 990**	**–7 436**

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

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

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

During 2012, the Group entered into an agreement to sell Admin Re® US to Jackson National. Upon classification of Admin Re® US as assets held for sale, PVFP and DAC of USD 649 million and USD 31 million, respectively, were reassessed as impaired and written off.

During 2012, the non-recurring fair value measurement using significant unobservable input of PVFP and DAC resulted in a charge to the income statement of USD 680 million.

Transfers between level 1 and level 2

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

As of 31 December 2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)
Assets		
Transfer into[1]	191	2 358
Transfer out of[1]	–78	–1 388
Liabilities		
Transfer into[1]		–1 930
Transfer out of[1]		589

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

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

As of 31 December 2011 and 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	76		49	10	163
Issuances					
Sales	–670		–30		–218
Settlements	–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					
Issuances					
Sales					
Settlements					
Transfers into level 3[1]					
Transfers out of level 3[1]					
Impact of foreign exchange movements					
Closing balance as of 31 December 2011					

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.
[2] During 2012 the Group revised the classification of certain derivative instruments from interest rate contracts to equity contracts and the 2011 figures have been revised accordingly. The revision has no impact on net income and shareholders' equity of the Group.

	Equity securities held for proprietary investment purposes	Derivative interest rate contracts[2]	Derivative foreign exchange contracts	Derivative equity contracts[2]	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			41			9	305
		–41		–11	–52		–70	–335
	–2		3			–4	–2	–21
	69	1 471	112	41	986	36	2 041	5 895

	Liabilities for life and health policy benefits	Derivative interest rate contracts[2]	Derivative foreign exchange contracts	Derivative equity contracts[2]	Derivative credit contracts	Other derivative contracts	Total
	–271	–825	–72	–56	–1 007	–2 572	–4 803
	–69	–413	13	2	–158	–771	–1 396
			–7				–7
		46			90	8	144
		1			1	–154	–152
				–116			–116
		116					116
	–1				–1		–2
	–341	–1 075	–66	–170	–1 075	–3 489	–6 216

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

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

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

	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
	–341	–1 075	–66	–170	–1 075	–3 489	–6 216
	68			59	582	1 043	1 752
		–2		–19		–50	–71
		2		96			98
				54	7	–26	35
				–368	–126	–29	–523
		1 075	66	116	341	189	1 787
	1						1
	–272	**0**	**0**	**–232**	**–271**	**–2 362**	**–3 137**

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

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the years ended 31 December 2011 and 2012 were as follows:

USD millions	2011	**2012**
Gains/losses included in net income for the period	–680	1 234
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–1 286	1 005

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Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December 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 as of **31 December 2012**	Valuation technique	Unobservable input	Range (weighted average)
685			
168	Discounted cash flow model	Illiquidity premium	75 bps (na)
437	Corporate spread matrix	Illiquidity premium	15 bps – 277 bps (105 bps)
72	Discounted cash flow model	Illiquidity premium	75 bps – 250 bps (129 bps)
636			
636	Proprietary option model	Correlation	–30% – 100% (35%)[1]
223			
109	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	23% – 96% (73%)
112	Base correlation model	Correlation	27% – 81% (54%)[1]
–232			
–81	Proprietary option model	Correlation	–30% – 100% (35%)[1]
–144	Option model	Volatility	120% – 155% (137%)[1]
		Growth rate	4% (na)
–271			
–86	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	23% – 96% (73%)
–171	Base correlation model	Correlation	27% – 81% (54%)[1]
–2 634			
–2 287	Discounted cash flow model	Risk margin	4% (na)
		Volatility	4% – 47%
		Lapse	0.5% – 14%
		Mortality adjustment	–2% – 0%
		Withdrawal rate	0% – 90%
–170	Discounted cash flow model	Lapse	3% –10%
		Mortality adjustment	80% (na)

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 guaranteed minimum death benefit (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, 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 modified coinsurance (Mod-Co) and Coinsurance with Funds Withheld treaties are lapse and mortality adjustment to published mortality tables; both are applied to build an expectation of cash flows associated with the underlying block of term business. Neither input is expected to fluctuate significantly over time.

Other assets measured at net asset value

Other assets measured at net asset value as of 31 December 2011 and 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	701	275	non-redeemable	na
Hedge funds	1 030	1 140		redeemable[1]	90 – 180 days[2]
Private equity direct	171	96		non-redeemable	na
Real estate funds	172	223	82	non-redeemable	na
Total	2 052	**2 160**	**357**		

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

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

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

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

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

Fair value option

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

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

Equity securities trading

The Group elected the fair value option for an investment previously classified as AFS 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 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 2012 were as follows:

USD millions	2011	**2012**
Assets		
Equity securities held for proprietary investment purposes	571	672
of which at fair value pursuant to the fair value option	455	509
Liabilities		
Liabilities for life and health policy benefits	–39 044	–36 117
of which at fair value pursuant to the fair value option	–341	–272

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

Gains/losses included in earnings for the years ended 31 December 2011 and 2012 for items measured at fair value pursuant to election of the fair value option including foreign exchange were as follows:

USD millions	2011	**2012**
Equity securities held for proprietary investment purposes	–20	54
Liabilities for life and health policy benefits	–71	71
Total	–91	**125**

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

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December 2012, were as follows:

As of 31 December 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)	Total
Assets				
Policy loans			284	284
Mortgage loans			1 362	1 362
Other loans			653	653
Investment real estate			2 536	2 536
Total assets			**4 835**	**4 835**
Liabilities				
Debt		–9 970	–10 136	–20 106
Total liabilities		**–9 970**	**–10 136**	**–20 106**

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 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[1]	140 676	4 733	–4 522	211
Foreign exchange contracts	28 714	981	–766	215
Equity contracts[1]	17 332	1 481	–552	929
Credit contracts	45 241	1 377	–1 313	64
Other contracts	23 802	237	–3 581	–3 344
Total	255 765	8 809	–10 734	–1 925
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	260 756	9 688	–10 806	–1 118
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		2 436	–4 856	–2 420

As of 31 December 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[1]	125 577	4 609	–4 177	432
Foreign exchange contracts	25 739	441	–785	–344
Equity contracts[1]	17 917	1 178	–655	523
Credit contracts	33 137	615	–683	–68
Other contracts	22 965	266	–2 394	–2 128
Total	**225 335**	**7 109**	**–8 694**	**–1 585**
Derivatives designated as hedging instruments				
Interest rate contracts	2 828	820		820
Foreign exchange contracts	1 609		–19	–19
Total	**4 437**	**820**	**–19**	**801**
Total derivative financial instruments	**229 772**	**7 929**	**–8 713**	**–784**
Amount offset				
Where a right of setoff exists		–4 466	4 466	
Due to cash collateral		–1 179	524	
Total net amount of derivative financial instruments		**2 284**	**–3 723**	**–1 439**

[1] During 2012 the Group revised the classification of certain derivative instruments from interest rate contracts to equity contracts and the 2011 figures have been revised accordingly. The revision has no impact on net income and shareholders' equity of the Group.

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 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 years ended 31 December 2011 and 2012, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2011	**2012**
Derivatives not designated as hedging instruments		
Interest rate contracts[1]	–54	–141
Foreign exchange contracts[1]	250	–547
Equity contracts[1]	198	–774
Credit contracts	–219	–82
Other contracts	–808	1 030
Total gain/loss recognised in income	–633	**–514**

[1] During 2012 the Group revised the amounts for interest, foreign exchange and equity contracts in the periods presented. The changes reflect the reclassification of certain interest rate contracts to equity contracts and the exclusion of certain foreign exchange transactions which did not qualify as derivative instruments under ASC 815. The revision has no impact on net income and shareholders' equity of the Group.

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 2011 and 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 years ended 31 December 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	406	–398	–26	33
Foreign exchange contracts	–69	74	–24	11
Total gain/loss recognised in income	337	–324	**–50**	**44**

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 2011 and 2012, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 397 million and a gain of USD 220 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 2012 was approximately USD 3 932 million and USD 3 463 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 1 538 million and USD 1 446 million as of 31 December 2011 and 2012, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 194 million and USD 524 million as of 31 December 2011 and 2012, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 922 million additional collateral would have had to be posted as of 31 December 2012. The total equals the amount needed to settle the instruments immediately as of 31 December 2011 and 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 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. As of 31 December 2011 and 2012, the total purchased credit protection based on notional values was USD 26 367 million and USD 16 689 million, respectively, of which USD 8 159 million and USD 8 220 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 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[1]	40	1 563	40		1 603
251 – 500	–40	95		143	238
501 – 1 000	–17	145		37	182
Greater than 1 000[1]	–98	144	5	143	292
Total	–115	1 947	45	323	2 315
Credit Index Products					
Credit spread in basis points					
0 – 250[1]	–409	14 089	1 786	17	15 892
251 – 500	–57		106		106
501 – 1 000	–47	12	71		83
Greater than 1 000[1]	–289	10	116	352	478
Total	–802	14 111	2 079	369	16 559
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

[1] During 2012 the Group revised the classification of certain written credit derivatives from credit default swaps to credit index products and the 2011 figures have been revised accordingly. The revision has no impact on net income and shareholders' equity of the Group.

As of 31 December 2012 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0 – 250	9	1 174			1 174
251 – 500	–1	38			38
501 – 1 000	–11	96		34	130
Greater than 1 000	–92	146		133	279
Total	**–95**	**1 454**	**0**	**167**	**1 621**
Credit Index Products					
Credit spread in basis points					
0 – 250	–63	14 400			14 400
251 – 500	30	427			427
501 – 1 000					
Greater than 1 000					
Total	**–33**	**14 827**	**0**	**0**	**14 827**
Total Return Swaps					
Credit spread in basis points					
No credit spread available	72	773			773
Total	**72**	**773**	**0**	**0**	**773**
Total credit derivatives written/sold	**–56**	**17 054**	**0**	**167**	**17 221**

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

For the years ended 31 December, the DAC were as follows:

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2011	819	2 743	–40	34	15	3 571
Deferred	2 233	254	202		–3	2 686
Effect of acquisitions/disposals and retrocessions	–1		–9			–10
Amortisation	–1 798	–313	–180		–8	–2 299
Effect of foreign currency translation	–6	–21	2			–25
Closing balance as of 31 December 2011	1 247	2 663	–25	34	4	3 923

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

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 years ended 31 December, the PVFP was as follows:

USD millions	Life & Health Reinsurance	Admin Re®	2011 Total	Life & Health Reinsurance	Admin Re®	**2012** Total
Opening balance	1 736	2 829	4 565	1 674	2 552	4 226
Effect of acquisitions/disposals and retrocessions	112	135	247	–206	126	–80
Amortisation	–218	–413	–631	–201	–244	–445
Interest accrued on unamortised PVFP	54	177	231	51	140	191
Effect of foreign currency translation	–10	–10	–20	40	56	96
Effect of change in unrealised gains/losses		–166	–166		–316	–316
Write-off of PVFP					–649	–649
Closing balance	1 674	2 552	4 226	**1 358**	**1 665**	**3 023**

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.

On 4 September 2012, the Group completed the sale of Admin Re® US to Jackson National. Subsequently, the subject business was deconsolidated as of that date. In the second quarter of 2012, upon classification of Admin Re® US as assets held for sale, PVFP and DAC of USD 649 million and USD 31 million, respectively, were reassessed as impaired and written off. Please refer to Note 6 “Acquisitions and disposals” for further information.

In the fourth quarter, based on the results of shadow loss recognition testing a shadow loss reserve of USD 307m, net of tax, was recognised impacting PVFP and other comprehensive income. The adjustment relates to Admin Re® business and it is reflected in the "effect of change in unrealised gains/losses" in the table above. Shadow loss recognition testing considers the adequacy of contractual liabilities, net of DAC and PVFP, using current best estimates of all future cash flows discounted at current market yields.

The percentage of PVFP which is expected to be amortised in each of the next five years is 9%, 8%, 8%, 7% and 7%.

6 Acquisitions and disposals

Disposal of Admin Re® US
In the second quarter of 2012, the Group entered into an agreement to sell Admin Re® US to Jackson National Life Insurance Company. In the third quarter 2012, the Group completed the sale following the receipt of all necessary regulatory approvals. Admin Re® US primarily consisted of bonds, policy loans and policyholder liabilities.

The purchase price was USD 663 million, with an initial cash payment of USD 589 million and the remainder deferred until 2013. Prior to closing a USD 270 million dividend was declared to Swiss Re Ltd. The transaction has resulted in a net loss in the Admin Re® segment of USD 399 million. The loss has been reflected in the "Net realised investment gains – non-participating" line in the income statement of the Admin Re® segment. Certain blocks of businesses have been retained through retrocession or other contractual agreements.

Acquisition of New California Holdings, Inc.
In 2000, the Group and the shareholders of New California Holdings, Inc. entered into a put /call agreement for the acquisition of New California Holdings, Inc., which is the parent company of Aurora National Life Assurance Company. The latter was already fully consolidated by the Group as a variable interest entity (VIE) from 1 January, 2010 due to an update to Topic 810 – Consolidation, because the majority of the mortality, investment and expense risk was passed on to the Group via a modified coinsurance agreement. As the modified coinsurance agreement covered only 95% of Aurora's business, the Group reported a non-controlling interest from the consolidation of this VIE. Please refer also to Note 19.

On 29 August, 2012, the Group closed on the acquisition of New California Holdings, Inc., which was immediately merged into its subsidiary Aurora National Life Assurance Company. The only significant balance sheet item of New California Holdings, Inc. was its investment in Aurora National Life Assurance Company. Therefore the impact on the Group's balance sheet and income statement from this acquisition is not material, considering the consolidation of Aurora National Life Assurance Company as a VIE in prior reporting periods.

New California Holdings, Inc. was acquired for USD 548 million in cash. As of the acquisition date, the Group fully owns Aurora National Life Assurance Company and consequently no longer reports any non-controlling interest related to this entity.

Disposal of Swiss Re Private Equity Partners AG
The sale of Swiss Re Private Equity Partners AG, the management company of the Group's private equity fund-of-fund business, to BlackRock, Inc. was completed on 4 September 2012. As a result of the transaction, the Group recognised a gain of USD 38 million. The sale resulted in a reduction in non-controlling interests of USD 1 400 million related to private equity funds. The Group continues to be invested as a limited partner in the funds and recognises its share in the funds at the reported net asset value, accounting for them under the equity method of accounting.

