Prospectus

ELM B.V.

(Incorporated for an unlimited duration with limited liability in The Netherlands and having its corporate seat in Amsterdam, The Netherlands)

€1,000,000,000 5.252% Perpetual Step-Up Notes

secured over the

€1,000,000,000 5.252% Perpetual Subordinated Step-Up Loan Notes

of

Swiss Reinsurance Company

€15,000,000,000 Secured Note Programme

SERIES 44

Joint Bookrunning Lead Managers

Dresdner Kleinwort Wasserstein **HSBC** **UBS Investment Bank**

Co-Lead Managers

ABN AMRO **Merrill Lynch International**

The date of this Prospectus is 4 May 2006

This Prospectus (as used herein, this "**Prospectus**") is prepared in connection with the EUR 15,000,000,000 Secured Note Programme (the "**Programme**") of ELM B.V. (the "**Issuer**") and is issued in conjunction with the Programme Memorandum dated 29 July 2005 relating to the Programme and the supplemental Programme Memorandum dated 28 April 2006 (together, the "**Programme Memorandum**"). The Programme Memorandum constitutes a base prospectus for the purpose of the Luxembourg law dated 10 July 2005 on Prospectuses for Securities. Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and for such Notes to be admitted to the EuroMTF Market of the Luxembourg Stock Exchange. The Programme Memorandum is incorporated by reference herein and, accordingly, forms part of this Prospectus. In the event of any inconsistency between the Programme Memorandum and any other part of this Prospectus, such other part of this Prospectus shall prevail. See "*Terms of the Notes*" for certain definitions of terms used below. The Programme Memorandum is available for viewing, and copies may be obtained from, the offices of the Paying Agents, UBS AG, London Branch, 100 Liverpool Street, London EC2M 2RH and Dexia Banque Internationale à Luxembourg, société anonyme, 69 route d'Esch L1470 Luxembourg.

This Prospectus may only be used for the purposes for which they have been published. The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all information regarding the Issuer and the Notes that is material in the context of the issue and offering of the Notes, that such information contained in this Prospectus is true and accurate in every material respect and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which makes any statement, whether of fact or opinion, contained herein misleading. The Issuer accepts responsibility for such information contained in this Prospectus accordingly.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") and are subject to U.S. tax law requirements, and may not be offered or sold in the United States (as defined in Regulation S ("**Regulation S**") under the Securities Act) or to, or for the account or the benefit of, U.S. persons (as defined in Regulation S) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. For a description of certain restrictions on offers and sales of the Notes and on the distribution of this Prospectus, see "*Subscription and Sale*" below and the section of the Programme Memorandum entitled "*Subscription and Sale*".

None of the Trustee or the Managers have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is or will be made and no responsibility or liability is or will be accepted by the Trustee or the Managers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes. Furthermore, in relation to the issue of the Notes and save as required by all applicable laws, no representation, warranty or undertaking, express or implied is or will be made and no responsibility or liability to any holder of Notes is or will be accepted by the issuer of the Charged Assets ("**Swiss Re**" or the "**Charged Assets Issuer**") as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes.

No person is, has been or will be authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Trustee or any of the Managers or any other person.

Neither this Prospectus nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer, the Trustee or any of the Managers that any recipient of this Prospectus or other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Charged Assets Issuer. Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Trustee or any of the Managers or any other person to any person to subscribe for or to purchase the Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall at any time or in any circumstances imply that the information contained herein or therein concerning the Issuer is correct at any time subsequent to the date hereof or thereof (as the case may be) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Trustee and the Managers expressly do not undertake to review the financial condition or affairs of the Issuer or the Charged Assets Issuer while the Notes are outstanding. Investors contemplating purchasing any Notes should review, *inter alia*, the most recent financial statements, if any, of the Issuer and the Charged Assets Issuer when deciding whether or not to purchase any Notes.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee and the Managers do not and will not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been or will be taken by the Issuer, the Trustee or the Managers which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer and sale of Notes in the United States (or to or for the account or benefit of U.S. persons), the United Kingdom, The Netherlands, and other jurisdictions (see "*Subscription and Sale*" below and the section of the Programme Memorandum entitled "*Subscription and Sale*").

This document is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of U.S. securities laws or the laws of any such other jurisdictions.

The Notes will be issued in bearer form and therefore are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

Any prospective purchaser of the Notes should ensure that it understands the nature of the Notes and the extent of its exposure to risk and that it considers the suitability of the Notes as an investment in the light of its own circumstances and financial condition. In particular, the Notes are secured limited recourse securities, the value and return in respect of which is dependant on the performance of the Charged Assets. Accordingly, among other risks, investors will be exposed to the credit risk of the Charged Assets Issuer and the terms of the Charged Assets. **Prospective purchasers of Notes must read all of this Prospectus (including the document annexed to this Prospectus and the Programme Memorandum incorporated by reference herein), paying particular attention to the section of this Prospectus entitled "Risk Factors" and the section of the offering memorandum relating to the Charged Assets annexed to, and forming part of, this Prospectus entitled "Risk Factors".**

All references in this Prospectus to "**euro**", "**EUR**" and "**€**" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 07 February 1992) and as amended by the Treaty of Amsterdam (signed on 02 October 1997).

In connection with the issue of the Notes UBS Limited (the "Stabilising Manager") (or any persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

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RISK FACTORS

Investor Suitability

The purchase of the Notes may involve substantial risks. Each prospective purchaser of the Notes should be familiar with instruments having characteristics similar to the Notes and should fully understand the terms of the Notes and the nature and extent of its exposure to risk of loss.

Before making an investment decision, prospective purchasers of the Notes should conduct such independent investigation and analysis regarding the Issuer, the Charged Assets Issuer and all other relevant persons and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. However, as part of such independent investigation and analysis, prospective purchasers of the Notes should consider carefully all the information set out in this Prospectus (including the offering memorandum in relation to the Charged Assets (the "**Charged Assets Offering Memorandum**") annexed to, and forming part of, this Prospectus and the Programme Memorandum incorporated by reference into this Prospectus) and the considerations set out below.

Investment in the Notes is only suitable for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the information contained in this Prospectus (including the information annexed to and incorporated by reference in this Prospectus) and the merits and risks of an investment in the Notes in the context of the investor's own financial circumstances and investment objectives.

