

Headquartered in Zurich, Switzerland, Swiss Re has operations across the globe. Our success is built on our solid client relationships, capital strength and risk knowledge company approach. We make the world more resilient.

Glossary

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| 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. |
| Asset-backed securities | Securities backed by notes or receivables against financial assets such as auto loans, credit cards, royalties, student loans and insurance profits. |
| Asset-liability management (ALM) | Management of an insurance business in a way that coordinates investment-related decisions on assets and liabilities. Specifically, the ongoing process of formulating, implementing, monitoring and revising investment strategies related to assets and liabilities in an attempt to achieve financial objectives, while managing exposure to financial market risks, such as interest rates, credit spreads and currency movements. |
| Aviation insurance | Insurance of accident and liability risks, as well as hull damage, connected with the operation of aircraft. |
| Benchmark investment result | Includes changes in the economic value of liabilities (as represented by the replicating portfolio) as a result of movements in risk-free discount rates, the passage of time, changes in credit spreads, changes in equity prices or changes in the economic value of embedded options and guarantees. |
| 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. Type of insurance – mainly comprising accident and liability business – which is separate from property, engineering and life insurance. |
| Catastrophe bonds | Securities used by insurance and reinsurance companies to transfer peak insurance risks, including natural catastrophes, to the capital markets. 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 and benefits | Claims and benefits in the EVM income statement represent the present value of all estimated future claims and benefits on contracts written during the year. Changes in estimates of claims and benefits payable on contracts written in prior years are reflected in previous years' business profit, along with changes in other underwriting cash flows relating to previous years. |

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| 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 and 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 | Difference in yield between a fixed income security which has default risk and one which is considered to be risk-free, such as U.S. Treasury securities. |
| 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. |
| Economic net worth | Economic net worth (ENW) is defined as the difference between the market-consistent value of assets and liabilities. ENW is an economic measure of shareholders' equity and the starting point in determining available capital under the Swiss Solvency Test (SST). |
| EVM | Economic Value Management (EVM) is Swiss Re Group's proprietary integrated economic valuation and accounting framework for planning, pricing, reserving, and steering our business. |

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| EVM capital | EVM capital is the capital required to support uncertainty related to estimated cash flows arising from existing underwriting and investment activities. |
| EVM profit | EVM profit is a risk-adjusted measure of performance that can be compared across all business activities. |
| Expense ratio | Sum of acquisition costs and other operating costs and expenses, in relation to premiums earned. |
| G-SIIs | Globally systemically important insurers. |
| Gross outperformance | Defined as the difference between the mark-to-market investment result and the benchmark investment result. |
| Gross underwriting result – new business | Gross underwriting result from new business is defined as present value of new business underwriting cash flows (eg premiums, claims, commissions, etc) before internal expenses, taxes and capital costs. |
| 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. |
| 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. |
| Insurance-linked securities (ILS) | Security for which the payment of interest and/or principal depends on the occurrence or severity of an insurance event. The underlying risk of the security 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 expected. |
| 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 to current fair market value. |

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| Mark-to-market investment result | Includes net investment income, realised gains and losses and changes in unrealised gains and losses reported under the accounting principles generally accepted in the United States of America (US GAAP). In addition, it includes changes in market value of investment positions carried at amortised cost under US GAAP. It excludes the following US GAAP items: investment income from cedants, unit-linked and with-profit business and certain loans as well as minority interest and depreciation on real estate. |
| Market value margin | The market value margin (MVM) represents the minimum cost of holding capital after the one-year SST period until the end of a potential run-off period. |
| Motor insurance | Line of insurance which offers coverage for property, accident and liability losses involving motor vehicles. |
| Net outperformance | Defined as the gross outperformance after deducting the actual costs incurred by managing our actual investment portfolio in excess of the internal fee paid by underwriting for the purchase and maintenance of the investment portfolio replicating the best-estimate liability and backing the associated capital requirements. |
| Net reinsurance assets | Receivables related to deposit accounting contracts (contracts which do not meet risk transfer requirements) less payables related to deposit contracts. |
| Net underwriting result – new business | Net underwriting result from new business is defined as the gross underwriting result from new business net of the present value of internal expenses allocated to new business but before taxes and capital costs. |
| 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". |
| Operating margin ratio | The operating margin is calculated as operating result divided by total operating revenues. The operating result is before interest expenses, taxes and net realised gains/losses. |
| 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 and fees | Premiums and fees in the EVM income statement represent the present value of all estimated future premiums and fees on contracts written during the year. Gross premiums and fees represent premiums and fees before external retrocessions. Gross premiums and fees in the EVM income statement of the business segments also exclude retrocessions to other segments of the Group. |
| 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. |
| Present value of future profits (PVFP) | Intangible asset primarily arising from the purchase of life and health insurance companies or portfolios. |