7 Debt and contingent capital instruments

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

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

USD millions	2011	**2012**
Senior financial debt	279	793
Senior operational debt	3 848	2 819
Short-term debt – financial and operational debt	4 127	**3 612**
Senior financial debt	2 976	4 952
Senior operational debt	4 854	1 704
Subordinated financial debt	3 587	4 302
Subordinated operational debt	5 124	5 328
Long-term debt – financial and operational debt	16 541	**16 286**
Total carrying value	20 668	**19 898**
Total fair value	20 022	**20 106**

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 2011 and 2012, debt related to operational leverage and financial intermediation amounted to USD 13.8 billion (thereof USD 6.3 billion limited recourse) and USD 9.9 billion (thereof USD 6.1 billion limited recourse), respectively.

Maturity of long-term debt

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

USD millions	2011	**2012**
Due in 2013	1 605	0[1]
Due in 2014	1 735	1 763
Due in 2015	691	708
Due in 2016	2 304	2 136
Due in 2017	1 403	1 428
Due after 2017	8 803	10 251
Total carrying value	16 541	**16 286**

[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
2014	EMTN	2009	EUR	600	7.00%	818
2014	EMTN	2010	CHF	250	1.75%	273
2014	EMTN	2009	CHF	500	3.25%	551
2014	EMTN	2009	CHF	50	2.94%	55
2015	EMTN	2001	CHF	150	4.00%	164
2015	EMTN	2010	CHF	500	2.00%	544
2016	Credit-linked note	2007	USD	46	1M Libor	46
2017	EMTN	2011	CHF	600	2.13%	651
2019	Senior notes[1]	1999	USD	400	6.45%	515
2022	Senior notes	2012	USD	250	2.88%	248
2026	Senior notes[1]	1996	USD	600	7.00%	886
2030	Senior notes[1]	2000	USD	350	7.75%	579
2042	Senior notes	2012	USD	500	4.25%	488
Various	Payment undertaking agreements	various	USD	610	various	838
Total senior debt as of 31 December 2012						**6 656**
Total senior debt as of 31 December 2011						7 830

[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
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	649
2047	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 381	4.90%		2 245
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 897	4.76%		3 083
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 315
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	752
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	810
	2 subordinated perpetual loan notes	2007	AUD	750	various	2017	776
Total subordinated debt as of 31 December 2012							**9 630**
Total subordinated debt as of 31 December 2011							8 711

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

USD millions	2011	**2012**
Senior financial debt	80	161
Senior operational debt	282	109
Subordinated financial debt	230	238
Subordinated operational debt	256	251
Total	848	**759**

Interest expense on contingent capital instruments for the year ended 31 December 2012 was USD 56 million.

Long-term debt issued in 2012
In July 2012, Swiss Reinsurance Company Ltd issued a 30-year subordinated fixed-to-floating rate loan note which is callable after 10 years. The instrument has a face value of EUR 500 million, with a fixed coupon of 6.625% per annum until the first optional redemption date (1 September 2022).

In December 2012, Swiss Re Treasury (US) Corporation, an indirect subsidiary of Swiss Re Ltd, issued two tranches of senior notes, maturing in 2022 and 2042, respectively. The 2022 notes have a face value of USD 250 million, with a fixed coupon of 2.875%. The 2042 notes have a face value of USD 500 million, with a fixed coupon of 4.25%. The notes are guaranteed by Swiss Reinsurance Company Ltd.

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 “contingent capital instruments”.

8 Unpaid claims and claim adjustment expenses

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

USD millions	2011	**2012**
Non-Life	53 827	53 010
Life & Health	11 051	10 660
Total	64 878	**63 670**

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	2011	**2012**
Balance as of 1 January	53 345	53 827
Reinsurance recoverable	–5 717	–6 610
Deferred expense on retroactive reinsurance	–401	–320
Net balance as of 1 January	47 227	**46 897**
Incurred related to:		
Current year	10 322	9 050
Prior year	–1 735	–1 477
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	73	64
Total incurred	8 660	7 637
Paid related to:		
Current year	–1 694	–1 525
Prior year	–7 899	–7 962
Total paid	–9 593	–9 487
Foreign exchange	–441	334
Effect of acquisitions, disposals, new retroactive reinsurance and other items	1 044	299
Net balance as of 31 December	46 897	**45 680**
Reinsurance recoverable	6 610	7 101
Deferred expense on retroactive reinsurance	320	229
Balance as of 31 December	53 827	**53 010**

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

Prior-year development
In 2012, claims development on prior years was driven by favourable experience in all lines except accident & health and motor. For property, releases on earlier years more than offset increases for some of the large 2011 claims, mainly the floods in Thailand and earthquakes in New Zealand. For liability, favourable experience across all regions more than offset increases for asbestos and environmental losses and one large directors' and officers' liability insurance claim. For motor, the unfavourable experience is attributed to various issues in Europe and Americas. Accident & health saw small increases in losses driven by exposures in the US, partly offset by releases following a large commutation. For special lines, there was favourable development in most regions and most lines.

In 2011, claims development on prior years was 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 or 2012, as it was already recognised at the minimum commutation value at year-end 2010 and remains recognised at that value.

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

At the end of 2012, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 1 991 million. During 2012, the Group incurred positive ultimate loss development of USD 24 million and paid net against these liabilities USD 160 million.

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

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

9 Insurance information

For the year ended 31 December

Premiums earned and fees assessed against policyholders

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		27	1 837	1 138		3 002
Reinsurance	13 076	10 073	452	167	22	23 790
Intra-group transactions (assumed and ceded)	–116	109	116	–109		0
Premiums earned before retrocession to external parties	12 960	10 209	2 405	1 196	22	26 792
Reinsurance ceded to external parties	–2 825	–1 892	–476	–299		–5 492
Net premiums earned	10 135	8 317	1 929	897	22	21 300
Fee income from policyholders, thereof:						
Direct				650		650
Reinsurance		83		155		238
Intra-group transactions (assumed and ceded)		16		–16		0
Gross fee income before retrocession to external parties		99		789		888
Fee income ceded to external parties		–12				–12
Net fee income	0	87	0	789	0	876

For the year ended 31 December

Premiums earned and fees assessed against policyholders

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

For the year ended 31 December

Claims and claim adjustment expenses

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Claims paid, thereof:							
Gross claims paid to external parties	–9 285	–8 147	–2 120	–3 094	4		–22 642
Intra-group transactions (assumed and ceded)	–1 214	–121	1 214	121			0
Claims before receivables from retrocession to external parties	–10 499	–8 268	–906	–2 973	4		–22 642
Receivables from retrocession to external parties	1 545	1 991	263	390			4 189
Net claims paid	–8 954	–6 277	–643	–2 583	4	0	–18 453
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:							
Gross – with external parties	–486	36	652	514	–2	15	729
Intra-group transactions (assumed and ceded)	1 500	67	–1 500	–67			0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	1 014	103	–848	447	–2	15	729
Reinsurance ceded to external parties	559	–106	30	17			500
Net unpaid claims and claim adjustment expenses; life and health benefits	1 573	–3	–818	464	–2	15	1 229
Claims and claim adjustment expenses; life and health benefits	–7 381	–6 280	–1 461	–2 119	2	15	–17 224

Acquisition costs

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Acquisition costs, thereof:							
Gross acquisition costs with external parties	–2 745	–2 024	–298	–298	–8	–7	–5 380
Intra-group transactions (assumed and ceded)	7	–27	–7	27			0
Acquisition costs before impact of retrocession to external parties	–2 738	–2 051	–305	–271	–8	–7	–5 380
Retrocession to external parties	890	306	125	38			1 359
Net acquisition costs	–1 848	–1 745	–180	–233	–8	–7	–4 021

For the year ended 31 December

Claims and claim adjustment expenses

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

Acquisition costs

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

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2011	**2012**
Premium receivables invoiced	1 681[1]	1 254
Receivables from ceded re/insurance business	747[1]	447
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	707	1 322
Recognised allowance	–132	–109

[1] During 2012 the Group revised its classification of reinsurance receivables and, as a result, the notional amounts of some receivables that were previously classified as premium receivables invoiced are now classified as receivables from ceded re/insurance business. The 2011 figures have been revised accordingly.

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2011 and 2012 was 7% and 8%, respectively. The amount of policyholder dividend expense in 2011 and 2012 was USD 134 million and USD 124 million, respectively.

10 Premiums written

For the years ended 31 December

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		27	1 940	1 142			3 109
Reinsurance	14 810	10 136	436	178	–5		25 555
Intra-group transactions (assumed)	401	109	553			–1 063	0
Gross premiums written	15 211	10 272	2 929	1 320	–5	–1 063	28 664
Intra-group transactions (ceded)	–553		–401	–109		1 063	0
Gross premiums written before retrocession to external parties	14 658	10 272	2 528	1 211	–5		28 664
Reinsurance ceded to external parties	–3 017	–1 882	–593	–304			–5 796
Net premiums written	11 641	8 390	1 935	907	–5	0	22 868

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

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11 Earnings per share

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

Dividends are declared in Swiss francs. During the years ended 31 December 2011 and 2012, the Group's dividends declared (in the form of withholding tax exempt repayment out of legal reserves from capital contributions) per share were CHF 2.75 and CHF 3.00, respectively.

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

USD millions (except share data)	2011	**2012**
Basic earnings per share		
Net income	2 798	**4 398**
Non-controlling interests	–172	**–141**
Interest on contingent capital instruments[1]		**–56**
Net income attributable to common shareholders	2 626	**4 201**
Attribution of value to option on redeemable non-controlling interest		**–132**
Net income attributable to common shareholders after adjustment to non-controlling interest	2 626	**4 069**
Weighted average common shares outstanding	342 136 735	**343 380 921**
Net income per share in USD	7.68	**11.85**
Net income per share in CHF[2]	6.79	**11.13**
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments and debt instruments[1]	12	**54**
Change in average number of shares due to contingent capital instruments, debt instruments and employee options	10 065 318	**29 338 167**
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	2 638	**4 123**
Weighted average common shares outstanding	352 202 053	**372 719 088**
Net income per share in USD	7.49	**11.06**
Net income per share in CHF[2]	6.63	**10.39**

[1] Please refer to Note 7 "Debt and contingent capital instruments"
[2] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates

In 2000, Swiss Re and the shareholders of New California Holdings, Inc. entered into a put/call agreement for the acquisition of New California Holdings, Inc. by Swiss Re. The put/call agreement was considered a redeemable non-controlling interest; however, a value was not assigned to this instrument as the exercise was contingent on several items occurring to complete the transaction. During the second quarter of 2012, the majority of the contingencies had been resolved and the exercise of the put/call option at the predetermined price became probable. In accordance with US GAAP requirements, the difference between the carrying value of the minority interest and the redemption price, USD 132 million, was recorded against shareholders' equity and as a reduction in the net income attributable to common shareholders for the purposes of calculating earnings per share. In August 2012, the put/call option was exercised and New California Holdings, Inc. was acquired. Please refer to Note 6 "Acquisitions and disposals" for further information.

12 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	2011	**2012**
Current taxes	106	472
Deferred taxes	–29	653
Income tax expense	77	**1 125**

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	2011	**2012**
Income tax at the Swiss statutory tax rate of 21.0%	604	1 160
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	138	150
Impact of foreign exchange movements	–38	–2
Tax exempt income/dividends received deduction	–45	–61
Change in valuation allowance	–143	–274
Tax effects of losses not recognised		73
Basis differences in subsidiaries	–368	–74
Change in statutory tax rates	–122	–44
Change in liability for unrecognised tax benefits including interest and penalties	99	146
Other, net	–48	51
Total	77	**1 125**

For 2012, the Group reported a tax expense of USD 1 125 million. This represents an effective tax rate of 20.4%, compared to an effective tax rate of 2.7% in the prior year. The increase in the tax rate was primarily due to lower tax benefits in the year from reductions in tax basis in subsidiaries based on write-downs in the value required in local statutory statements, changes in local country tax rates and tax effects of losses not recognised.

Deferred and other non-current taxes

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

USD millions	2011	**2012**
Deferred tax assets		
Income accrued/deferred	599	480
Technical provisions	1 531	541
Pension provisions	292	355
Benefit on loss carryforwards	4 046	3 748
Currency translation adjustments	481	514
Other	1 378	1 239
Gross deferred tax asset	8 327	6 877
Valuation allowance	–1 418	–1 159
Total	6 909	**5 718**
Deferred tax liabilities		
Present value of future profits	–1 082	–752
Income accrued/deferred	–629	–598
Bond amortisation	–139	–188
Deferred acquisition costs	–687	–680
Technical provisions	–2 446	–2 559
Unrealised gains on investments	–1 932	–1 487
Untaxed realised gains	–373	–557
Foreign exchange provisions	–418	–301
Other	–800	–826
Total	–8 506	**–7 948**
Deferred income taxes	–1 597	**–2 230**
Liability for unrecognised tax benefits including interest and penalties	–1 256	**–1 494**
Deferred and other non-current taxes	–2 853	**–3 724**

As of 31 December 2012, 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 4 695 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 2012, the Group had USD 11 674 million net operating tax loss carryforwards, expiring as follows: USD 3 million in 2017, USD 6 916 million in 2018 and beyond, and USD 4 755 million never expire.

The Group also had tax loss carryforwards of USD 532 million, expiring as follows: USD 18 million in 2014 and USD 514 million never expire.

Net operating tax losses of USD 1 957 million and capital tax losses of USD 154 million were utilised or expired during the period ended 31 December 2012.

Income taxes paid in 2012 and 2011 were USD 123 million and USD 749 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	2011	**2012**
Balance as of 1 January	980	1 047
Additions based on tax positions of current year	373	246
Reductions for tax positions of current year		–53
Additions for tax positions of prior years	9	91
Reductions for tax positions of prior years	–219	–110
Settlements	–1	–8
Lapse of statute of limitations	–95	15
Balance as of 31 December	1 047	**1 228**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate was approximately USD 726 million and USD 871 million at 31 December 2011 and 2012, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such benefit for the period ending 31 December 2012 was USD 56 million (USD 6 million for the period ending 31 December 2011). As of 31 December 2011 and 2012, USD 209 million and USD 266 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2012 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 2012 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 266 million).