No assurance as to the availability of a secondary market for the Notes can be given. Prospective purchasers of the Notes should therefore recognise that they may not be able to make any transfer of the Notes for a substantial period of time, if at all. Investment in the Notes is therefore only suitable for investors who are capable of bearing the economic risk of an investment in the Notes for their full term and are not acquiring the Notes with a view to a potential resale, distribution or other disposition at some future date.

None of the Issuer, the Trustee or the Managers nor any affiliate of any of them or other person on their behalf has made any investigation of, or makes any representation or warranty, express or implied, as to (i) the credit quality or transferability of the Charged Assets, (ii) the existence or financial or other condition of the Charged Assets Issuer or the Charged Assets or (iii) whether the Charged Assets constitute legal, valid and binding obligations of the Charged Securities Issuer.

Investment Considerations Associated with the Charged Assets

The Charged Assets in respect of the Notes comprise unsecured €1,000,000,000 5.252% Perpetual Subordinated Step-Up Loan Notes issued by Swiss Re. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the payment of interest and principal due on the Charged Assets. Accordingly, Noteholders are exposed to, among other things, the terms of the Charged Assets and the creditworthiness of the Charged Assets Issuer in respect of the Charged Assets. In particular, to the extent that the Charged Assets Issuer is subject to any financial difficulties, laws relating to bankruptcy, moratorium, reorganisation or similar processes may apply which could result in the Charged Assets Issuer defaulting or making partial payment on the Charged Assets which will result in the Issuer being unable to meet its obligations under the Notes. The Charged Assets Offering Memorandum, which is annexed to, and forms a part of, this Prospectus, and the risk factors set out in such document should be considered carefully in relation to the Notes.

Limited Recourse

The Notes constitute secured, limited recourse obligations of the Issuer, recourse in respect of which will be limited to the proceeds of the Charged Assets and the other Mortgaged Property relating to the Notes and no other assets of the Issuer will be available to satisfy claims of Noteholders. The Notes are not obligations of, or guaranteed in any way by, the Charged Assets Issuer or any Manager.

Reliance on Cashflows from Charged Assets

The payments made on the Charged Assets are the only source of payment on the Notes. The stated interest rate in respect of the Notes is 5.252% until 2016 and, thereafter, the Notes bear interest at a floating rate. However, interest will be payable under the Notes only to the extent that interest is paid under the terms of the Charged Assets. In particular, interest may be deferred in certain circumstances pursuant to the terms of the Charged Assets, in which case the Issuer will not be able to pay interest under the Notes to the extent of such deferral and for as long as such deferral is continuing. In certain circumstances, interest on the Charged Assets that is deferred may be cancelled. The Issuer will pay deferred interest to Noteholders, but only to the extent that amounts of deferred interest are received from the Charged Assets Issuer.

The terms of the Notes provide for capitalisation of deferred interest. However, the terms of the Charged Assets do not provide for capitalisation of deferred interest. Accordingly, while the amount of interest due under the Notes at any time may be greater than the amount of interest due under the Charged Assets as a result of capitalisation of deferred interest, the Issuer's obligation in respect of interest shall be to pay no more than amounts of interest received by it from time to time under the Charged Assets at the time such amounts are received by the Issuer and all claims in respect of any such shortfall shall, upon redemption, be extinguished.

The Issuer will not have any source of income to fund principal other than principal amounts received by the Issuer under the Charged Assets. Accordingly, regardless of the outstanding principal amount of the Notes as at the final redemption date, the amount payable upon redemption of the Notes shall be equal to the amount payable upon redemption of the Charged Assets and the excess of the outstanding principal amount of the Notes over the redemption amount actually payable shall be written off and no Noteholder shall have any claim for such written-off amount.

Redemption of the Notes

The Notes are perpetual securities and accordingly, there is no Maturity Date. However, the Notes will fall due for redemption by payment of an amount described above under "*Reliance on Cashflows from Charged Assets*" when the Charged Assets fall due for redemption. Prospective Noteholders should read the Charged Assets Offering Memorandum and understand the circumstances in which the Charged Assets may fall due for redemption.

No Recourse against Charged Assets Issuer

An investment in the Notes is not the same as an investment directly in the Charged Assets. Investors in the Notes will not have rights in or against the Charged Assets and will have no recourse against the Charged Assets Issuer. Investors must recognise that it is likely that the only assets which will be available to the Issuer to meet any claims against it by Noteholders will be the assets which comprise the security for the Notes. In particular, the proceeds of the Managers' Security Interest (as defined in item 26(vi)(A) of the Terms of the Notes set out in this Prospectus) will, in the event that the Managers' Security Interest becomes enforceable, be held by the Trustee on behalf of the Managers and applied in respect of any Managers' Claims (also as defined in such item 26(vi)(A)). Such proceeds will only be available to the Issuer to satisfy any claims of Noteholders to the extent not otherwise required to satisfy all Managers' Claims.

Furthermore, if the Charged Assets Issuer should default in the performance of any of its obligations under the Charged Assets, no Noteholder shall be entitled to proceed against the Charged Assets Issuer. In the event of a payment default under the Charged Assets or the Charged Assets becoming due and repayable for any reason other than following the exercise of an early redemption option thereunder, then the Notes shall become due and repayable and security for the Notes shall become enforceable. Upon security becoming enforceable, the Trustee may in its discretion or as directed by holders of at least one-fifth in aggregate principal amount of the Notes or by an Extraordinary Resolution of Noteholders, on being indemnified and/or secured to its satisfaction, but without liability as to the consequence of such action and without having regard to the effect of such action on individual Noteholders, realise the Charged Assets and the other Mortgaged Property in respect of the Notes. In doing so, the Trustee may attempt to sell the Charged Assets (as to which see applicable restrictions on transfers of Charged Assets under "*Transfer of Charged Assets*", below) or take such action as may be appropriate against the Charged Assets Issuer. Any such action brought by the Trustee against the Charged Assets Issuer shall be taken by the Trustee, acting as agent for the Issuer and not as trustee for the Noteholders and no Noteholder shall be entitled to give directions to the Trustee in relation to the manner in which any such action is pursued against the Charged Assets Issuer. In no circumstances will any Charged Assets be delivered to any Noteholder.

If the Trustee fails to take enforcement action within a reasonable period of time, investors in the Notes will have no right to take possession of the Charged Assets or to take any action against the Charged Assets Issuer. However, the Noteholders have the power, exercisable by Extraordinary Resolution, to remove the Trustee provided that a successor is appointed.