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| Principal Investments and Acquisitions | Principal Investments and Acquisitions is a unit of Swiss Re that manages all strategic acquisition activities of the Group as well as a portfolio of minority holdings in primarily insurance and insurance-related businesses with the goal of generating long-term value. |
| 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. |
| Profit margin | Profit margin is calculated for new business, previous years' business and investment activities. The new business profit margin is the ratio of new business profit/loss to EVM capital allocated to new business over the lifetime of the business. The previous years' business profit margin is the ratio of previous years' business profit/loss to EVM capital allocated to previous years' business in the current year. Investment profit margin is the ratio of investment profit/loss to EVM capital allocated to investment activities in the current year. These ratios can be used to compare profitability across all underwriting and investment activities on a consistent, risk-adjusted basis. |
| 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. |
| Provision for capital costs | Frictional capital costs provide compensation to shareholders for agency costs, costs for potential financial distress and regulatory (illiquidity) costs. Frictional capital costs include risk capital costs and funding costs. Risk capital costs are charged at 4.5% of eligible economic capital which consists of ENW and eligible hybrid debt. Funding costs are charged or credited at the legal entity level depending on the liquidity the respective legal entity uses or generates. In addition, the provision for capital costs includes an allowance for double taxation on the risk free return on capital allocated to underwriting activities. |
| 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 | Investment related operating income as a percentage of invested assets. Invested assets include investments, securities in transit, certain financial liabilities and exclude policy loans, minority interests, cash and cash equivalents, as well as assets related to securities lending, repurchase agreements and collateral balances. |

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| 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 long-term fixed income positions, including coupon income and amortisation, as a percentage of the average market value of the long-term fixed income portfolio. |
| Securitisation | Financial transaction in which future cash flows from financial assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The financial 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 | Regulatory framework for EU re/insurance solvency rules. Solvency II is a comprehensive, economic and risk-based regulation and includes prudential requirements on solvency capital, risk modelling, supervisory control and disclosure. |
| SST risk-bearing capital | The SST risk-bearing capital (SST RBC) is the amount of capital that is available to protect the policyholders of an entity in case of a large and unexpected adverse event |
| SST target capital | Amount of capital that is required to support the risks assumed by an entity. It is based on the entity's total risk. |
| 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) | An economic and risk-based insurance regulation, similar to the objectives of Solvency II to which all insurance and reinsurance companies writing business in Switzerland are subject. 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". |
| Top-down investment strategy approach | An investment strategy process which analyses trends in the global economy and the associated impact on financial markets to assess the overall financial market outlook as well as their implications for various asset classes and risk exposures. |
| Total contribution to ENW | Total contribution to ENW is the total return generated for shareholders and includes the release of capital costs. Total contribution to ENW is therefore not a risk-adjusted performance measure. |
| 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 linked to an underlying investment product or fund. The performance of the policyholder funds is for the account of the policyholder.

US GAAP

United States generally accepted accounting principles.