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

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes of limitation. 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	2006 – 2012	Korea	2008 – 2012
Belgium	2010 – 2012	Luxembourg	2008 – 2012
Brazil	2008 – 2012	Malaysia	1996 – 2012
Canada	2007 – 2012	Mexico	2007 – 2012
China	2003 – 2012	Netherlands	2010 – 2012
Denmark	2008 – 2012	New Zealand	2006 – 2012
France	2008 – 2012	Singapore	2007 – 2012
Germany	2001 – 2012	Slovakia	2007 – 2012
Hong Kong	1994 – 2012	South Africa	2004 – 2005; 2009 – 2012
India	2005 – 2012	Spain	2008 – 2012
Ireland	2010 – 2012	Switzerland	2005 – 2012
Israel	2008 – 2012	United Kingdom	2008, 2011 – 2012
Italy	2008 – 2012	United States	2009 – 2012
Japan	2008 – 2012		

13 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.

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 curtailment and termination benefits				0
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

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

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

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

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

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

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

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

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December 2011 and 2012, respectively, were as follows:

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

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

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

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
Effect of settlement, curtailment and termination				
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

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

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 2013 are USD 73 million and USD 1 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2013 are USD 5 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 5 185 million and USD 5 767 million as of 31 December 2011 and 2012, respectively.

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

USD millions	2011	**2012**
Projected benefit obligation	4 275	4 652
Accumulated benefit obligation	4 235	4 584
Fair value of plan assets	3 717	3 938

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2011	**2012**	2011	**2012**	2011	**2012**
Assumptions used to determine obligations at the end of the year						
Discount rate	2.4%	2.0%	4.9%	4.2%	3.5%	3.1%
Rate of compensation increase	2.3%	2.3%	2.2%	3.2%	3.9%	3.4%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	2.8%	2.4%	5.4%	4.9%	4.0%	3.5%
Expected long-term return on plan assets	4.0%	3.3%	6.0%	5.3%		
Rate of compensation increase	2.3%	2.3%	2.5%	2.2%	4.1%	3.9%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.3%	6.2%
Medical trend – ultimate rate					4.7%	4.5%
Year that the rate reaches the ultimate trend rate					2015	2019

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 2012:

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	28	–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 2011 and 2012, was as follows:

	Swiss plan allocation			Foreign plans allocation		
	2011	**2012**	**Target allocation**	2011	**2012**	**Target allocation**
Asset category						
Equity securities	27%	27%	25%	36%	37%	37%
Debt securities	44%	45%	48%	54%	55%	58%
Real estate	20%	19%	21%	2%	1%	2%
Other	9%	9%	6%	8%	7%	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 3 million (0.1% of total plan assets) and USD 5 million (0.1% of total plan assets) as of 31 December 2011 and 2012, respectively.

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

Assets measured at fair value

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

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

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

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

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

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

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

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

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:

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

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

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2013 are USD 203 million to the defined benefit pension plans and USD 16 million to the post-retirement benefit plan.

As of 31 December 2012, 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
2013	155	70	16	241
2014	157	74	17	248
2015	155	76	18	249
2016	161	79	18	258
2017	164	82	19	265
Years 2018–2022	858	453	108	1 419

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 2011 and in 2012 was USD 58 million and USD 71 million, respectively.

14 Share-based payments

As of 31 December 2011 and 2012, the Group had the share-based compensation plans described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 52 million and USD 69 million in 2011 and 2012, respectively. The related tax benefit was USD 16 million and USD 17 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:

2012	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	109	2 363 734
Options sold	75	–187 350
Options forfeited or expired	144	–1 217 482
Outstanding as of 31 December	**72**	**958 902**
Exercisable as of 31 December	72	958 902

The following table summarises the status of stock options outstanding as of 31 December 2012:

Range of exercise prices in CHF	Number of options	Weighted average remaining contractual life in years	Weighted average exercise price in CHF
67 – 83	818 902	0.2	68
93 – 100	140 000	2.4	95
67 – 100	**958 902**	**0.5**	**72**

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 14 834 and 38 930 restricted shares to selected employees in 2011 and 2012, respectively. Moreover, as an alternative to the Group's cash bonus programme, 425 154 and 275 309 shares were issued during 2011 and 2012, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2012 is as follows:

	Number of shares	Weighted average grant date fair value in CHF
Non-vested at 1 January	780 188	48
Granted	314 239	54
Delivery of restricted shares	–608 055	49
Outstanding as of 31 December	**486 372**	**50**

The weighted average fair value of restricted shares, which equals the market price of the shares on the date of the grant, was CHF 48 and CHF 50 in 2011 and 2012, respectively.

Board level 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 and 2012. 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 was based on the share price as of the date of grant, which was CHF 36.00 and CHF 53.60, respectively. The 2009 plan vested in 2012. Under the 2010 plan 83 957 units were issued and the same number of units remains outstanding as of 31 December 2012.

Long-term Incentive Plan
Between 2006 and 2011, the Group annually granted a Long-term Incentive plan (LTI) to selected employees with a three-year vesting period. The requisite service period as well as the maximum contractual term for each plan was three years and the final payment, if any, occured at the end of this performance measurement period. The plan included a payout factor which was derived from Return on Equity (ROE) and Earnings per Share (EPS) targets over the vesting period. The payout ratio can vary between 0 and 2 and the final payment for each plan depends 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.

The 2009 LTI grant was settled in shares in March 2012. The payout factor was driven by average ROE and EPS compound annual growth over the vesting period. Each of the plan grants that was outstanding as of 31 December 2012 is described below.

The LTI plans granted in 2010 and 2011 are expected to be settled in shares in March 2013 and March 2014, respectively. 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.

Leadership Performance Plan
During 2011 the Compensation Committee reviewed the existing long-term incentive scheme, and, in March 2012, the LTI was replaced by a new plan called the Leadership Performance Plan (LPP). The LPP plans granted in 2012 and 2013 are expected to be settled in shares, and the requisite service as well as the maximum contractual term is three years. At grant date the award is split into two equal underlying components, a Restricted Share Unit (RSU) and a Performance Share Unit (PSU). The RSU component is measured against a RoE performance condition and will vest within a range of 0–100%. The PSU is based on relative total shareholder return, measured against a pre-defined basket of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

Value Alignment Incentive
In 2009, the Group issued a compensation plan to selected employees. The plan had a requisite service period of three years and was paid out in cash. The payout was based on a three-year risk free interest rate, the Swiss Re share price performance and dividend yield over the vesting period. The plan was settled in 2012 with no further plans outstanding as of 31 December 2012.

Unrecognised compensation costs
As of 31 December 2012, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 53 million and the weighted average period over which that cost is expected to be recognised was 1.9 years.

The number of shares authorised for the Group's share-based payments to employees was 11 351 951 and 8 172 503 as of 31 December 2011 and 2012, 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 2011 and 2012, 1 878 895 and 1 664 419 options, respectively, were issued to employees and the Group contributed USD 77 million and USD 41 million, respectively, to the plan.

15 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 236–242 of the Annual Report of Swiss Re Ltd.

16 Commitments and contingent liabilities

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

As of 31 December 2012	USD millions
2013	76
2014	75
2015	74
2016	66
2017	60
After 2017	359
Total operating lease commitments	**710**
Less minimum non-cancellable sublease rentals	–51
Total net future minimum lease commitments	**659**

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	2011	**2012**
Minimum rentals	60	61
Sublease rental income	–3	–2
Total	57	**59**

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 2012 were USD 2 295 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.

Life & Health retrocession with Berkshire Hathaway
As previously reported, in 2010, Berkshire Hathaway through its affiliate, Berkshire Hathaway Life Insurance Company of Nebraska, entered into a coinsurance agreement with Swiss Re Life & Health America Inc. (the "Co-insurance Agreement") and a stop loss agreement with Swiss Reinsurance Company Ltd in respect of Swiss Re's US pre-2004 yearly renewable term life business. The agreements limit Berkshire Hathaway's exposure to USD 1.5 billion.

On the basis of its perception of the performance of the retroceded business and losses incurred to date, Berkshire Hathaway has served notice under the Co-insurance Agreement setting forth various specific and general allegations and alleging damages of between USD 0.5 billion and USD 1.0 billion.

As required by the Co-insurance Agreement, the parties have met to discuss the allegations and have exchanged, and continue to exchange, proposals to resolve the dispute. Failure to resolve the dispute could result in commencement of arbitration proceedings. If arbitration proceedings are commenced, there is no guarantee that arbitrators would agree with the Group's position and findings against the Group could have a material adverse effect on its financial condition and results of operations.

The Group believes that these claims are without merit.

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

17 Information on business segments

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

The Group adopted a new operational structure effective from 1 January 2012. As a result, the Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Admin Re®. Asset Management activities are not disclosed as a separate operating segment. Invested assets managed by Asset Management and Group Treasury have been assigned to the new business segments according to risk profile, duration and further asset-liability management considerations. Actual returns on those assets are reported in the respective operating segments.

The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment are determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. These considerations determined each segment's initial capital positions under the new structure.

Interest expense is incurred from the segment's capital funding position. The tax position of the operating segments is derived from legal entity tax obligations, subject to Group tax considerations.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1 to the Group's annual consolidated financial statements). Comparative information for 2011 is presented according to the 2012 segments presentation basis.

The Group operating segments are outlined below.

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

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

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

Admin Re®
Through Admin Re®, Swiss Re acquires closed blocks of in-force life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies. The administration of the business may be managed directly or, where appropriate, in partnership with a third party. Since 1998, Swiss Re has acquired more than 40 blocks of business spanning a range of product types. It currently operates in the UK, US and the Netherlands.

Admin Re® completed the sale of its Admin Re® US operations but retained certain blocks of the US business. For more details, please refer to Note 6.

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

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

a) Business segments – income statement

For the year ended 31 December

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	10 135	8 317	1 929	897	22		21 300
Fee income from policyholders		87		789			876
Net investment income – non-participating	1 307	1 544	104	1 611	135	–75	4 626
Net realised investment gains – non-participating	512	1 180	214	205	–477		1 634
Net investment result – unit-linked and with-profit		–25		–378			–403
Other revenues	72		6		236	–264	50
Total revenues	12 026	11 103	2 253	3 124	–84	–339	28 083
Expenses							
Claims and claim adjustment expenses	–7 381		–1 461		2	30	–8 810
Life and health benefits		–6 280		–2 119		–15	–8 414
Return credited to policyholders		–34		–27			–61
Acquisition costs	–1 848	–1 745	–180	–233	–8	–7	–4 021
Other expenses	–1 318	–716	–442	–466	–372	263	–3 051
Interest expenses	–155	–579	–2	–61	–122	68	–851
Total expenses	–10 702	–9 354	–2 085	–2 906	–500	339	–25 208
Income/loss before income tax expense	1 324	1 749	168	218	–584		2 875
Income tax expense/benefit	–65	–85	–87	123	37		–77
Net income/loss before attribution of non-controlling interests	1 259	1 664	81	341	–547	0	2 798
Income attributable to non-controlling interests	–160			–12			–172
Net income/loss after attribution of non-controlling interests	1 099	1 664	81	329	–547	0	2 626
Interest on contingent capital instruments							
Net income/loss attributable to common shareholders	1 099	1 664	81	329	–547	0	2 626
Claims ratio in %	72.8		75.7				73.3
Expense ratio in %	31.2		32.2				31.4
Combined ratio in %	104.0		107.9				104.7
Management expense ratio in %		7.2					
Benefit ratio in %		74.5					

Business segments – income statement
For the year ended 31 December

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	12 329	9 050	2 284	992	6		24 661
Fee income from policyholders		72		713			785
Net investment income – non-participating	1 451	1 365	109	1 548	18	–18	4 473
Net realised investment gains – non-participating	259	562	142	–89	73		947
Net investment result – unit-linked and with-profit		222		2 348			2 570
Other revenues	95	1	1	3	385	–297	188
Total revenues	**14 134**	**11 272**	**2 536**	**5 515**	**482**	**–315**	**33 624**
Expenses							
Claims and claim adjustment expenses	–6 306		–1 448		–14	5	–7 763
Life and health benefits		–6 787		–2 086		–5	–8 878
Return credited to policyholders		–271		–2 688			–2 959
Acquisition costs	–2 316	–1 787	–300	–142	–3		–4 548
Other expenses	–1 325	–833	–449	–457	–403	250	–3 217
Interest expenses	–111	–586		–53	–51	65	–736
Total expenses	**–10 058**	**–10 264**	**–2 197**	**–5 426**	**–471**	**315**	**–28 101**
Income/loss before income tax expense	**4 076**	**1 008**	**339**	**89**	**11**	**0**	**5 523**
Income tax expense/benefit	–934	–231	–143	101	82		–1 125
Net income before attribution of non-controlling interests	**3 142**	**777**	**196**	**190**	**93**	**0**	**4 398**
Income attributable to non-controlling interests	–134			–7			–141
Net income after attribution of non-controlling interests	**3 008**	**777**	**196**	**183**	**93**	**0**	**4 257**
Interest on contingent capital instruments	–18	–38					–56
Net income attributable to common shareholders	**2 990**	**739**	**196**	**183**	**93**	**0**	**4 201**
Claims ratio in %	51.2		63.4				53.1
Expense ratio in %	29.5		32.8				30.0
Combined ratio in %	80.7		96.2				83.1
Management expense ratio in %		7.9					
Benefit ratio in %		75.5					