Transfer of Charged Assets

No assurance as to the availability of a liquid secondary market for the Charged Assets can be given or as to the price at which they would be sold upon the security for the Notes becoming enforceable. In particular, certain transfer restrictions apply in respect of the Charged Assets which restrict their ownership to Qualifying Banks (as defined in the Charged Assets Offering Memorandum) or one Permitted Non-Qualifying Lender (as defined in the Charged Assets Offering Memorandum). The Issuer is currently the one Permitted Non-Qualifying Lender. The market value of the Charged Assets, if they were ever sold following the security for the Notes becoming enforceable, may be less than would be the case were the Charged Assets fully transferable.

Tender Offer/Exchange Offer

The terms of the Notes provide that in certain circumstances (as set out in the Special Conditions below) the Issuer may participate in a Tender Offer or an Exchange Offer (each, as defined in the Special Conditions below) with respect to the Charged Assets. If, in such circumstances, the Charged Assets Issuer defaults in the performance of its payment or delivery obligations under the terms of the Tender Offer or the Exchange Offer, then all the Notes will become subject to mandatory early redemption upon which the security for the Notes shall become enforceable. Accordingly, Noteholders must recognise that they will be exposed to the risk of default by the Charged Assets Issuer in respect of any such offer, regardless of whether or not they participate in an ELM Tender Offer or an ELM Exchange Offer (each, as defined in the Special Conditions below). Any ELM Tender Offer or ELM Exchange Offer is subject to any terms or conditions required by the Trustee and, for as long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the EuroMTF Market of the Luxembourg Stock Exchange, all applicable rules and regulations of the Luxembourg Stock Exchange.

Independent Review and Advice

Each prospective Noteholder must determine, based on its own independent review and such legal, business and tax advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines, authorisations and restrictions (including as to its capacity) applicable to it, (iii) has been duly approved in accordance with all applicable laws and procedures and (iv) is a fit, proper and suitable investment for it, undertaken for a proper purpose.

Legality of Purchase

None of the Issuer, the Trustee or the Managers or any affiliate of any of them or other person on their behalf has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

No Reliance

The Issuer, the Trustee or the Managers and all affiliates of any of them disclaim any responsibility to advise purchasers of the Notes of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or from time to time hereafter. Noteholders may not at any time rely on any of the Issuer, the Trustee or the Managers or any affiliate of any of them or any person on their behalf to monitor whether or not a default or an event or circumstances which, with the giving of notice, the passage of time or making of any determination, could constitute a default has occurred under the Charged Assets.

No Restrictions on Activities

Any of the Issuer, the Trustee or the Managers and any affiliate of any of them or other person on their behalf may have existing or future business relationships (including depository, lending, advisory or any other kind of commercial or investment banking activities or other business) with the Charged Assets Issuer or any affiliate of the Charged Assets Issuer and may purchase, sell or otherwise deal in any assets or obligations of, or relating to, any such party. Any of the Issuer, the Trustee or the Managers and any affiliate of any of them or other person on their behalf may act with respect to any such business, assets or obligations without regard to any possible consequences for the Charged Assets Issuer, the Notes or any Noteholder (or the impact of any such dealing on the interests of any Noteholder) or otherwise.

Provision of Information

Any of the Issuer, the Trustee or the Managers or any affiliate of any of them or any other person acting on their behalf may at the date hereof or at any time hereafter be in possession of information in relation to the Charged Assets Issuer or the Charged Assets (which may or may not be publicly available or confidential). None of such persons shall be under any obligation to make any such information available to Noteholders or any other party.

Taxation

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges, that may be applicable to any payment to it in respect of the Notes. Neither the Issuer nor any other person will pay any additional amounts to the Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or by the Principal Paying Agent, although such requirement will give rise to an obligation to redeem the Notes early in the circumstances described in the terms of the Notes.

Credit Ratings

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

Legal Opinions

Whilst legal opinions relating to the issue of the Notes have been obtained with respect to English law and Dutch law, no such opinions have been obtained with respect to any other applicable laws, including the laws of Switzerland or as to the validity, enforceability or binding nature of the Charged Assets as against the Charged Assets Issuer.

TERMS OF THE NOTES

The Notes designated as above (the "**Notes**") shall have the following "**Terms**" which shall complete, modify and amend the Master Conditions (July 2005 Edition) (as set out in the Issuer's Programme Memorandum under the heading "Terms and Conditions of the Notes"), which shall apply to the Notes as so completed, modified and amended. References to "**Conditions**" or "**Condition**" shall, unless otherwise provided, mean references to the Terms and Conditions of the Notes. Unless the context otherwise requires, expressions used herein and not otherwise defined herein or in the Conditions shall have the meanings given to them in the terms and conditions of the Charged Assets.

1.	(i)	Issuer:	ELM B.V.
	(ii)	Arranger:	In relation to the Notes, there is no Arranger. Pursuant to a subscription agreement dated 4 May 2006 (the "**Subscription Agreement**") between the managers listed below (the "**Managers**") and the Issuer, the Managers have agreed, subject to the satisfaction of certain conditions, to subscribe for the Notes at the Issue Price. The Managers are: Joint Bookrunning Lead Managers: Dresdner Bank AG London Branch; HSBC Bank plc; and UBS Limited. Co-Lead Managers: ABN AMRO Bank N.V.; and Merrill Lynch International. Each reference in the Conditions to the Arranger shall be construed as a reference to the Managers.
2.	(i)	Series Number:	44.
	(ii)	Tranche Number:	Not applicable.
3.		Principal Amount:	The principal amount of the Notes is EUR1,000,000,000. The aggregate outstanding principal amount of the Notes shall, from time to time, increase by an amount equal to any increase in the outstanding principal amount of Charged Assets pursuant to the terms thereof. Any such increase shall be effective as of the Interest Payment Date on which the relevant increase in the outstanding principal amount of the Charged Assets occurs. The Issuer shall promptly notify the Noteholders of the same in accordance with Condition 14.
4.		Issue Price:	100.00 per cent.
5.		Net proceeds:	EUR 991,500,000.
6.		Authorised Denomination:	EUR 50,000.
7.	(i)	Issue Date:	11 May 2006.
	(ii)	Interest Commencement Date:	Issue Date.
8.		Maturity Date:	The Notes are perpetual securities and, accordingly, there is no Maturity Date. The Notes shall be redeemed on the Business Day next following the due date for redemption of the Charged Assets for an

amount equal to their outstanding principal amount together with accrued interest on the Notes up to the due date for redemption of the Charged Assets; provided always that, on the date on which the Notes are due to be redeemed, the aggregate outstanding principal amount of the Notes shall be reduced to an amount equal to the amount of principal payable under the Charged Assets minus an amount equal to the difference between (i) the accrued interest due on the Notes on the relevant redemption date and (ii) the accrued interest due on the Charged Assets on their relevant redemption date, and the outstanding principal amount of each Note shall be reduced proportionately.