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) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase”, “may fluctuate” and similar expressions, or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group’s actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclicity of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group’s investment assets;
- changes in the Group’s investment result as a result of changes in the Group’s investment policy or the changed composition of the Group’s investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- the Group’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group’s financial strength or otherwise;
- any inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their values recorded for accounting purposes;
- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group’s ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realise tax loss carryforwards, 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, and the overall impact of changes in tax regimes on business models;
- failure of the Group’s hedging arrangements to be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re Group companies, and developments adversely affecting the Group’s ability to achieve improved ratings;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, 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;
- extraordinary events affecting the Group’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- 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, lower-than-expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cyber security risks.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. 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

The operations of Swiss Re Ltd ("Swiss Re") and its subsidiaries (collectively, the "Group") as well as its investment returns are subject to market volatility and macro-economic factors, which are outside of the Group's control and are often inter-related.

Financial, credit and foreign exchange markets are experiencing continued periods of volatility reflecting a range of political, economic and other uncertainties, some of the more significant of which are inter-related. These include the planned withdrawal of the United Kingdom from the European Union and significant uncertainty regarding the basis of that withdrawal and the future relationship between the United Kingdom and the European Union; the possible emergence of trade barriers and other protection policies across a range of economies, including a sustained trade war between the United States and China; geopolitical tensions more broadly; a prolonged slowdown in one or more of the principal global economies, particularly in China, and possible recession; continued challenges faced by the Eurozone; the tightening of monetary policy; sustained challenges to multilateral institutions and frameworks; the domestic political situation in the United States, various member states of the European Union and potentially other countries; and heightened scrutiny of technology companies.

Further adverse developments or the continuation of adverse trends that, in turn, have a negative impact on financial markets and economic conditions could limit the Group's ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to the Group and could adversely affect the confidence of the ultimate buyers of insurance and reinsurance.

Any of the foregoing factors, developments and trends could have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's portfolio, make it more difficult to acquire suitable investments to meet its risk and return criteria and otherwise have a material adverse effect on its business and operations.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve. During this period, there has been a noticeable trend to extend the scope of reforms and oversight, which initially targeted banks, beyond such institutions to cover insurance and reinsurance operations.

While some regulation is national in scope, the global nature of the Group's business means that its operations are subject in effect to a patchwork of global, national and regional standards. Swiss Re and its subsidiaries are subject to group supervision and Swiss Re's subsidiaries are also subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. The Group is subject to the Swiss Solvency Test and, through its legal entities organised in the EEA, Solvency II.

While certain regulatory processes are designed in part to foster convergence and achieve recognition of group supervisory schemes, the Group continues to face risks of extra-territorial application of regulations, particularly as to group supervision and group solvency requirements. In addition, regulators in jurisdictions beyond those where the Group has core operations increasingly are playing a far greater oversight role, requiring more localised resources and, despite a predominantly local focus, also raise issues of a cross-border nature. Furthermore, evolving regulatory schemes and requirements may be inconsistent or may conflict with each other, thereby subjecting the Group, particularly in light of the increasing focus on legal entities in isolation, to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs. The effect of these trends could be exacerbated to the extent that the current political environment results in a return to more bilateral, and less harmonised, cross-border regulatory efforts.

While in recent years there has been an evolving focus on classifying certain insurance companies as systemically important, it is unclear whether and, if so, in what form reforms will be enacted. The Group could be designated as a global systemically important financial institution ("SIFI") under the framework for SIFIs developed by the Financial Stability Board, or as a systemically important insurer by the Financial Stability Oversight Council ("FSOC") in the United States. The International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, has published and since refined its methodology for identifying global systemically important insurers ("G-SIIs"). Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, including capital standards (the basic capital requirement for G-SIIs), which would have various implications for the Group, including additional compliance costs, reporting obligations and capital costs (in the form of capital charges or high loss absorption capacity), as well as heightened regulatory scrutiny in various jurisdictions. In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

The Group cannot predict which legislative and/or regulatory initiatives 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. The Group may be subject to changes in views of its regulators in respect of the models that the Group uses for capital and solvency purposes, and could be adversely affected if, for example, it is required to use standard models rather than internal models. Generally, legal and regulatory changes could have a material impact on the Group's business. Uncertainty regarding the future relationship between the UK and the EU could also impact the legislative and/or regulatory regimes to which the Group is subject, both in the United Kingdom and in the European Union.