Business segments – balance sheet
As of 31 December 2011

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	28 611	32 217	4 501	31 266	628		97 223
Equity securities	1 459	183	403	9	477		2 531
Other investments	18 791	3 691	213	5 439	2 819	–4 492	26 461
Short-term investments	7 004	3 368	973	1 096	1 219		13 660
Investments for unit-linked and with-profit business		719		21 630			22 349
Cash and cash equivalents	6 550	2 367	685	1 472	333		11 407
Deferred acquisition costs	1 247	2 663	–25	34	4		3 923
Acquired present value of future profits		1 674		2 552			4 226
Reinsurance recoverable	4 951	2 902	9 900	3 641		–9 557	11 837
Other reinsurance assets	12 500	10 133	2 147	358	3	–4 636	20 505
Goodwill	2 006	2 028	17				4 051
Other	4 769	1 886	1 249	791	163	–1 132	7 726
Total assets	87 888	63 831	20 063	68 288	5 646	–19 817	225 899
Liabilities							
Unpaid claims and claim adjustment expenses	49 451	9 310	12 465	1 695	24	–8 067	64 878
Liabilities for life and health policy benefits		18 367	198	21 229		–750	39 044
Policyholder account balances		2 423		32 486		–747	34 162
Other reinsurance liabilities	11 334	2 056	4 654	2 143	14	–5 504	14 697
Short-term debt	856	797	230	963	2 674	–1 393	4 127
Long-term debt	3 376	12 930			235		16 541
Other	11 209	8 976	229	1 980	2 074	–3 305	21 163
Total liabilities	76 226	54 859	17 776	60 496	5 021	–19 766	194 612
Shareholders' equity	10 389	8 972	2 277	7 378	625	–51	29 590
Non-controlling interests	1 273		10	414			1 697
Total equity	11 662	8 972	2 287	7 792	625	–51	31 287
Total liabilities and equity	87 888	63 831	20 063	68 288	5 646	–19 817	225 899

Business segments – balance sheet
As of 31 December 2012

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	31 115	31 366	4 616	21 608	143		88 848
Equity securities	2 360	303	578	3	530		3 774
Other investments	11 893	3 178	107	1 774	6 180	–7 088	16 044
Short-term investments	10 005	5 053	1 549	1 557	481		18 645
Investments for unit-linked and with-profit business		842		24 659			25 501
Cash and cash equivalents	6 904	1 412	978	1 472	71		10 837
Deferred acquisition costs	1 103	2 713	219	2	2		4 039
Acquired present value of future profits		1 358		1 665			3 023
Reinsurance recoverable	5 583	2 447	9 440	469		–7 830	10 109
Other reinsurance assets	12 419	8 631	2 901	3 459	3	–2 639	24 774
Goodwill	2 018	2 057	17				4 092
Other	7 352	2 170	640	612	345	–5 020	6 099
Total assets	**90 752**	**61 530**	**21 045**	**57 280**	**7 755**	**–22 577**	**215 785**
Liabilities							
Unpaid claims and claim adjustment expenses	48 465	9 505	12 258	1 247	21	–7 826	63 670
Liabilities for life and health policy benefits		17 439	216	18 469		–7	36 117
Policyholder account balances		1 466		27 883			29 349
Other reinsurance liabilities	12 543	1 709	4 913	713	8	–3 106	16 780
Short-term debt	3 799	1 529		634	1 245	–3 595	3 612
Long-term debt	3 779	12 461			46		16 286
Other	9 796	9 082	616	1 672	2 775	–7 996	15 945
Total liabilities	**78 382**	**53 191**	**18 003**	**50 618**	**4 095**	**–22 530**	**181 759**
Shareholders' equity	**12 356**	**8 339**	**3 032**	**6 662**	**3 660**	**–47**	**34 002**
Non-controlling interests	14		10				24
Total equity	**12 370**	**8 339**	**3 042**	**6 662**	**3 660**	**–47**	**34 026**
Total liabilities and equity	**90 752**	**61 530**	**21 045**	**57 280**	**7 755**	**–22 577**	**215 785**

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

For the year ended 31 December

2011 USD millions	Property	Casualty	Specialty	Total
Premiums earned	4 766	3 313	2 056	10 135
Expenses				
Claims and claim adjustment expenses	–4 502	–2 248	–631	–7 381
Acquisition costs	–612	–781	–455	–1 848
Other expenses	–617	–373	–328	–1 318
Total expenses before interest expenses	–5 731	–3 402	–1 414	–10 547
Underwriting result	–965	–89	642	–412
Net investment income				1 307
Net realised investment gains/losses				512
Other revenues				72
Interest expenses				–155
Income before income tax expenses				1 324
Claims ratio in %	94.4	67.9	30.7	72.8
Expense ratio in %	25.8	34.8	38.1	31.2
Combined ratio in %	120.2	102.7	68.8	104.0

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

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

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

For the year ended 31 December

2011 USD millions	Life	Health	Total
Revenues			
Premiums earned	5 977	2 340	8 317
Fee income from policyholders	87		87
Net investment income – non-participating	1 004	540	1 544
Net investment income – unit-linked and with-profit	30		30
Net realised investment gains/losses – unit-linked and with-profit	–55		–55
Net realised investment gains/losses – insurance-related derivatives	36	–8	28
Other revenues			0
Total revenues before non-participating realised gains/losses	7 079	2 872	9 951
Expenses			
Life and health benefits	–4 647	–1 633	–6 280
Return credited to policyholders	–34		–34
Acquisition costs	–1 286	–459	–1 745
Other expenses	–569	–147	–716
Total expenses before interest expenses	–6 536	–2 239	–8 775
Operating income	543	633	1 176
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			1 152
Interest expenses			–579
Income before income tax expenses			1 749
Management expense ratio in %	8.1	5.1	7.2
Benefit ratio[1] in %	76.3	69.8	74.5

[1] The benefit ratio is calculated as life and health benefits 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 year ended 31 December

2012 USD millions	Life	Health	Total
Revenues			
Premiums earned	6 176	2 874	9 050
Fee income from policyholders	72		72
Net investment income – non-participating	899	466	1 365
Net investment income – unit-linked and with-profit	32		32
Net realised investment gains/losses – unit-linked and with-profit	190		190
Net realised investment gains/losses – insurance-related derivatives	–147		–147
Other revenues	1		1
Total revenues before non-participating realised gains/losses	**7 223**	**3 340**	**10 563**
Expenses			
Life and health benefits	–4 625	–2 162	–6 787
Return credited to policyholders	–271		–271
Acquisition costs	–1 299	–488	–1 787
Other expenses	–613	–220	–833
Total expenses before interest expenses	**–6 808**	**–2 870**	**–9 678**
Operating income	**415**	**470**	**885**
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			709
Interest expenses			–586
Income before income tax expenses			**1 008**
Management expense ratio in %	8.6	6.6	7.9
Benefit ratio[1] in %	75.7	75.2	75.5

[1] The benefit ratio is calculated as life and health benefits 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) 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	2011	**2012**
Europe (including Middle East and Africa)	8 613	10 686
Americas	9 275	9 579
Asia-Pacific	4 288	5 181
Total	22 176	**25 446**

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

USD millions	2011	**2012**
United States	7 205	7 493
United Kingdom	2 925	3 316
France	770	2 110
China	1 383	1 880
Australia	1 511	1 705
Canada	1 237	1 196
Germany	1 109	1 063
Japan	643	714
Ireland	244	591
Netherlands	458	448
Italy	504	439
Other	4 187	4 491
Total	22 176	**25 446**

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

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18 Subsidiaries and equity investees

Subsidiaries and equity investees	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2012	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				
Antverpia III Compagnie anonyme d' assurance sur la vie SA, Roubaix	6	5	26	e
Protegys Assurance, Paris	33	30	34	e
Germany				
ASS Assekuranz, Service-und Sachverständigengesellschaft mbH, Sundern	0	0	26	e
Paarl Grundbesitzverwaltung GmbH & Co. KG Objekt Köln Sterrenhofweg, Munich	6	6	22	e
ReIntra GmbH medizinisch-berufskundlicher Beratungs- und Reintegrationsdienst, Unterföhring bei München	0	0	49	e
ROLAND Partner Beteiligungsverwaltung GmbH, Cologne	0	0	20	e
Swiss Re Germany AG, Unterföhring bei München	59	54	100	f
Ireland				
Swiss Re International Treasury (Ireland) Ltd., Dublin	0	0	100	f
Liechtenstein				
Elips Life AG, Vaduz	14	12	100	f
Elips Versicherungen AG, Vaduz	5	5	100	f
Luxembourg				
Swiss Re Europe Holdings S.A., Luxembourg	138	127	100	f
Swiss Re Europe S.A., Luxembourg	461	422	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	0	0	100	f
Swiss Re Funds (Lux) I, Senningerberg[1]	10 197	9 334	100	f
Swiss Re International SE, Luxembourg	240	220	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 31.12.2012	Method of consolidation
Malta				
Bodensee Limited, Sliema	1086	994	49	e
Netherlands				
Algemene Levensherverzekering Maatschappij N.V., Amsterdam	1	1	100	f
Switzerland				
European Reinsurance Company of Zurich Ltd, Zurich	278	254	100	f
Swiss Re Asset Management Geneva SA, Geneva	0	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	119	109	100	f
Swiss Re Direct Investments Company Ltd, Zurich	0	0	100	f
Swiss Re Life Capital Ltd, Zurich	0	0	100	f
Swiss Re Principal Investments Company Ltd, Zurich	0	0	100	f
Swiss Reinsurance Company Ltd, Zurich	32	30	100	f
Tertianum AG, Zurich	10	10	21	e
United Kingdom				
Admin Re UK Limited, Shropshire	119	109	100	f
Banian Investments UK Limited, St. Helier	0	0	100	f
BL Telford Limited, Shropshire	49	45	100	f
G Life H Limited, Shropshire	9	8	100	f
NM Insurance Holdings Limited, Shropshire	214	196	100	f
NM Life Group Limited, Shropshire	243	223	100	f
NM Life Limited, Shropshire	154	141	100	f
NM Pensions Limited, Shropshire	219	201	100	f
Reassure Life Limited, London	24	22	100	f
Reassure Limited, Shropshire	427	391	100	f
Reassure UK Life Assurance Company Limited, London	45	41	100	f
SR Delta Investments (UK) Limited, London	0	0	100	f
Swiss Re BHI Limited, London	0	0	100	f
Swiss Re Capital Markets Limited, London	60	55	100	f
Swiss Re Frankona LM Limited, London	11	10	100	f
Swiss Re GB Limited, London	0	0	100	f
Swiss Re Services Limited, London	4	3	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	2	1	100	f
Swiss Re Specialty Insurance (UK) Limited, London	29	27	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	5	5	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
Swiss Re (Barbados) Finance Limited, Bridgetown	975	893	100	f

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2012	Method of consolidation
Bermuda				
CORE Reinsurance Company Limited, Hamilton	0	0	100	f
Group Ark Insurance Holdings Limited, Hamilton	235	216	20	e
Swiss Re Global Markets Limited, Hamilton	0	0	100	f
Swiss Re Capital Management (Bermuda) Ltd., Hamilton	0	0	100	f
Swiss Re Investments (Bermuda) Ltd., Hamilton	0	0	100	f
Brazil				
Swiss Re Brasil Resseguros S.A., Sao Paulo	59	54	100	f
Swiss Re Corporate Solutions Brasil Seguros S.A., Sao Paulo	44	40	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	573	525	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				
Aurora National Life Assurance Company, Wethersfield	0	0	100	f
Facility Insurance Corporation, Austin	0	0	100	f
Facility Insurance Holding Corporation, Dallas	0	0	100	f
First Specialty Insurance Corporation, Jefferson City	5	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	11	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	1 937	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	337	100	f
Swiss Re Risk Solutions Corporation, Wilmington	0	0	100	f
Swiss Re Solutions Holding Corporation, Wilmington	9	8	100	f
Swiss Re Treasury (US) Corporation, Wilmington	0	0	100	f
Swiss Reinsurance America Corporation, Armonk	6	5	100	f
Washington International Insurance Company, Manchester	4	4	100	f
Westport Insurance Corporation, Jefferson City	6	6	100	f

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2012	Method of consolidation
Australia				
Swiss Re Australia Ltd, Sydney	73	67	100	f
Swiss Re Life & Health Australia Limited, Sydney	213	195	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				
Alltrust Insurance Company of China Limited, Shanghai	126	115	5	e
Beijing Prestige Health Consulting Services Company Limited, Beijing	6	6	100	e
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	32	30	25	e

19 Variable interest entities

Swiss Re Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise as a result of the Group's involvement in 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 Aurora National Life Assurance Company. Until the second quarter of 2012, Aurora National Life Assurance Company was recognised as a VIE in which the Group qualified as the primary beneficiary and consolidated the entity (for further details please refer to Annual Report 2011).

In the third quarter of 2012, a put/call option to acquire the parent of Aurora National Life Assurance Company, New California Holdings, Inc., was exercised. As a result, Aurora National Life Assurance Company is wholly owned by Swiss Re and does not qualify as a VIE. The related non-controlling interests are no longer reported. Please refer to Note 6 for further information.

Insurance-linked and credit-linked securitisations

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

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

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

As of 31 December 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 2 992 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 62 million.

Swaps in trusts

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

Debt financing vehicles

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

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

As of 31 December 2012, the total assets of the debt financing vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 040 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 7 195 million.

Investment vehicles

During 2012, this VIE category has been introduced to disclose the new VIEs resulting from the sale of Swiss Re Private Equity Partners AG (please see Note 6). Another private equity limited partnership, previously reported in the category "Other", has been included in this category.

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

As of 31 December 2012, the total assets of investment vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 359 million.

Other

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

As of 31 December 2012, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 1 663 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 747 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		**2012**
USD millions	Carrying value	Whereof restricted:	Carrying value	Whereof restricted:
Fixed income securities available-for-sale	9 254	9 254	6 896	6 896
Policy loans, mortgages and other loans	191	191		
Short-term investments	998	998	610	610
Other invested assets	202	202	258	258
Cash and cash equivalents	928	928	177	177
Accrued investment income	78	78	44	44
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	19	1
Total assets	11 966	11 946	**8 004**	**7 986**
	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	504	504
Accrued expenses and other liabilities	633	633	76	76
Long-term debt	5 172	5 172	5 328	5 328
Total liabilities	9 508	9 508	**5 908**	**5 908**

The above USD 11 966 million total assets as of year-end 2011 include USD 3 473 million total assets of the modified coinsurance agreement.

As of 31 December 2012, the consolidation of the VIEs resulted in non-controlling interests in the balance sheet of nil (31 December 2011: USD 414 million). The non-controlling interests in income were USD 12 million and USD 7 million net of tax for the years ended 31 December 2011 and 2012, respectively. All non-controlling interests were related to Aurora National Life Assurance Company, which has been fully owned by Swiss Re since the third quarter of 2012. Therefore, the non-controlling interests are no longer reported (see above under "Modified coinsurance agreement" and Note 6 for further information).