9.	Interest Basis:	Fixed Rate as provided in item 12 below in respect of the period from and including the Issue Date, to but excluding 25 May 2016 and thereafter Floating Rate as provided in item 13 below.
10.	Status of the Notes:	
	(i) Status of the Notes:	Secured and limited recourse obligations of the Issuer ranking *pari passu* without any preferences amongst themselves secured as set out under Security below and subject to the priority set out under Priority below. *(See also, in particular, Condition 10 as set out in the Programme Memorandum incorporated by reference herein).*
	(ii) Priority:	Noteholder Priority (*see Condition 4(d)).* For the avoidance of doubt, Noteholder Priority shall only apply in relation to the application of the proceeds of enforcement of the security for the Notes and shall not apply to the application of the proceeds of enforcement of the Managers' Security Interest (as defined in item 26(vi) below). The proceeds of enforcement of the Managers' Security Interest shall be applied first in meeting the expenses and remuneration and any other amounts due to the Trustee (both in its capacity as trustee of the Managers and the Noteholders and in its capacity as agent of the Issuer in the circumstances described in item 26(vi)(B) below) including in respect of any liabilities incurred, or to any receiver appointed pursuant to the relevant Constituting Instrument including in respect of any liabilities incurred and thereafter in meeting the claims of the Managers *pari passu* and rateably under the Subscription Agreement.
11.	Listing:	Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and for such Notes to be admitted to trading on the EuroMTF Market of the Luxembourg Stock Exchange on the Issue Date.
12.	Fixed Rate Provisions:	Applicable in respect of the Interest Payment Dates specified below.
	(i) Interest Rate:	5.252 per cent. per annum.
	(ii) Interest Payment Dates:	25 May and 25 November in each year, commencing 25 November 2006 to and including 25 May 2016, each such date subject to adjustment in accordance with the Business Day Convention; provided that each Interest Amount shall not actually be payable until the Business Day immediately following each Interest Payment Date.
	(iii) Calculation Amount:	The definition of Calculation Amount in Condition 6 shall apply; provided that if the aggregate outstanding principal amount of the Notes is reduced pursuant to the second paragraph of item (vii) below on any day other than an Interest Payment Date, the Calculation Amount in respect of each Note shall be an amount equal to the sum of the Calculation Amount on each day during the relevant Interest Period divided by the number of days in that Interest Period.

(iv)	Relevant Business Day:	A day (other than a Saturday or a Sunday) on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system settles payments (each, a "**Business Day**").
(v)	Day Count Fraction:	Actual/Actual
(vi)	Business Day Convention:	Following Business Day Convention; provided that no Interest Period shall be adjusted even if a relevant Interest Payment Date is so adjusted.
(vii)	Other terms relating to the method of calculating interest for Notes for the period during which the Interest Basis is Fixed Rate:	The Interest Amount shall be calculated in accordance with the Conditions and the Fixed Rate Note provisions set out above, save to the extent that the Issuer receives an amount of interest under the Charged Assets (in accordance with the terms and conditions of the Charged Assets) which is payable on an Interest Payment Date and which is less than the aggregate of the Interest Amounts due on each Note with respect to such Interest Payment Date, in which case the aggregate Interest Amount shall be such lesser amount. An amount equal to the difference between the aggregate Interest Amount as calculated in accordance with the Conditions and the Fixed Rate Note provisions and the aggregate Interest Amount actually paid to the Noteholders with respect to such Interest Payment Date (the "**Deferred Fixed Amount**"), shall, as of such Interest Payment Date, be added to the aggregate outstanding principal amount of the Notes. The aggregate of all Deferred Fixed Amounts which have not previously been paid pursuant to these Terms shall be payable on the Business Day next following the date (if any) on which any amount of interest which has been deferred for any reason pursuant to the terms of the Charged Assets is payable pursuant to the terms of the Charged Assets; provided that if such payment in respect of deferred interest under the Charged Assets is less than the amount otherwise payable pursuant to this paragraph in respect of Deferred Fixed Amounts then the amount payable by the Issuer pursuant to this paragraph shall be reduced to such lesser amount. The aggregate outstanding principal amount of the Notes shall be reduced by the amount actually paid pursuant to the preceding sentence in respect of Deferred Fixed Amounts.

13.	Floating Rate Provisions:	Applicable in respect of the Interest Payment Dates specified below.

(i)	Interest Payment Dates:	25 May and 25 November in each year commencing 25 November 2016, each such date subject to adjustment in accordance with the Business Day Convention; provided that each Interest Amount shall not actually be payable until the Business Day immediately following each Interest Payment Date.
(ii)	Business Day Convention:	Following Business Day Convention (where "**Relevant Business Day**" shall have the same meaning as set out in item 12(iv) above); provided that no Interest Period shall be adjusted even if a relevant Interest Payment Date is so adjusted.
(iii)	Manner in which the Interest Rate is to be determined:	The Interest Rate shall be comprised of the Benchmark and the Spread (each, as set out below). If the Benchmark does not appear on the Relevant Screen Page on the relevant Interest Determination Date, the Calculation Agent will:

(a) Request the principal euro-zone office of each of four major banks in the Relevant Financial Centre (the "**Reference Banks**") to provide a quotation of the rate at which deposits in euros are offered by it at approximately 11:00 am (Brussels time) on the Interest Determination Date to prime banks in the euro-zone interbank market for a period of six months commencing on the first day of the relevant Interest Period and in an amount that is representative for a single transaction in the market at that time; and determine the arithmetic mean of such quotations to the nearest 5 decimal places (with 0.00005 being rounded upwards).