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. Changes to the US tax regime enacted in early 2018 prompted us to modify our operating model for our US business. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business (including due to increased capital requirements), reduce access to liquidity, limit the scope of current or future 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 could 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. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. 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.

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 an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial, basis and correlation risks. 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.

Credit risk

If the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience 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 write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could 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.

The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in which the Group participates and potential default by borrowers under those facilities.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable 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 insurance and reinsurance businesses (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 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.

Unexpected liquidity needs (including to meet collateral calls) could require the Group to incur indebtedness or liquidate investments or other assets. 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 is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Securities 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 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 insurance and 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. 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. Ratings may be revised downward or revoked at the sole discretion of 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, and market conditions could increase the risk of downgrade. 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 policy or regulation to purchase reinsurance only from reinsurers with certain ratings. Certain larger reinsurance contracts contain terms that would allow the ceding companies to cancel the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its business or trigger early termination of funding arrangements, potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe. These same factors could also impact the Group's insurance business.

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, 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, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. 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 and malfeasance, such as undertaking or facilitating cyber attacks on internal systems. 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 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, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues; macro developments giving rise to emerging risks, such as climate change and technological developments (including greater exposure to cyber risks, which could have a range of consequences from operational disruption, to loss of proprietary or customer data, to greater regulatory burdens and potential liability); 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, or attacks directed at, the Group's operational systems and infrastructure, including its information technology networks and systems. Any of the foregoing, as well as 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, and 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, including as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. Moreover, regulators could require the use of standard models instead of permitting the use of internal models. 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. Changes in accounting standards could impact future reported results or require restatement of past reported results. 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.

The Group uses non-GAAP financial measures in its external financial 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 substitutes 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.

The Group includes in its annual report a section in respect of its results, including financial statements, prepared in accordance with the Group's proprietary economic value management ("EVM") principles ("EVM report"). Financial information included in the EVM report contains non-GAAP financial measures. The EVM principles differ significantly from US GAAP and, accordingly, the Group's results prepared in accordance with US GAAP will differ from its EVM results, and those differences could be material. The Group's annual EVM results can be more volatile than the US GAAP results because, among other things, assets and liabilities are measured on a market-consistent basis, profit recognition on new contracts is recognised at inception rather than over the life time of the contract, and life and health actuarial assumptions are on a best estimate basis as opposed to generally being locked-in. The Group's EVM financial statements should not be viewed as a substitute for the Group's US GAAP financial statements.

Risks related to the Swiss Re corporate structure

Swiss Re 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 is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries. The Group expects that, over time, its structure will continue to evolve. In the future it may, for example, elect again (having accepted an equity investment within its Life Capital Business Unit from a third party) to partner with minority investors in or within one or more of the Group's Business Units or sub-groups within its Business Units, which could alter historical approaches taken in respect of capital, liquidity, funding and/or dividends, as well as other governance matters, including strategy for such Business Unit or sub-group, or may elect otherwise to dispose of interests in Group businesses or portions thereof, or to grow through acquisitions. To the extent it undertakes acquisitions, it is subject to the risks inherent in acquiring and integrating new operations.

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Swiss Re has over 80 office locations in 30 countries. For a full list of our office locations and service offerings, please visit www.swissre.com

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Corporate calendar

2019



17 April 2019

155th Annual General Meeting

3 May 2019

First quarter 2019 key financial data

31 July 2019

Half-year 2019 results

31 October 2019

Nine months 2019 key financial data

25 November 2019

Investors' Day, Zurich

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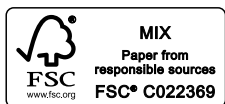
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