Non-consolidated VIEs

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

USD millions	2011	**2012**
Fixed income securities:		
Available-for-sale	99	72
Trading	20	12
Other invested assets	1 053	1 724
Total assets	1 172	**1 808**
Short-term debt	393	399
Accrued expenses and other liabilities	509	385
Total liabilities	902	**784**

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				**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	212		842	842
Swaps in trusts	212	316	–[1]	–	149	240	–[1]	–
Debt financing	373		29	29	395		29	29
Investment vehicles	63		63	63	829		829	829
Other	263	586	1 089	503	223	544	1 814	1 270
Total	1 172	902	–[1]	–	**1 808**	**784**	**–[1]**	**–**

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

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities are recognised for certain debt financing VIEs when losses occur. To date, the respective debt financing VIEs have not incurred any losses. Liabilities of USD 544 million recognised for the "Other" category relate mainly to collateral received.

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20 Restructuring provision

In 2012, the Group set up total provisions of USD 9 million and released USD 4 million.

The increase in provisions in the Property & Casualty Reinsurance and the Admin Re® business segments of USD 7 million and USD 2 million in 2012, respectively, are related to office structure simplification costs and leaving benefits.

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

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

2011 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Balance as of 1 January	92	5				97
Increase in provision	17			9		26
Release of provision	–7					–7
Costs incurred	–59	–3				–62
Balance as of 31 December	43	2	0	9	0	54

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

21 Risk assessment

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

The Board 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)
implements the risk management framework via the following sub-committees:
- The Group Risk and Capital Committee has responsibility for allocating capital and insurance risk capacity, approving investment and counterparty credit 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 underwriting standards, sets transaction limits, and decides on large or non-standard transactions.
- The Group Regulatory Committee is
  the central information and coordination platform for regulatory matters and compliance. It ensures a consistent approach to external communication on regulatory issues.

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

The Group Risk Management function is structured with global departments providing shared services such as Risk Reporting, as well as dedicated departments for the Reinsurance, Corporate Solutions and Admin Re® Business Units.

All of these departments have dedicated Chief Risk Officers who report directly to the Group CRO, with a secondary reporting line to their respective Business Unit CEOs. They are responsible for risk oversight in their respective Business Unit, including identifying, assessing and controlling risks as well as establishing the proper risk governance to assure proper execution of these activities.

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

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

Actuarial management is also an integral part of Risk Management, ensuring independent assessments of reserving adequacy.

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

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

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

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Report of the statutory auditor

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

Report of the statutory auditor on the Consolidated Financial Statements
As statutory auditor, we have audited the consolidated financial statements of Swiss Re Group, which comprise the income statement, statement of comprehensive income, balance sheet, statement of shareholders' equity, statement of cash flow and notes (pages 120 to 220), for the year ended 31 December 2012.

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 2012 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 Ltd

Alex Finn
Audit expert
Auditor in charge

Dawn M Kink

Zurich, 14 March 2013

Group financial years 2003–2012

USD millions	2003[1,3]	2004[1,3]	2005[3]
Income statement			
Revenues			
Premiums earned	22 779	23 607	21 622
Fee income			708
Net investment income	3 413	3 895	4 934
Net realised investment gains/losses	279	895	2 793
Trading revenues	350	351	278
Other revenues	175	195	228
Total revenues	26 996	28 943	30 563
Expenses			
Claims and claim adjustment expenses	–11 040	–11 109	–11 866
Life and health benefits	–6 732	–7 482	–6 970
Return credited to policyholders			–2 427
Acquisition costs	–5 079	–5 072	–4 766
Amortisation of goodwill	–233	–222	
Other operating costs and expenses	–2 180	–2 358	–2 477
Total expenses	–25 264	–26 243	–28 506
Income/loss before income tax expense	1 732	2 700	2 057
Income tax expense	–470	–715	–205
Net income/loss before attribution of non-controlling interests	1 262	1 985	1 852
Income/loss attributable to non-controlling interests			
Net income after attribution of non-controlling interests	1 262	1 985	1 852
Interest on contingent capital instruments			
Net income/loss attributable to common shareholders	1 262	1 985	1 852
Balance sheet			
Assets			
Investments	73 299	94 998	99 094
Other assets	63 913	67 203	68 817
Total assets	137 212	162 201	167 911
Liabilities			
Unpaid claims and claim adjustment expenses	51 323	54 189	54 447
Liabilities for life and health policy benefits	30 114	38 025	23 583
Unearned premiums	5 221	5 055	4 980
Other liabilities	31 700	43 409	61 953
Long-term debt	3 887	4 657	4 440
Total liabilities	122 245	145 335	149 403
Shareholders' equity	14 967	16 866	18 508
Non-controlling interests			
Total equity	14 967	16 866	18 508
Earnings/losses per share in USD	4.06	6.42	5.98
Earnings/losses per share in CHF	5.48	8.00	7.44

[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 to 2010 have been translated to USD for informational purposes only based on the Group's average exchange rates for the income statements and year-end rates for the balance sheets.

2006[2,3]	2007[2,3]	2008[2,3]	2009[2,3]	2010[2]	2011[2]	**2012[2]**
23 526	26 337	23 577	22 664	19 652	21 300	**24 661**
701	794	746	847	918	876	**785**
6 370	8 893	7 331	6 399	5 422	5 469	**5 302**
1 679	–615	–8 677	875	2 783	388	**2 688**
223	251	249	178	60	50	**188**
32 499	35 660	23 226	30 963	28 835	28 083	**33 624**
–9 405	–10 035	–9 222	–8 336	–7 254	–8 810	**–7 763**
–7 647	–9 243	–8 381	–8 639	–8 236	–8 414	**–8 878**
–2 253	–1 763	2 611	–4 597	–3 371	–61	**–2 959**
–4 845	–5 406	–4 950	–4 495	–3 679	–4 021	**–4 548**
–3 679	–4 900	–4 358	–3 976	–3 620	–3 902	**–3 953**
–27 829	–31 347	–24 300	–30 043	–26 160	–25 208	**–28 101**
4 670	4 313	–1 074	920	2 675	2 875	**5 523**
–1 033	–853	411	–221	–541	–77	**–1 125**
3 637	3 460	–663	699	2 134	2 798	**4 398**
				–154	–172	**–141**
3 637	3 460	–663	699	1 980	2 626	**4 257**
			–203	–1 117	0	**–56**
3 637	3 460	–663	496	863	2 626	**4 201**
167 303	201 221	154 053	151 341	156 947	162 224	**152 812**
71 317	70 198	71 322	81 407	71 456	63 675	**62 973**
238 620	271 419	225 375	232 748	228 403	225 899	**215 785**
77 829	78 195	70 944	68 412	64 690	64 878	**63 670**
36 779	44 187	37 497	39 944	39 551	39 044	**36 117**
6 574	6 821	7 330	6 528	6 305	8 299	**9 384**
80 802	95 172	73 366	73 336	72 524	65 850	**56 302**
11 337	18 898	17 018	19 184	18 427	16 541	**16 286**
213 321	243 273	206 155	207 404	201 497	194 612	**181 759**
25 299	28 146	19 220	25 344	25 342	29 590	**34 002**
				1 564	1 697	**24**
25 299	28 146	19 220	25 344	26 906	31 287	**34 026**
10.75	9.94	–2.00	1.46	2.52	7.68	**11.85**
13.49	11.95	–2.61	1.49	2.64	6.79	**11.13**

Annual Report Swiss Re Ltd

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

Income statement
Net income for 2012 amounted to CHF 2 718 million (2011: CHF 19 million) and was mostly driven by cash dividends from subsidiaries and affiliated companies of CHF 3 836 million, partially offset by a valuation adjustment to the investment in Swiss Re Life Capital Ltd of CHF 1 150 million, which equals the extraordinary dividend received by the Company from Swiss Re Life Capital Ltd following the sale of Admin Re®'s US business. In addition, Swiss Reinsurance Company Ltd transferred to the Company its investments in Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd through a dividend in kind of CHF 5 810 million, which resulted in a valuation adjustment to the Company's investment in Swiss Reinsurance Company Ltd of the same amount.

The Company earned trademark license fees of CHF 231 million and incurred administrative expenses of CHF 161 million, of which CHF 157 million were charges for services provided by Swiss Reinsurance Company Ltd. In addition, the Company incurred other expenses of CHF 57 million, including changes in the provision for currency fluctuation and realised foreign exchange losses of CHF 50 million, and capital and indirect taxes of CHF 7 million.

Assets
Total assets increased from CHF 18 281 million as of 31 December 2011 to CHF 19 961 million as of 31 December 2012, mainly driven by dividends in-cash and in-kind from subsidiaries and affiliated companies, partially offset by the corresponding valuation adjustment to the Company's investment in Swiss Reinsurance Company Ltd, the valuation adjustment to the investment in Swiss Re Life Capital Ltd and dividends to shareholders.

As of 31 December 2012, Swiss Re Ltd held investments in subsidiaries and affiliated companies of CHF 16 351 million, consisting of 100% direct interests in Swiss Reinsurance Company Ltd of CHF 11 691 million, Swiss Re Life Capital Ltd of CHF 2 178 million, Swiss Re Corporate Solutions Ltd of CHF 2 480 million, Swiss Re Specialised Investments Holdings (UK) Ltd of CHF 1 million and Swiss Re Investments Holding Company Ltd of CHF 0.1 million. Following the resolved capital reduction of Swiss Reinsurance Company Ltd on 19 March 2012 and the cancellation of its treasury shares on 25 May 2012 the Company held 100% direct interest in Swiss Reinsurance Company Ltd, compared to 92.8% direct interest held as of 31 December 2011.

As of 31 December 2012, the Company held short-term loans of CHF 2 710 million granted to Swiss Reinsurance Company Ltd.

Liabilities
Total liabilities decreased from CHF 13 million as of 31 December 2011 to CHF 7 million as of 31 December 2012, mainly due to lower payables to subsidiaries and affiliated companies and slightly higher provisions.

Shareholders' equity
Shareholders' equity increased from CHF 18 268 million as of 31 December 2011 to CHF 19 954 million as of 31 December 2012, mainly driven by the inclusion of net income for 2012 of CHF 2 718 million, partially offset by dividends to shareholders of CHF 1 032 million.

Legal reserves from capital contributions decreased from CHF 8 995 million as of 31 December 2011 to CHF 7 994 million as of 31 December 2012, reflecting the payment of dividends to shareholders of CHF 1 032 million, and the reclassification from other legal reserves to legal reserves from capital contributions of issuance costs amounting to CHF 31 million related to capital increases in previous years.

Income statement Swiss Re Ltd

For the years ended 31 December

CHF millions	Notes	2011[1]	**2012**
Revenues			
Investment income	2	–	**9 674**
Trademark license fees		140	**231**
Other revenues		0	**0**
Total revenues		140	**9 905**
Expenses			
Administrative expenses	3	–39	**–161**
Investment expenses	2	–33	**–6 961**
Other expenses		–47	**–57**
Total expenses		–119	**–7 179**
Income before income tax expense		21	**2 726**
Income tax expense		–2	**–8**
Net income		19	**2 718**

[1] The financial year 2011 comprises the period from incorporation on 2 February 2011 to 31 December 2011.

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

Balance sheet Swiss Re Ltd

As of 31 December

Assets

CHF millions	Notes	2011	**2012**
Current assets			
Cash and cash equivalents		87	**163**
Short-term investments	4	–	**61**
Loans to subsidiaries and affiliated companies		–	**2 710**
Receivables from subsidiaries and affiliated companies		7	**40**
Other receivables and accrued income		0	**9**
Total current assets		94	**2 983**
Non-current assets			
Investments in subsidiaries and affiliated companies	5	17 502	**16 351**
Own shares	6	685	**627**
Total non-current assets		18 187	**16 978**
Total assets		18 281	**19 961**

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

Liabilities and shareholders' equity

CHF millions	Notes	2011	**2012**
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		9	**–**
Other liabilities and accrued expenses		0	**0**
Total short-term liabilities		9	**0**
Long-term liabilities			
Provisions		4	**7**
Total long-term liabilities		4	**7**
Total liabilities		13	**7**
Shareholders' equity	7		
Share capital	8, 9	37	**37**
Other legal reserves		8 223	**8 304**
Reserve for own shares		994	**882**
Legal reserves from capital contributions	10	8 995	**7 994**
Other reserves		–	**–**
Retained earnings brought forward		–	**19**
Net income for the financial year		19	**2 718**
Total shareholders' equity		18 268	**19 954**
Total liabilities and shareholders' equity		18 281	**19 961**

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

Notes
Swiss Re Ltd

1 Significant accounting principles

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

Time period
The financial year 2012 comprises the accounting period from 1 January 2012 to 31 December 2012, whereas the financial year 2011 comprises the accounting period from incorporation on 2 February 2011 to 31 December 2011.

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

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

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

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

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

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

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

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

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

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

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

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

The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation results in an overall negative liability provision in a given year, it is set to zero and the difference is recognised in the income statement.

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

Foreign exchange gains and losses
Foreign exchange gains and losses arising from foreign exchange transactions, as well as any changes of the provision for currency fluctuation over time are recognised in the income statement and included in other expenses or other income, respectively.

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

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

Change in accounting policy
As of 1 January 2012, the Company revised its accounting policy for the treatment of foreign exchange gains and losses and their recognition in the provision for currency fluctuation.

In the previous year, foreign exchange gains and losses, consisting of foreign exchange gains and losses arising from the revaluation of the opening balance sheet, the translation adjustment of the income statement from average to closing exchange rates at year-end as well as foreign exchange gains and losses arising from foreign exchange transactions, were deferred in the provision for currency fluctuation. Where the provision was not sufficient to absorb a negative difference, the amount was recognised in the income statement.

As of 1 January 2012, foreign exchange gains and losses arising from the revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end are deferred in the provision for currency fluctuation and recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation results in an overall negative liability provision in a given year, it is set to zero and the difference is recognised in the income statement. Foreign exchange gains and losses arising from foreign exchange transactions are now recognised in the income statement in the year they occur.

Retroactive application of the revised accounting policy in the previous year would not have had a material impact on the income statement or the provision for currency fluctuation.