(b) If fewer than two quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the euro-zone selected by the Calculation Agent at approximately 11:00 am (Brussels time) on such Interest Determination Date for loans in euros to leading European banks for a period of six months commencing on the first day of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at that time.

(c) If the Calculation Agent is unable to determine an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate during such Interest Period will be the Interest Rate in effect for the last preceding Interest Period to which one of the preceding determinations of this item 13(iii) shall have applied or if none the Interest Rate that applied under the Fixed Rate Provisions.

In Condition 6(g) the following words shall be added after the words "extension or shortening of the Interest Rate": "or in the event that the Calculation Amount changes during an Interest Period".

(iv)	Calculation Amount:	The definition of Calculation Amount in Condition 6 shall apply; provided that if the aggregate outstanding principal amount of the Notes is reduced pursuant to the second paragraph of item (xii) below on any day other than an Interest Payment Date, the Calculation Amount in respect of each note shall be an amount equal to the sum of the Calculation Amount on each day during the relevant Interest Period divided by the number of days in that Interest Period.
(v)	If Screen Rate Determination:	Applicable.

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The "**Relevant Screen Page**" is (A) Telerate page 248 on the Dow Jones Telerate Service; (B) such other page as may replace that page on that service for the purpose of displaying such information; or (C) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one selected at the discretion of the Calculation Agent) as may replace the Dow Jones Telerate Service.

The "**Benchmark**" is six month EURIBOR, being the offered rate for deposits in euros with a designated maturity of six months which appear on the Relevant Screen Page as of 11:00 am (Brussels time) on the relevant Interest Determination Date.

			The "**Interest Determination Date**" is the second Business Day prior to the commencement of each Interest Period or, in the case of the first Interest Period under these Floating Rate Provisions, 25 May 2016.
	(vi)	Spread:	2.09 per cent. per annum.
	(vii)	Spread Multiplier:	Not applicable.
	(viii)	Minimum Interest Rate:	Not applicable.
	(ix)	Maximum Interest Rate:	Not applicable.
	(x)	Relevant Financial Centre:	The euro-zone interbank market, where "**euro-zone**" means the region comprised by the member states of the European Union that adopted the single currency in accordance with the EC Treaty.
	(xi)	Day Count Fraction:	Actual/360.
	(xii)	Other terms relating to the method of calculating interest for Notes for the period during which the Interest Basis is Floating Rate:	The Floating Amount shall be calculated in accordance with the Floating Rate Note provisions set out above, save to the extent that the Issuer receives an amount of interest under the Charged Assets (in accordance with the terms and conditions of the Charged Assets) which is payable on an Interest Payment Date and which is less than the aggregate of the Interest Amounts due on each Note with respect to such Interest Payment Date, in which case the aggregate Interest Amount shall be such lesser amount. An amount equal to the difference between the aggregate Interest Amount as calculated in accordance with the Conditions and the Floating Rate Note provisions and the aggregate Interest Amount actually paid to the Noteholders with respect to such Interest Payment Date (the "**Deferred Floating Amount**"), shall, as of such Interest Payment Date, be added to the aggregate outstanding principal amount of the Notes. The aggregate of all Deferred Fixed Amounts and Deferred Floating Amounts which have not previously been paid pursuant to these Terms shall be payable on the Business Day next following the date (if any) on which any amount of interest which has been deferred for any reason pursuant to the terms of the Charged Assets is payable pursuant to the terms of the Charged Assets; provided that if such payment in respect of deferred interest under the Charged Assets is less than the amount otherwise payable pursuant to this paragraph in respect of Deferred Fixed Amounts and Deferred Floating Amounts then the amount payable by the Issuer pursuant to this paragraph shall be reduced to such lesser amount. The aggregate outstanding principal amount of the Notes shall be reduced by the amount actually paid pursuant to the preceding sentence in respect of Deferred Fixed Amounts and Deferred Floating Amounts.
14.	Zero Coupon Note provisions:		Not applicable.
15.	Dual Currency Note Provisions:		Not applicable.
16.	Variable Coupon Amount Note Provisions:		Not applicable.
17.	Call/Put Option:		Not applicable.

18.	Redemption Amount:	An amount equal to the Authorised Denomination of each Note, subject as provided in item 8 above.
19.	Mandatory Redemption:	Condition 7(b)(1) shall apply, save that the words "or become capable of being declared due and repayable" therein shall be deemed to be deleted and save to the extent that item 8 above applies.
20.	Redemption Amount on redemption for taxation:	Condition 7(c) shall apply.
21.	Form of Notes:	Bearer Notes: TEFRA D.
	(i) The Notes will initially be represented by:	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for a Definitive Note in the limited circumstances specified in the Permanent Global Note.
	(ii) Registered Notes:	Not applicable.
22.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	Not applicable.
23.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No.
24.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not applicable.
25.	Redenomination applicable:	Not applicable.
26.	Security:	
	(i) Charged Assets:	€1,000,000,000 5.252% Perpetual Subordinated Step-Up Loan Notes issued by Swiss Reinsurance Company ("**Swiss Re**" or the "**Charged Assets Issuer**") as the same may be increased from time to time pursuant to and in accordance with the terms of the Charged Assets. *(The Charged Assets are not listed on any stock exchange and the Charged Assets Offering Memorandum is annexed to and forms a part of this Prospectus)* The Custodian (which shall initially be UBS AG) is required at all times to be an OECD bank or other financial institution with a rating in respect of its short-term unsecured, unsubordinated and unguaranteed debt obligations of no less than A-1 from Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") and no less than P-1 from Moody's Investor Services, Inc. ("**Moody's**").
	(ii) Charging Instrument:	Not applicable.
	(iii) Depositary Account:	Each account of the Custodian in which the Charged Assets are held from time to time.
	(iv) Charged Agreement:	No.
	(v) Swap Counterparty:	Not applicable.

	(vi) Other Security:	(A) Pursuant to the Trust Deed in relation to the Notes, the Issuer will assign by way of security in favour of the Trustee for itself and as trustee for the Managers all of the Issuer's rights against the Charged Assets Issuer under the purchase agreement (the "**Purchase Agreement**") between the Issuer and the Charged Assets Issuer relating to the purchase of the Charged Assets by the Issuer and will charge the proceeds of enforcement of any claim under the Purchase Agreement (such security, the "**Managers' Security Interest**"). The Managers' Security Interest is granted to the Trustee to hold for itself and as trustee for the Managers as continuing security in respect of any claim the Managers may have (a "**Managers' Claim**") against the Issuer under the Subscription Agreement arising from any representation, warranty, covenant or agreement given therein by the Issuer regarding the Charged Assets, the Charged Assets Issuer and the part of the Prospectus for the Notes comprising the Charged Assets Offering Memorandum. Enforcement of the Managers' Security Interest shall, subject to and in accordance with the terms of the Trust Deed, take effect only in the manner described in paragraph (B) below. *No Noteholder shall have any interest in the Managers' Security Interest. If the Managers' Security Interest becomes enforceable, the security for the Notes shall not consequentially become enforceable and the Notes shall not be affected thereby and shall accordingly remain outstanding.* (B) Any action which the Trustee takes against the Charged Assets Issuer upon the security for the Notes or the Managers' Security Interest becoming enforceable shall be taken by the Trustee in its capacity as agent for the Issuer and not as trustee for the Noteholders or the Managers. Pursuant to the Trust Deed, the Issuer has appointed the Trustee as its agent for such purposes. Consequently, the Issuer has assigned by way of security in favour of the Trustee for itself and as trustee for the Noteholders and the Managers all of the Issuer's rights against the Trustee (in its capacity as the Issuer's agent) pursuant to the Trust Deed. Such security is granted to the Trustee to hold for itself and as trustee for the Noteholders as continuing security for the payment of interest and principal on the Notes and for the Managers as continuing security for the Managers' Claim. (C) The net proceeds of issue of the Notes shall be credited to an account (the "**Custody Cash Account**") of the Issuer with the Custodian pending application on or about the Issue Date towards payment of the purchase price by the Charged Assets Issuer. The Issuer will, pursuant to the Trust Deed in relation to the Notes, create a charge over, and assign by way of security its rights against the Custodian in respect of, the Custody Cash Account in favour of the Trustee for itself and as trustee for the Noteholders.
27.	Securities Lending Agreement:	No.
28.	Additional selling restrictions:	The applicable selling restrictions are as set out in "Subscription and Sale" below and in the Programme Memorandum. In the event of any inconsistency, the selling restrictions set out in "Subscription and Sale" shall prevail.
29.	Rating:	It is a condition to the issuance of the Notes that they receive a rating at the time of issuance from S&P of at least A and from Moody's of at least A1.

30.	ISIN Code:	XS0253627136
31.	Common Code:	025362713
32.	Alternative Clearing System:	Not applicable.
33.	Delivery:	Delivery against payment.
34.	Principal Paying Agent:	UBS AG, London Branch.
35.	Sub-Custody:	Not applicable.
36.	Calculation Agent:	UBS Limited or any successor thereof. All determinations made by the Calculation Agent hereunder shall, in the absence of manifest error, wilful default or bad faith, be final and conclusive, and the Calculation Agent shall have no liability to the Issuer, the Noteholders or any third party in relation to such determinations. Nothing contained herein shall prevent the Calculation Agent from dealing in these Notes or from entering into any transactions, including without limitation any swap or hedging transactions with the Charged Assets Issuer.
37.	Exchange of Permanent Global Note:	Provided that certification of non-U.S. beneficial ownership has been received by Euroclear or Clearstream, Luxembourg the Permanent Global Note will be exchangeable, in whole but not in part, for definitive Bearer Notes if: (i) Euroclear or Clearstream, Luxembourg or other clearing system in which the Permanent Global Note is for the time being deposited is closed for business for a period of 14 days (other than by reason of holidays statutory or otherwise) or announces an intention permanently to cease business or to make its book- entry system available for settlement of beneficial interests in such Permanent Global Note or does in fact do either of such things and no alternative clearing system, satisfactory to the Trustee and the Principal Paying Agent (after consultation with the Issuer) is available, or (ii) the Notes become due and payable in accordance with Condition 9 and payment is not made on due presentation of the Permanent Global Note for payment.
38.	PMP Redemption Event under Condition 7(k):	Applicable.

Special Condition: Tender Offers and Exchange Offers

The Issuer may at any time make an offer to purchase the Notes for cash consideration (an "**ELM Tender Offer**") or to exchange the Notes for non-cash assets (an "**ELM Exchange Offer**"). Any ELM Tender Offer or ELM Exchange Offer may only be made on a limited recourse basis and the Issuer shall not make an ELM Tender Offer or an ELM Exchange Offer without first having entered into an agency agreement with an agent to act as tender agent or, as the case may be, exchange agent for the Issuer in connection with the ELM Tender Offer or the ELM Exchange Offer and without first being satisfied that its costs and expenses in connection with the same will be met. Furthermore, any ELM Tender Offer or ELM Exchange Offer shall be subject to any terms or conditions required by the Trustee and shall, for as long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, be in accordance with all applicable rules and regulations of the Luxembourg Stock Exchange.

If at any time the Charged Assets Issuer makes an offer to the Issuer, or the Custodian on behalf of the Issuer, to purchase the Charged Assets for cash consideration (a "**Tender Offer**") or for non-cash assets (an

“**Exchange Offer**”), then the Issuer shall not accept such Tender Offer or Exchange Offer, and the Trustee shall not be permitted to release the security created over the Charged Assets pursuant to the Trust Deed, other than in accordance with this paragraph. The Trustee shall release the security created over the Charged Assets to the extent Noteholders accept an ELM Tender Offer or an ELM Exchange Offer, which the Issuer shall make, subject as provided in the previous paragraph, upon such occurrence unless, in the reasonable opinion of the Issuer, the Issuer would be materially disadvantaged by the same.

The occurrence of any default by the Charged Assets Issuer in respect of any payment or delivery obligation under a Tender Offer or an Exchange Offer, shall be an Additional Mandatory Redemption Event for the purposes of Condition 7(b)(3).

USE OF PROCEEDS

The net proceeds from the issue of the Notes (amounting to approximately € 991,500,000) will be applied by the Issuer to finance the purchase price for the Charged Assets.

SWISS TAXATION

General

The following summary does not purport to address all tax consequences of the acquisition, ownership and disposal of Notes, and does not take into account the specific circumstances of any particular investor. This summary is based on the tax laws, regulations and regulatory practices of Switzerland, as in effect on the date hereof, which are subject to change (or subject to changes in interpretation), possibly with retroactive effect and a tax ruling with the Swiss federal tax administration, and assumes, as confirmed in a Swiss federal tax ruling, residence and effective management of the Issuer outside Switzerland.