2 Investment income and expenses

CHF millions	2011	**2012**
Cash dividends from subsidiaries and affiliated companies	–	**3 836**
Dividends in-kind from subsidiaries and affiliated companies	–	**5 810**
Realised gains on sale of investments	–	**19**
Income from short-term investments	–	**0**
Income from loans to subsidiaries and affiliated companies	–	**9**
Other interest revenues	–	**0**
Investment income	–	**9 674**

CHF millions	2011	**2012**
Valuation adjustments on investments in subsidiaries and affiliated companies	–	**–6 960**
Valuation adjustments on own shares	–30	**–**
Realised losses on sale of investments	–3	**0**
Investment management expenses	–	**–1**
Other interest expenses	–	**0**
Investment expenses	–33	**–6 961**

3 Personnel information and administrative expenses

Swiss Re Ltd is managed by certain employees of Swiss Reinsurance Company Ltd and has no employees of its own. Therefore, Swiss Re Ltd is charged for administrative expenses by Swiss Reinsurance Company Ltd.

4 Securities lending

As of 31 December 2012, securities of CHF 9 million were lent to Group companies under securities lending agreements, whereas in 2011 no securities were lent to Group companies. As of 31 December 2012 and 2011, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

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

2012 Company	Domicile	Affiliation	Share capital
Swiss Reinsurance Company Ltd	Zurich	100%[1]	CHF 34.4 million
Swiss Re Corporate Solutions Ltd	Zurich	100%	CHF 100.0 million
Swiss Re Life Capital Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Investments Holding Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Specialised Investments Holdings (UK) Ltd	London	100%	GBP 1.0 million

2011 Company	Domicile	Affiliation	Share capital
Swiss Reinsurance Company Ltd	Zurich	100%[1]	CHF 37.1 million
Swiss Re Specialised Investments Holdings (UK) Ltd	London	100%	GBP 1.0 million

[1] As of 31 December 2011, Swiss Re Ltd held directly 92.8% and through Swiss Reinsurance Company Ltd indirectly 7.2% (treasury shares). These treasury shares were cancelled on 25 May 2012 and hence as of 31 December 2012 the Company held directly 100% in Swiss Reinsurance Company Ltd.

6 Own shares

As of 31 December 2012, Swiss Re Ltd and its subsidiaries held 27 560 372 (2011: 28 022 301) of Swiss Re Ltd's own shares, of which Swiss Re Ltd owned directly 24 765 932 (2011: 26 005 015) shares.

In the year under report, 4 100 174 (2011: 27 467 544) own shares were purchased at an average price of CHF 49.53 (2011: CHF 42.48) and 3 897 216 (2011: 27 957 243) own shares were sold at an average price of CHF 61.15 (2011: CHF 39.57).

7 Change in shareholders' equity

CHF millions	2011	**2012**
Opening balance of shareholders' equity[1]	0[4]	**18 268**
Capital increases	18 249[5]	**–**
Dividend paid for the previous year	–	**–1 032[2]**
Net income for the financial year	19	**2 718**
Shareholders' equity as of 31 December before proposed dividend payments	18 268	**19 954**
Proposed dividend payments	–1 028[2]	**–2 574[3]**
Shareholders' equity as of 31 December after proposed dividend payments	17 240	**17 380**

[1] The opening balance for 2011 is as of incorporation on 2 February 2011. The opening balance for 2012 is as of the beginning of the financial year on 1 January 2012.
[2] Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2011, the number of registered shares eligible for dividend, at the dividend payment date of 20 April 2012, increased due to the transfer of 203 167 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 4 million, compared to the Board of Directors' proposal, and in lower legal reserves from capital contributions by the same amount.
[3] Details on the proposed dividend payments for the financial year 2012 are disclosed on page 243.
[4] Swiss Re Ltd was founded by Swiss Reinsurance Company Ltd on 2 February 2011 with an initial share capital of CHF 100 000 (rounded to CHF 0 million in the table above) and became the ultimate holding company of the Swiss Re Group on 20 May 2011. As per the contribution in kind agreement of 2 February 2011, the initial capital was contributed to Swiss Re Ltd by means of 1 000 000 Swiss Reinsurance Company Ltd shares with a nominal value of CHF 0.10 per share.
[5] On 20 May 2011, Swiss Re Ltd received by way of contribution in kind 24 863 366 Swiss Reinsurance Company Ltd shares at a total book value of CHF 708 919 518 and 297 520 330 publicly held Swiss Reinsurance Company Ltd shares at a total contribution value of CHF 15 218 164 880 against issuance of 322 383 696 Swiss Re Ltd shares with a par value of CHF 0.10 per share.
On 10 June 2011, Swiss Re Ltd received by way of contribution in kind 600 000 Swiss Reinsurance Company Ltd shares at a total book value of CHF 29 430 000 and 39 450 613 publicly held Swiss Reinsurance Company Ltd shares at a total contribution value of CHF 1 935 052 568 against issuance of 40 050 613 Swiss Re Ltd shares with a par value of CHF 0.10 per share.
On 12 December 2011, Swiss Re Ltd received by way of contribution in kind 171 000 Swiss Reinsurance Company Ltd shares at a total book value of CHF 8 385 840 and 7 101 622 publicly held Swiss Reinsurance Company Ltd shares at a total contribution value of CHF 348 263 543 against issuance of 7 272 622 Swiss Re Ltd shares with a par value of CHF 0.10 per share. These shares were exchanged in the context of the squeeze-out and compensation of the minority shareholders of Swiss Reinsurance Company Ltd.

8 Major shareholders

As of 31 December 2012, there were six shareholders with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholder	Number of shares	% of voting rights and share capital	Creation of the obligation to notify
Franklin Resources, Inc.	18 277 452	4.93	2 August 2012
Dodge & Cox	12 639 368	3.48	10 June 2011
MFS Investment Management	11 485 890	3.16	10 June 2011
Berkshire Hathaway Inc.	11 262 000	3.10	10 June 2011
BlackRock, Inc.	11 134 246	3.09	26 September 2011

In addition, Swiss Re Ltd held, as of 31 December 2012, directly and indirectly 27 560 372 (2011: 28 022 301) own shares, representing 7.43% (2011: 7.56%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

9 Conditional capital and authorised capital

As of 31 December 2012, Swiss Re Ltd had the following conditional capital and authorised capital:

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

Authorised capital
The Board of Directors is authorised to increase the share capital of the Company at any time up to 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, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities, and/or (ii) improving the regulatory capital position of the Company or Group companies in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so (including by way of private placements).

Authorised capital for the exchange of shares
The Board of Directors is authorised to increase the share capital of the Company for the use as consideration for any remaining minority shareholders of Swiss Reinsurance Company Ltd for any voluntary or mandatory surrendering of their shares in Swiss Reinsurance Company Ltd after the execution of the public exchange offer of the Company at any time up to 20 May 2013 by an amount not exceeding CHF 4 005 061 through the issuance of up to 40 050 613 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 as well as the date of dividend entitlement will be determined by the Board of Directors. The subscription rights of the existing shareholders for registered shares issued according to above are excluded.

10 Legal reserves from capital contributions

CHF millions	2011	**2012**
Opening balance of legal reserves from capital contributions[1]	8 995	**8 995**
Reclassification to other reserves for dividend payment	–	**–1 032**
Additions to legal reserves from capital contributions	–	**31[2]**
Legal reserves from capital contributions as of 31 December	8 995	**7 994**
thereof confirmed by the Swiss Federal Tax Administration	*8 819*	***7802[3]***

[1] The opening balance for 2011 is as of incorporation on 2 February 2011. The opening balance for 2012 is as of the beginning of the financial year 2012.
[2] In 2012, the Swiss Federal Tax Administration confirmed an additional qualifying amount of capital contribution reserves of CHF 15 million. In addition, there was another reclassification from other legal reserves to legal reserves from capital contributions of issuance costs of CHF 16 million related to capital increases in previous years, which has not been confirmed by the Swiss Federal Tax Administration.
[3] Under current Swiss tax legislation, the amount of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes.

11 Risk assessment

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

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

Details are disclosed on page 220.

12 Compensation, participations and loans of members of governing bodies

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

Compensation for acting members of governing bodies
Article 663b[bis] of the Swiss Code of Obligations requires disclosure of total compensation paid to members of the Board of Directors and the Group EC. Compensation to members of the Board of Directors and the highest paid members of the Group EC are shown by individual. For a description of the elements of this compensation, see page 93, Compensation.

Compensation of the Group EC

Aggregate compensation for members of the Group EC was:

CHF thousands	9 members 2011	16 members[5] **2012**
Base salary and allowances[1]	10 687	12 985
Funding of pension benefits	1 397	1 656
Total fixed compensation	12 084	**14 641**
Cash Annual Performance Incentive[2]	9 573	12 394
Value Alignment Incentive (VAI)	5 378	8 359
Long-term incentives (LPP)[3]	6 250	12 400
Total variable compensation	21 201	**33 153**
Total fixed and variable compensation[4]	33 285	**47 794**
Compensation due to members leaving	1 448	2 268
Total compensation	34 733	**50 062**

[1] Allowances consist of housing, schooling, lump sum expenses, child and similar allowances.
[2] Does not include sign-on bonuses in the amount of CHF 1.4 million as payments were made prior to joining the Group EC. These amounts are however included in both "Aggregate compensation" tables on page 109.
[3] Disclosure reflects all awards within a compensation cycle: the 2011 value reflects the fair value of LPP granted in March 2012, and the 2012 value reflects the fair value of LPP granted in March 2013. Furthermore, the 2011 values disclosed exclude the LPP granted in March 2012 of CHF 2.5 million for the incoming Group CEO, given he was not a member of the Group EC until 1 February 2012.
[4] For 2012 includes payments reflecting the time in the role as Group EC member. For comparison purposes, if this approach had been applied in 2011, the 2011 "Compensation due to members leaving" of CHF 1.448 million would have been CHF 1.193 million, with the difference included in the 2011 "Total fixed and variable compensation" above, with no change to 2011 "Total compensation".
[5] Represents incumbents and not positions; four new Group EC positions were created (see page 110 for more information).

The table above covers payments to 16 members in 2012, of whom seven were employed for the full year. This also takes into account changes in the composition of the Group EC, reflecting the Group's new corporate structure and operating model. The 2011 payments cover nine members, of whom eight were employed for the full year.

The fair value of the Value Alignment Incentive (VAI) is based on the nominal amount of the grant. Subsequently, a disbursement factor, which can vary between 50% and 150%, is applied based on the economic results of the Group. The VAI disclosed in the table above assumes a disbursement factor of 100% at grant date. For a description of the VAI plan see page 104, Compensation.

The Long Term Incentive plan (LTI) was replaced by a new plan, the Leadership Performance Plan (LPP) in 2012. The first grant was made in March 2012 under the new plan. The LPP grants made in 2012 and 2013 are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. At grant, the award is split into two equal underlying components: Restricted Share Units (RSU) and Performance Share Units (PSU). The RSU component is measured against a RoE performance condition and will vest within a range of 0–100%. The PSU component is based on relative total shareholder return, measured against a pre-defined basket of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models. For further information on the LPP award, see pages 104 and 105, Compensation.

For US GAAP and statutory reporting purposes, VAI and long-term incentive awards are accrued over the period during which they are earned. For the purpose of the disclosure required of this note, the value of awards granted is included as compensation in the year of performance, for the years 2012 and 2011 respectively.

The members of the Group EC (including the Group CEO) participate in a defined contribution scheme and their pension funding compensation in the remuneration table on page 236 reflects the actual employer contributions.

Highest paid member of the Group EC

In 2012, Michel M. Liès, Group CEO, was the highest paid member of the Group EC. The compensation of the Group CEOs for the respective periods was:

Stefan Lippe, Group CEO from February 2009 until January 2012
Michel M. Liès, Group CEO since February 2012

CHF thousands	2011	**2012[2]**
Base salary and allowances	2 180	1 663
Funding of pension benefits	175	175
Total fixed compensation	2 355	**1 838**
Cash Annual Performance Incentive	3 000	1 450
Value Alignment Incentive (VAI)	0	1 450
Long-term incentives (LPP)[1]	0	2 000
Total variable compensation	3 000	**4 900**
Total compensation	5 355	**6 738**

[1] The 2011 values disclosed exclude the LPP granted in March 2012 of CHF 2.5 million for the incoming Group CEO, given he was not a member of the Group EC until 1 February 2012. Disclosure reflects all awards within a compensation cycle: the 2011 value reflects the fair value of LPP granted in March 2012, and the 2012 value reflects the fair value of LPP granted in March 2013.
[2] For 2012, includes one month for the former Group CEO and eleven months for the current Group CEO.

Compensation of the Board of Directors

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

In 2009 and 2010, the Chairman and Vice Chairman received half of their fees in the form of a three-year performance share plan and the balance in cash. The performance share plan 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. The Group did not grant a performance share plan in 2011 and 2012. The 2009 plan was settled in 2012.

The share prices as of 14 April 2011 of CHF 54.05 and as of 24 April 2012 of CHF 57.15 were used for calculating the number of shares awarded to the members of the Board of Directors based on the amount of the fee received in shares for 2011 and 2012 grants, respectively.

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

CHF thousands	2011	**2012**
Fees and allowances in cash	7 047	7 429
Fees in blocked shares	4 678	4 862
Total	11 725	**12 291**

Individual compensation for the Chairman and the two Vice Chairmen of the Board of Directors was:

Walter B. Kielholz, Chairman CHF thousands	2011	**2012**
Fees and allowances in cash	2 892	3 092
Total cash	2 892	**3 092**
Fees in blocked shares	1 912	2 045
Total	4 804	**5 137**

Mathis Cabiallavetta, Vice Chairman[1] CHF thousands	2011	**2012**
Fees and allowances in cash	1 434	1 533
Total cash	1 434	**1 533**
Fees in blocked shares	956	1 023
Total	2 390	**2 556**

[1] Chairman of the Finance and Risk Committee since 13 April 2012, Chairman of the Investment Committee

Renato Fassbind, Vice Chairman[1,2] CHF thousands	2011	**2012**
Fees and allowances in cash	150	277
Total cash	150	**277**
Fees in blocked shares	100	184
Total	250	**461**

[1] Since 13 April 2012.
[2] Received additional fees in cash for his duties on the board of the Luxembourg Group companies of CHF 130 000 for 2011 and for Q1 2012 (pro-rata); as of 13 April 2012 no such additional fees were paid.