Noteholders or prospective Noteholders are advised to consult their own tax advisers in light of their particular circumstances as to the Swiss tax laws, regulations and regulatory practices that could be relevant for them in connection with acquiring, owning and disposing of Notes and receiving interest, principal or other payments on the Notes and the consequences of such events under the tax laws, regulations and regulatory practices of Switzerland.

Withholding Tax

Interest, principal and other payments on the Notes will not be subject to Swiss Withholding Tax (*Verrechnungssteuer*).

Stamp Taxes

The issuance of the Notes will not be subject to Swiss Issuance Stamp Tax (*Emissionsabgabe*) and the issuance of the Notes to the original Noteholders at the original offering price will not be subject to Swiss Securities Turnover Tax (*Umsatzabgabe*). Subsequent dealings in the Notes where a bank or another securities dealer in Switzerland (as defined in the Swiss Federal Stamp Tax Act) acts as an intermediary, or is a party, to the transaction, may be subject to Swiss Securities Turnover Tax at an aggregated rate of up to 0.3 percent of the purchase price of the Notes.

Swiss Federal, Cantonal and Communal Income Taxation

Non-Resident Noteholders

Payments on the Notes to a Noteholder who is not resident in Switzerland for tax purposes, and who, during the relevant taxation year, has not engaged in a trade or business through a permanent establishment or fixed place of business in Switzerland for tax purposes, and who is not subject to corporate or individual income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax, capital tax or wealth tax.

Resident Noteholders and Noteholders with a Trade or Business in Switzerland

Noteholders who hold Notes as part of a trade or business in Switzerland for tax purposes, in the case of residents abroad carried on trough a permanent establishment or a fixed place of business, are required to recognize payments on the Notes and capital gains or losses realized on the disposal of Notes in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal corporate or individual income tax, as the case may be, on any net taxable income (including payments on the Notes and capital gains or losses realized on the disposal of Notes) for such taxation period. The same taxation treatment also applies to Swiss-resident private individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealing, or leveraged investments, in securities.

Private individuals resident in Switzerland and holding Notes as part of their private fortune, are required to include interest payments (but not repayment of principal) on the Notes in their personal income tax return and are subject to Swiss federal, cantonal and communal income tax on any net taxable income (including interest payments (but not repayment of principal) on the Notes) for the relevant taxation period. For private individuals capital gains resulting from the disposal of Notes are not subject to Swiss federal, cantonal and communal income tax; this is also the case for accrued interest. Capital losses are not tax-deductible. Swiss resident private individuals who hold the Notes as part of their private fortune are required to report their Notes as part of their taxable wealth and will be subject to cantonal and communal wealth tax, provided that their net taxable wealth (including the Notes) exceeds applicable allowances or levels.

SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., Dresdner Bank AG London Branch, HSBC Bank plc, Merrill Lynch International and UBS Limited (the "**Managers**") have in the subscription agreement (the "**Subscription Agreement**") dated 4 May 2006 agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at 100 per cent. of their principal amount. The Subscription Agreement entitles the Managers acting together to terminate it in certain circumstances.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**"), as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes will be issued in bearer form and therefore are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, in either case within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each of the Managers has represented and agreed that:

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

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

The Netherlands

Dutch 1992 Act of the Supervision of the Credit System

Notes (including rights representing an interest in a global note) may not, directly or indirectly, be, or announced to be, offered, sold, resold, transferred, or delivered prior to their initial distribution or at any time thereafter, to or to the order of or for the account of any person anywhere in the world, other than professional market parties ("**Professional Market Parties**"), including, *inter alia*:

(A) Enterprises or entities under supervision by the Dutch Central Bank *(De Nederlandsche Bank)* (the "**DCB**")*,* the Dutch Financial Markets Authority *(Autoriteit Financiële Markten*) or by a supervisory authority of another state and which are consequently authorised to act on the financial markets;

(B) Enterprises or entities which pursue regulated activities on the financial markets otherwise than as set out under (A);

(C) The Dutch Government *(de Staat der Nederlanden)*, the DCB, Dutch regional, local or other decentralised governmental institutions, central banks, international treaty organisations and supranational institutions;

(D) Enterprises or entities which meet at least two of the following three criteria:

   (1) an average number of employees of 250;

   (2) an asset value of more than EUR 43,000,000; and

   (3) an annual net turnover of more than EUR 50,000,000;

(E) Dutch legal entities which have requested to be registered as a professional market party;

(F) Natural persons domiciled in The Netherlands who have requested to be registered as a professional market party, and who meet at least two of the following three criteria:

   (1) on average at least 10 significant transactions on the financial markets per quarter during the last four quarters;

   (2) the size of the person's securities portfolio exceeds EUR 500,000; and

   (3) the person has worked for at least one year in the financial sector in a professional position which requires knowledge of investment in securities,

(G) Enterprises or institutions which sole corporate purpose is to invest in securities;

(H) Enterprises or entities which are solely incorporated to carry out transactions to acquire assets which serve as collateral for securities *(effecten)* offered;

(I) Enterprises or entities with total assets of at least EUR 500,000,000 as per the balance sheet as of the year end preceding the date they purchase or acquire the Notes;

(J) Enterprises, entities or individuals with net equity of at least EUR 10,000,000 as per the balance sheet as of the financial year end preceding the date they purchase or acquire the Notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;

(K) Subsidiaries of the entities referred to under (A) up to and including (H) above provided such subsidiaries are subject to supervision on a consolidated basis;

(L) Enterprises and institutions which have a rating of a rating agency that is recognised by the DCB or which issue securities that have a rating from such rating agency,

all within the meaning of and as further described and defined in section 1, paragraph E, of the Dutch ministerial regulation of 26 June 2002, as amended from time to time, implementing, *inter alia*, section 6, paragraph 2 of the Dutch 1992 Act of the Supervision of the Credit System (*Wet toezicht kredietwezen 1992*), as amended from time to time.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

(1) the purchaser is purchasing the Notes for its own account or for the account of a Professional Market Party to which notice has been given that the transfer is being made in reliance on it being a Professional Market Party, and not with a view to any public resale or distribution thereof;