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

2011 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
Renato Fassbind, Member[1]	150	100	250
Rajna Gibson Brandon, Member	210	140	350
Malcolm D. Knight, Member	165	110	275
Hans Ulrich Maerki, Member	195	130	325
Carlos E. Represas, Member	165	110	275
Jean-Pierre Roth, Member	180	120	300
Robert A. Scott, Chairman of the Compensation Committee	300	200	500
Total	**2 721**	**1 810**	**4 531**

[1] Elected to Swiss Re´s Board of Directors at the Annual General Meeting of 15 April 2011.

2012 CHF thousands	Fees and allowances in cash	Fees in shares	Total
Jakob Baer, Chairman of the Audit Committee	484	323	807
Raymund Breu, Member	216	144	360
Raymond K.F. Ch´ien, Member	216	144	360
John R. Coomber, Chairman of the Finance and Risk Committee[1]	299	196	495
Rajna Gibson Brandon, Member	201	134	335
C. Robert Henrikson, Chairman of the Compensation Committee[2]	183	123	306
Malcolm D. Knight, Member	199	133	332
Hans Ulrich Maerki, Member	197	131	328
Carlos E. Represas, Member[3]	274	111	385
Jean-Pierre Roth, Member	171	113	284
Robert A. Scott, Chairman of the Compensation Committee[4]	87	58	145
Total	**2 527**	**1 610**	**4 137**

[1] Chairman of the Finance and Risk Committee until 13 April 2012.
[2] Elected to Swiss Re´s Board of Directors at the Annual General Meeting of 13 April 2012.
[3] Received additional fees in cash for his duties on the board of US Group companies of USD 115 000 for 2011; for 2012 this has been included above.
[4] Term of office expired as of 13 April 2012 and did not stand for re-election due to retirement.

Compensation of former members of governing bodies

In 2011, a total of CHF 175 000 was paid to former members of the Group EC. This figure relates to one individual and covers company taxation commitments. In 2012, in the context of the outstanding mortgages and loans not at market rates for former members as well as of risk benefits, the equivalent of approximately CHF 60 000 was provided to three former members of the Group EC as a benefit in kind. No other compensation was paid to former members of the Group EC in 2012.

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

Share ownership

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

Number of shares held as of 31 December were:

Members of the Group EC	2011	**2012**
Stefan Lippe, former Group CEO[1]	201 733	
Michel M. Liès, Group CEO[2]		129 562
David J. Blumer, former Group Chief Investment Officer[3]	81 000	
Guido Fürer, Group Chief Investment Officer[4]		1 500
Agostino Galvagni, CEO Corporate Solutions	27 546	69 371
Brian Gray, former Group Chief Underwriting Officer[5]	30 601	
Jean-Jacques Henchoz, CEO Reinsurance EMEA		12 287
Christian Mumenthaler, CEO Reinsurance	20 000	50 000
Moses Ojeisekhoba, CEO Reinsurance Asia[6]		1 139
George Quinn, Group CFO	34 337	57 987
Matthias Weber, Group Chief Underwriting Officer[7]		24 237
Thomas Wellauer, Group Chief Operating Officer	16 714	16 714
Total	411 931	**362 797**

[1] Member of the Group EC until 31 January 2012.
[2] Appointed to the Group EC as of 1 February 2012.
[3] Member of the Group EC until 31 October 2012.
[4] Appointed to the Group EC as of 1 November 2012.
[5] Member of the Group EC until 30 April 2012.
[6] Appointed to the Group EC as of 15 March 2012.
[7] Appointed to the Group EC as of 1 April 2012.

Members of the Board of Directors	2011	**2012**
Walter B. Kielholz, Chairman	185 000	290 230
Mathis Cabiallavetta, Vice Chairman, Chairman of the Investment Committee, Chairman of the Finance and Risk Committee[1]	19 652	54 546
Renato Fassbind, Vice Chairman[2]	1 846	5 073
Jakob Baer, Chairman of the Audit Committee	34 922	40 568
Raymund Breu, Member	31 789	34 310
Raymond K.F. Ch´ien, Member	10 719	13 240
John R. Coomber, Chairman of the Finance and Risk Committee[3]	134 707	138 134
Rajna Gibson Brandon, Member	22 024	24 368
C. Robert Henrikson, Chairman of the Compensation Committee[4]		2 144
Malcolm D. Knight, Member	3 538	5 857
Hans Ulrich Maerki, Member	21 621	23 915
Carlos E. Represas, Member	5 538	7 479
Jean-Pierre Roth, Member	3 350	5 341
Robert A. Scott, Chairman of the Compensation Committee[5]	24 096	
Total	498 802	**645 205**

[1] Since 13 April 2012.
[2] Elected to Vice Chairman as of 13 April 2012.
[3] Until 13 April 2012.
[4] Elected to Swiss Re´s Board of Directors at the Annual General Meeting of 13 April 2012.
[5] Term of office expired as of 13 April 2012 and did not stand for re-election due to retirement.

Restricted shares

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

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

Members of the Group EC	2011	**2012**
Weighted average share price in CHF as of grant date	16.74	**53.10**
David J. Blumer, former Group Chief Investment Officer[1]	149 342	
Moses Ojeisekhoba, CEO Reinsurance Asia[2]		13 093
Total	149 342	**13 093**

[1] Member of the Group EC until 31 October 2012.
[2] Appointed to the Group EC as of 15 March 2012.

The restricted shares granted to Moses Ojeisekhoba, CEO Reinsurance Asia, have a step vesting period until 2014. For the years ended 31 December 2011 and 2012, the members of the Board of Directors did not hold any restricted shares.

Performance shares

In 2009 and 2010, the Chairman and the Vice Chairman received half their fees in the form of a performance share plan with a three-year vesting period. The Group did not grant any such plans in 2011 and 2012.

Number of performance units outstanding as of 31 December 2011 and 2012 were:

Members of the Board of Directors	2011	**2012**
Walter B. Kielholz, Chairman	125 415	55 971
Mathis Cabiallavetta, Vice Chairman	69 653	27 986
Total	195 068	**83 957**

Vested options

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

		Number of options
Members of the Group EC	2011	**2012**
Weighted average strike price in CHF as of grant date	99.90	**82.32**
Stefan Lippe, former Group CEO[1]	99 000	
Michel M. Liès, Group CEO[2]		66 000
Guido Fürer, Group Chief Investment Officer[3]		7 500
Brian Gray, former Group Chief Underwriting Officer[4]	14 000	
Christian Mumenthaler, CEO Reinsurance	2 000	
George Quinn, Group CFO	31 000	26 000
Matthias Weber, Group Chief Underwriting Officer[5]		9 500
Total	146 000	**109 000**

[1] Member of the Group EC until 31 January 2012.
[2] Appointed to the Group EC as of 1 February 2012.
[3] Appointed to the Group EC as of 1 November 2012.
[4] Member of the Group EC until 30 April 2012.
[5] Appointed to the Group EC as of 1 April 2012.

		Number of options
Members of the Board of Directors	2011	**2012**
Weighted average strike price in CHF as of grant date	103.98	**86.26**
Walter B. Kielholz, Chairman	110 000	40 000
John R. Coomber, Chairman of the Finance and Risk Committee[1]	250 000	210 000
Total	360 000	**250 000**

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

The range of expiry years for vested options held by members of Group governing bodies as of 31 December 2011 and 2012 was 2012–2015 and 2013–2015, respectively.

Loans to members of governing bodies

The following loans were granted to members of governing bodies as of 31 December:

CHF thousands	2011	**2012**
Total mortgages and loans to members of the Group EC	3 753	3 710
Highest mortgages and loans to an individual member of the Group EC:		
Christian Mumenthaler, CEO Reinsurance	2 167	2 143
Total mortgages and loans not at market conditions to former members of the Group EC	9 610	4 300
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. In 2011 and 2012, all mortgages held by members of governing bodies were granted at Swiss terms and conditions. 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. The 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.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 10 April 2013 to approve the following allocations and dividend payments:

CHF millions	2011	**2012**
Retained earnings brought forward	–	**19**
Net income for the financial year	19	**2 718**
Disposable profit	19	**2 737**
Allocation to other reserves	–	**–2 730**
Retained earnings after allocation	19	**7**

CHF millions	2011	**2012**
Other reserves brought forward	–	**–**
Allocation from retained earnings	–	**2 730**
Reclassification of legal reserves from capital contributions into other reserves	1 028[1]	**2 574[2]**
Regular dividend payment out of other reserves	–1 028[1]	**–1 201[2]**
Special dividend payment out of other reserves	–	**–1 373[2]**
Other reserves after allocations and dividend payments	–	**2 730**

[1] Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2011, the number of registered shares eligible for dividend, at the dividend payment date of 20 April 2012, increased due to the transfer of 203 167 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 4 million, compared to the Board of Directors' proposal, and in lower legal reserves from capital contributions by the same amount.
[2] The Board of Directors' proposal to the Annual General Meeting of 10 April 2013, is subject to the actual number of shares outstanding and eligible for dividend.

Dividends

If the Board of Directors' proposal for allocations and dividend payments is accepted, a regular dividend of CHF 3.50 per share and an additional special dividend of CHF 4.00 per share will be paid on 17 April 2013 from other reserves after prior reclassification of legal reserves from capital contributions.

Share structure per 31 December 2012	Number of registered shares	Nominal capital in CHF
eligible for dividend[1]	343 169 258	**34 316 926**
not eligible for dividend	27 537 673	**2 753 767**
Total shares issued	370 706 931	**37 070 693**

[1] The Board of Directors' proposal to the Annual General Meeting of 10 April 2013, is subject to the actual number of shares outstanding and eligible for dividend.

Zurich, 14 March 2013

Report of the statutory auditor

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

Report of the statutory auditor on the Financial Statements
As statutory auditor, we have audited the financial statements of Swiss Re Ltd, which comprise the income statement, balance sheet and notes (pages 227 to 242), for the year ended 31 December 2012.

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 2012 comply with Swiss law and the company's articles of incorporation.

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

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

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

PricewaterhouseCoopers Ltd

Alex Finn
Audit expert
Auditor in charge

Dawn M Kink

Zurich, 14 March 2013

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General information

Headquartered in Zurich, Switzerland, Swiss Re has operations across the globe. Our corporate structure allows us to sharpen our client focus, improve transparency and accountability, increase capital efficiency and operate with greater flexibility.

Glossary

Accumulation risk
Risk that arises when a large number of individual risks are correlated such that a single event will affect many or all of these risks.

Acquisition costs
That portion of an insurance premium which represents the cost of obtaining the insurance business: it includes the intermediaries' commission, the company's sales expense and other related expenses.

Admin Re®
Business Unit through which Swiss Re acquires closed blocks of in-force life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies.

Asset-backed security
Securities backed by notes or receivables against assets such as auto loans, credit cards, royalties, student loans and insurance.

Asset-liability management (ALM)
Management of a business in a way that coordinates decisions on assets and liabilities. Specifically, the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities in an attempt to achieve financial objectives for a given set of risk tolerances and constraints.

Aviation insurance
Insurance of accident and liability risks, as well as hull damage, connected with the operation of aircraft.

Benefit ratio
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. The Swiss Re 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.

Book value per share
The ratio of ordinary shareholders' equity to the number of common shares entitled to dividend.

Business interruption
Insurance covering the loss of earnings resulting from, and occurring after, destruction of property; also known as "loss of profits" or "business income protection insurance".

Capacity
Maximum amount of risk that can be accepted in insurance. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.

Casualty insurance
Branch of insurance – mainly comprising accident and liability business – which is separate from property, engineering and life insurance.

Catastrophe bonds
Risk-based securities that allow insurance and reinsurance companies to transfer peak insurance risks, including natural catastrophes, to institutional investors in the form of bonds. Catastrophe bonds help to spread peak exposures (see insurance-linked securities).

Cession
Insurance that is reinsured: the passing of the insurer's risks to the reinsurer against payment of a premium. The insurer is referred to as the ceding company or cedent.

Claim
Demand by an insured for indemnity under an insurance contract.

Claims handling
Activities in connection with the investigation, settlement and payment of claims from the time of their occurrence until settlement.

Claims incurred and claim adjustment expenses
All claims payments plus the adjustment in the outstanding claims provision of a business year and claim adjustment expenses.

Claims ratio
Sum of claims paid, change in the provisions for unpaid claims and claim adjustment expenses in relation to premiums earned.

Coinsurance
Arrangement by which a number of insurers and/or reinsurers share a risk.

Combined ratio
The ratio is a combination of the non-life claims ratio and the expense ratio.

Commission
Remuneration paid by the insurer to its agents, brokers or intermediaries, or by the reinsurer to the insurer, for costs in connection with the acquisition and administration of insurance business.

Commutation
The termination of a reinsurance contract by agreement of the parties on the basis of one or more lump sum payments by the reinsurer which extinguish its liability under the contract. The payment made by the reinsurer commonly relates to incurred losses under the contract.

Cover
Insurance and reinsurance protection of one or more specific risk exposures based on a contractual agreement.

Credit insurance
Insurance against financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them.

Credit spreads
Applies to derivative products. Difference in the value of two options, when the value of the one sold exceeds the value of the one bought.

Directors' and officers' liability insurance (D&O)
Liability insurance for directors and officers of an entity, providing cover for their personal legal liability towards shareholders, creditors, employees and others arising from wrongful acts such as errors and omissions.

Disability insurance
Insurance against the incapacity to exercise a profession as a result of sickness or other infirmity.

Earnings per share (EPS)
Portion of a company's profit allocated to each outstanding share of common stock. Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.

Expense ratio
Sum of acquisition costs and other operating costs and expenses, in relation to premiums earned.

Guaranteed minimum death benefit (GMDB)
A feature of variable annuity business. The benefit is a predetermined minimum amount that the beneficiary will receive upon the death of the insured.

Health insurance
Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.

Impairment charge
Adjustment in the accounting value of an asset.

Incurred but not reported (IBNR)
Provision for claims incurred but not reported by the balance sheet date. In other words, it is anticipated that an event will affect a number of policies, although no claims have been made so far, and is therefore likely to result in liability for the insurer.

Industry loss warranties (ILW)
Index-linked catastrophe contracts with a dual trigger that require a minimum industry loss to occur before the coverage responds to the individual company loss.

Insurance-linked securities (ILS)
Bonds for which the payment of interest and/or principal depends on the occurrence or severity of an insurance event. The underlying risk of the bond is a peak or volume insurance risk.

Layer
Section of cover in a non-proportional reinsurance programme in which total coverage is divided into a number of consecutive layers starting at the retention or attachment point of the ceding company up to the maximum limit of indemnity. Individual layers may be placed with different insurers or reinsurers.

Liability insurance
Insurance for damages that a policyholder is obliged to pay because of bodily injury or property damage caused to another person or entity based on negligence, strict liability or contractual liability.

Life insurance
Insurance that provides for the payment of a sum of money upon the death of the insured, or upon the insured surviving a given number of years, depending on the terms of the policy. In addition, life insurance can be used as a means of investment or saving.

Longevity risk
The risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout ratios. Increasing life expectancy trends among policyholders and pensioners can result in payout levels that are higher than originally accounted for.

Mandatory convertible bond
Bond that has a compulsory conversion or redemption feature. Either on or before a contractual conversion date, the holder must convert the mandatory convertible into the underlying stock.

Marine insurance
Line of insurance which includes coverage 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.

Mark-to-market
Adjustment of the book value or collateral value of a security, portfolio or account that reflects its current market value.

Motor insurance
Line of insurance which offers coverage for property, accident and liability losses involving motor vehicles.

Net reinsurance assets
Receivables related to deposit accounting contracts (contracts which do not meet risk transfer requirements) less payables related to deposit contracts.

Non-life insurance
All classes of insurance business excluding life insurance.

Non-proportional reinsurance
Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss; instead the reinsurer is liable for a specified amount which exceeds the insurer's retention; also known as "excess of loss reinsurance".

Nuclear energy insurance
Property and liability insurance for atomic reactors, power stations or any other plant related to the production of atomic energy or its incidental processes.

Operating revenues
Premiums earned plus net investment income plus other revenues.

Operational risk
Risk arising from failure of operational processes, internal procedures and controls leading to financial loss.

Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.
Premiums earned	Premiums an insurance company has recorded as revenues during a specific accounting period.
Premiums written	Premiums for all policies sold during a specific accounting period.
Product liability insurance	Insurance covering the liability of the manufacturer or supplier of goods for damage caused by their products.
Professional indemnity insurance	Liability insurance cover which protects professional specialists such as physicians, architects, engineers, lawyers, accountants and others against third-party claims arising from activities in their professional field; policies and conditions vary according to profession.
Property insurance	Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.
Proportional reinsurance	Form of reinsurance arrangement in which the premiums earned and the claims incurred of the cedent are shared proportionally by the cedent and the reinsurer.
Present value of future profits (PVFP)	Intangible asset primarily arising from the purchase of life and health insurance companies or portfolios.
Quota share reinsurance	Form of proportional reinsurance in which a defined percentage of the premiums earned and the claims incurred by the cedent in a specific line is reinsured for a given period. Quota share reinsurance arrangements represent a sharing of business in a fixed ratio or proportion.
Reinsurance	Insurance which lowers the risk carried by primary insurance companies. Reinsurance includes various forms such as facultative, financial, non-proportional, proportional, quota share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Retention	Amount of risk which the policyholder or insurer does not insure or reinsure but keeps for its own account.
Retrocession	Amount of the risk accepted by the reinsurer which is then passed on to other reinsurance companies.
Return on equity	Net income as a percentage of time-weighted shareholders' equity.
Return on investments	Operating income as a percentage of average invested assets. Invested assets include investments, cash and cash equivalents, securities in transit, financial liabilities and exclude policy loans and certain Group items.
Risk	Condition in which there is a possibility of injury or loss; also used by insurance practitioners to indicate the property insured or the peril insured against.

Risk management
Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.

Running yield
Net investment income on fixed income positions, including coupon income and amortisation, as a percentage of the cost of the securities.

Securitisation
Financial transaction in which future cash flows from assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.

Solvency II
New regulatory framework for EU re/insurance solvency rules scheduled to replace the current Solvency I regime. Introducing a comprehensive, economic and risk-based regulation, Solvency II includes prudential requirements on solvency capital, risk modelling, supervisory control and disclosure.

Stop-loss reinsurance
Form of reinsurance that protects the ceding insurer against an aggregate amount of claims over a period, in excess of either a stated amount or a specified percentage of estimated benefit costs. An example of this is employer stop-loss (ESL) coverage, which is used by US companies to cap losses on self-funded group health benefit programmes. The stop-loss can apply to specific conditions or aggregate losses.

Surety insurance
Sureties and guarantees issued to third parties for the fulfilment of contractual liabilities.

Surplus reinsurance
Form of proportional reinsurance in which risks are reinsured above a specified amount.

Swiss Solvency Test (SST)
Switzerland already introduced an economic and risk-based insurance regulation, similar to the objectives of the Solvency II project in the EU. Since 2008, all insurance and reinsurance companies writing business in Switzerland have had to implement the SST, and since 1 January 2011, the SST-based target capital requirement is in force and companies must achieve economic solvency.

Tail VaR
See "Value at risk".

Total return on investments
Operating income plus net unrealised gains/losses on available-for-sale securities as a percentage of average invested assets. Invested assets include investments, cash and cash equivalents, securities in transit, financial liabilities and exclude policy loans and certain Group items.

Treaty reinsurance
Participation of the reinsurer in certain sections of the insurer's business as agreed by treaty, as opposed to single risks.

Underwriting result
Premiums earned less the sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses and expenses (acquisition costs and other operating costs and expenses).

Unearned premium
Part of written premium (paid or owed) which relates to future coverage and for which services have not yet been provided; this is carried in an unearned premium reserve and may be refundable if the contract is cancelled before expiry.

Unit-linked policy

A life insurance contract which provides policyholder funds which are linked to an underlying investment product or fund. The performance of the policyholder funds is borne by the policyholder.

US GAAP

United States Generally Accepted Accounting Principles are the accounting rules, as issued by the Financial Accounting Standards Board (FASB), its predecessors and other bodies, used to prepare financial statements for publicly traded companies in the United States.

US XXX term insurance

Traditional US life business subject to the NAIC Valuation of Life Insurance Model Regulation or New York Regulation 147 (collectively: 'Regulation XXX'). Regulation XXX states that business retained in the US does not require collateral, provided the reinsurer is licensed in the state of the company ceding business; however, business retroceded to a foreign reinsurer is subject to collateral (apart from funds withheld).

Value at risk (VaR)

Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. 99% VaR measures the level of loss likely to be exceeded in only one year out of a hundred, while 99.5% VaR measures the loss likely to be exceeded in only one year out of two hundred. 99% Tail VaR estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.

With-profit policy

An insurance contract that has additional amounts added to the sum insured, or paid/credited separately to the policyholder as a bonus, which result from a share of the profit generated by the with-profits insurance funds, including these funds' interests in other blocks of business.

Some of the terms included in the glossary are explained in more detail in Note 1 to the Group financial statements.

Swiss Re uses some of the term definitions provided by the glossary of the International Association of Insurance Supervisors (IAIS).

Cautionary note on forward-looking statements

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

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re's actual results 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 or cause Swiss Re to not achieve its published targets. 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;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re'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 Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to 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 Swiss Re's 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 Swiss Re'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 Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations by regulators;
- 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; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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

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

Note on risk factors

General impact of adverse market conditions
At various points during 2012, there was deterioration in bank funding markets, depressed volumes of capital markets activity overall, sharply higher yields on sovereign debt of Greece, Italy, Ireland, Portugal and Spain and significant capital outflows from banks in certain of these countries. It remains unclear whether European Union leaders will be able to deliver on proposals for a banking union and recapitalisation of banks through direct equity injections and whether these proposals will be sufficient to adequately address the eurozone sovereign debt crisis. At the same time, there remains continued need for structural reforms in a number of economies and a lack of consensus over the virtue and efficacy of austerity-led versus growth-led reforms. Uncertainty around economic growth can also be compounded by domestic political concerns in various EU member states, including upcoming elections and proposed referendums on EU participation.

The uncertainty around the future of the euro and the volatility in the financial and credit markets 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 the investment results of Swiss Reinsurance Company Ltd ("Swiss Re") and its subsidiaries' (collectively, the "Group"), its ability to access the capital markets and the bank funding market, the ability of counterparties to meet their obligations to the Group and the short-term outlook for the life insurance industry, particularly in North America and Europe, with a corresponding negative impact on the Group's Life & Health business.

The foregoing developments could have material adverse effects on the Group's industry and on the Group.

Regulatory changes
Swiss Re and its subsidiaries are regulated in a number of jurisdictions in which they conduct business. New legislation as well as changes to existing legislation have been proposed and/or recently adopted in a number of jurisdictions that are expected to alter, in a variety of ways, the manner in which the financial services industry is regulated. Although it is difficult to predict which proposals will become law and when and how new legislation ultimately will be implemented by regulators (including in respect of the extraterritorial effect of reforms), it is likely that significant aspects of existing regulatory regimes governing financial services will change. These 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 the Group's industry include the establishment of a pan- European regulator for insurance companies, the European Insurance and Occupational Pension Authority (the "EIOPA"), which has the power to overrule national regulators in certain circumstances. In addition, Swiss Re is subject to the Swiss Solvency Test, and will be subject to Solvency II, which was expected to be transposed into law in June 2013 and become binding on insurers in January 2014, but which could be delayed to as late as 2016. In July 2012, the EIOPA published the results of its consultation with insurance and reinsurance stakeholders on guidelines for Own Risk and Solvency Assessments ("ORSA") for Solvency II, as well as other draft proposals with regard to the Supervisory Reporting & Public Disclosure in the Solvency II framework. While the so-called "stabilized draft" of the ORSA guidelines is not expected to result in significant changes, there remains significant uncertainty regarding the implementation process for Solvency II. In the United States, as a possible step towards federal oversight of insurance, the US

Congress created the Federal Insurance Office within the Department of Treasury. In addition, provisions of the Wall Street Reform and Consumer Protection Act of 2010, as well as provisions in the proposed European Market Infrastructure Regulation and proposed changes to the Markets in Financial Instruments Directive (MiFID), in respect of derivatives could have a significant impact on the Group.

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," a designation which is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms. There is an emerging focus on classifying certain insurance companies as systemically important as well. The Group could be designated as a global systemically important financial institution. Separately, the International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, undertook a consultation on a methodology for identifying global systemically important insurers and on a framework for supervision of internationally active insurance groups. The Group could be subject to one or both of the resulting regimes as well, once implemented. Designations as any of the foregoing systemically important institutions could occur as early as April 2013.

The Group cannot predict which legislative and regulatory initiatives ultimately will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. Certain of these initiatives could have a material impact on the Group's business.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. These changes 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 in place an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, 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. In addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities. The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events, or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of

credit; changes in interest rates, foreign exchange rates and credit spreads, or by perceptions among market participants of the extent of the Group's liquidity needs.

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 effect 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.

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. 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

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

The Group is also involved, from time to time, in investigations and regulatory proceedings, 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 the Group's 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 affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course of operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies; competitive conditions; cyclicality of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values); 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, and such actual data could deviate from the Group's 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

Swiss Re Ltd is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re Ltd is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries.

Business contact details

Swiss Re has over 60 office locations in more than 20 countries. For a full list of our office locations and service offerings, please visit swissre.com

Head Office
Swiss Re Ltd
Mythenquai 50/60, P.O. Box, 8022 Zurich, Switzerland
Telephone +41 43 285 2121

Investor Relations
Telephone +41 43 285 4444
Fax +41 43 282 4444
investor_relations@swissre.com

Media Relations
Telephone +41 43 285 7171
Fax +41 43 282 7171
media_relations@swissre.com

Share Register
Telephone +41 43 285 6810
Fax +41 43 282 6810
share_register@swissre.com

Americas

Armonk
175 King Street
Armonk, New York 10504
Telephone +1 914 828 8000

Overland Park
5200 Metcalf Avenue
Overland Park, KS 66202
Telephone +1 913 676 5200

New York
55 East 52nd Street
New York, NY 10055
Telephone +1 212 317 5400

Toronto
150 King Street West
Toronto, Ontario M5H 1J9
Telephone +1 416 408 0272

Mexico City
Insurgentes Sur 1898, Piso 8
Torre Siglum
Colonia Florida
México, D.F. 01030
Telephone +52 55 5322 8400

Calabasas
26050 Mureau Road
Calabasas, CA 91302
Telephone +1 818 878 9500

São Paulo
Avenida Paulista, 500
Bela Vista
São Paulo, SP 01310-000
Telephone +55 11 3371 6570

Europe (incl. Middle East and Africa)

Zurich
Mythenquai 50/60
8022 Zurich
Telephone +41 43 285 2121

London
30 St Mary Axe
London
EC3A 8EP
Telephone +44 20 7933 3000

Munich
Dieselstraße 11
85774 Unterföhring bei München
Telephone +49 89 3844-0

Cape Town
2nd Floor
Beechwood House
The Boulevard
Searle Street
Cape Town, 7925
Telephone +27 21 469 8400

Madrid
Paseo de la Castellana, 95 planta 18
Edificio Torre Europa
28046 Madrid
Telephone +34 91 598 1726

Paris
11–15, rue Saint-Georges
75009 Paris
Telephone +33 1 43 18 30 00

Rome
Via dei Giuochi Istmici, 40
00135 Rome
Telephone +39 063 239 3652
Telephone +39 335 792 0697

Asia-Pacific

Hong Kong
61/F Central Plaza
18 Harbour Road
G.P.O. Box 2221
Wanchai, HK
Telephone +852 2827 4345

Sydney
Level 29, 363 George Street
Sydney NSW 2000
Telephone +61 2 8295 9500

Singapore
1 Raffles Place
OUB Centre
Singapore 048616
Telephone +65 6532 2161

Beijing
23rd Floor, East Tower, Twin Towers,
No. B12, Jian Guo Men Wai Avenue
Chao Yang District
Beijing 100022
Telephone +86 10 6563 8888

Tokyo
Otemachi First Square 9F
5–1 Otemachi 1 chome
Chiyoda-ku
Tokyo 100-0004
Telephone +81 3 3272 287

Mumbai
Unit 701–702, 7th Floor Tower 'A'
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Telephone +91 22 6661 2121

Corporate calendar

Key dates

10 April 2013
149th Annual General Meeting

2 May 2013
First quarter 2013 results

8 August 2013
Second quarter 2013 results

7 November 2013
Third quarter 2013 results

For more information see
swissre.com/investors/events

For Swiss Re's online Annual Report see
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