(2) such purchaser has confirmed it is a Professional Market Party and is aware that any sale and transfer of the Notes to it will be made in reliance on such confirmation; and

(3) such purchaser agrees and each subsequent purchaser of the Notes by its acceptance thereof will agree, to offer, to sell, to resell, or to transfer such Notes only (i) to the Issuer or (ii) to a person it reasonably believes is a Professional Market Party that purchases for its own account or for the account of a Professional Market Party to which notice has been given that the transfer is being made in reliance on it being a Professional Market Party. Such purchaser acknowledges that the Notes bear a legend substantially to the following effect:

> THIS NOTE (OR INTEREST THEREIN) MAY NOT, DIRECTLY OR INDIRECTLY, BE, OR ANNOUNCED TO BE, OFFERED, SOLD, RESOLD, TRANSFERRED, OR DELIVERED PRIOR TO ITS INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, TO OR TO THE ORDER OF OR FOR THE ACCOUNT OF ANY PERSON ANYWHERE IN THE WORLD, OTHER THAN PROFESSIONAL MARKET PARTIES.
>
> THE HOLDER OF THIS NOTE (OR INTEREST THEREIN) BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL, RESELL, TRANSFER OR DELIVER SUCH NOTE ONLY (A) TO THE ISSUER OR (B) TO A PERSON IT REASONABLY BELIEVES IS A PROFESSIONAL MARKET PARTY THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PROFESSIONAL MARKET PARTY TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON IT BEING A PROFESSIONAL MARKET PARTY.
>
> EACH PURCHASER OF THIS NOTE (OR INTEREST THEREIN), BY ITS ACCEPTANCE HEREOF, WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS ACTING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ANOTHER PROFESSIONAL MARKET PARTY.

General

No action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

1. **Authorisation**

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was duly authorised by a resolution of the board of directors of the Issuer dated 3 May 2006.

2. **Listing of the Notes**

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and for such Notes to be admitted to trading on the EuroMTF Market of the Luxembourg Stock Exchange.

3. **Interests of Natural and Legal Persons in the Issue**

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

4. **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer since the date of its incorporation and there has been no material adverse change in the financial position or prospects of the Issuer since such date.

5. **Litigation**

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since the date of its incorporation a significant effect on the financial position of the Issuer.

6. **Paying Agent in Luxembourg; Listing Agent**

The Paying Agent in Luxembourg through which payments are made is Dexia Banque Internationale à Luxembourg, *société anonyme*, whose office is set out on the back page hereof. The address of the Luxembourg Listing Agent is set out on the back page hereof.

7. **Documents Available**

The consolidated financial statements of the Charged Assets Issuer for the years ended 31 December 2004 and 2005 and all subsequent consolidated financial statements published by the Charged Assets Issuer (including any interim consolidated financial statements) will be available for inspection and collection free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Paying Agent in Luxembourg. Also the statutory documents of the Charged Assets Issuer will be available for inspection and collection free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Paying Agent in Luxembourg.

8. **Clearing Systems and Settlement**

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg or such other clearing system approved by the Issuer and the Trustee. The common code and ISIN for the Notes, will be 025362713 and XS0253627136 respectively.

LISTING APPLICATION

This Prospectus comprises the listing particulars required to list the issue of Notes described herein pursuant to the EUR 15,000,000,000 Secured Note Programme of the Issuer.

RESPONSIBILITY

Subject as provided herein, the Issuer accepts responsibility for the information contained in this Prospectus.

By: ______________________________________

Duly authorised

ANNEX

Charged Assets Offering Memorandum

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Offering Memorandum

Swiss Re

Swiss Reinsurance Company

€1,000,000,000

5.252% Perpetual Subordinated Step-Up Loan Notes

The €1,000,000,000 5.252% Perpetual Subordinated Step-Up Loan Notes (the "Loan Notes") will be issued by Swiss Reinsurance Company on May 11, 2006 (the "Issue Date"). Initially, only one Loan Note will be issued in this offering (the "Loan Notes Offering").

The Loan Notes have no final maturity date. We may redeem the Loan Notes in whole but not in part at their principal amount, together with any accrued interest, on May 25, 2016 (the "First Optional Redemption Date") and on each Interest Payment Date (as defined in Condition 3.1 of the terms and conditions of the Loan Notes (the "Conditions")) thereafter. We may also redeem the Loan Notes in whole but not in part upon the occurrence of a Recalculation of Interest Event or a Special Tax Event (each as defined in the Conditions, and referred to collectively as a "Par Redemption Event") or upon the occurrence of an Accounting Event, a Regular Tax Event or a Regulatory Event (each as defined in the Conditions, and referred to collectively as a "Make Whole Redemption Event"). A redemption upon the occurrence of a Par Redemption Event will be at the principal amount of the Loan Notes, together with any accrued interest. A redemption upon the occurrence of a Make Whole Redemption Event will be at the higher of (i) the Make Whole Amount (as defined in the Conditions) and (ii) the principal amount of the Loan Notes, in either case, together with any accrued interest. In the case of any redemption, we may call and redeem the Loan Notes only if the Swiss Federal Office of Private Insurance ("FOPI"), any successor to the FOPI or any other authority or successor authority that has regulatory jurisdiction over our operations (collectively a "Successor Authority") has given (and has not subsequently withdrawn) its consent to the redemption, to the extent such consent is required, or otherwise has not objected to the redemption, all as more fully described in the Conditions.

The Loan Notes will bear interest at (i) a fixed rate of 5.252% per annum from and including May 11, 2006 until (and excluding) the First Optional Redemption Date payable semi-annually in arrears on May 25 and November 25 in each year commencing on November 25, 2006, and (ii) a floating rate equal to the sum of six month EURIBOR for such coupon period and 2.09% per annum from and including the First Optional Redemption Date payable semi-annually in arrears on each May 25 and November 25 thereafter. Under certain circumstances described in Condition 3.2 of the Conditions, we may elect, or be required, to defer interest payments on the Loan Notes.

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

The Loan Notes will be represented by definitive certificates in registered form. The Loan Notes will not be listed on any securities exchange.

See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors.

The Loan Notes have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act"). The Loan Notes are only being offered outside the United States in accordance with Regulation S promulgated under the Securities Act. The Loan Notes are subject to significant restrictions on transfer. See "Offering and Transfer Restrictions."

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

No person has been authorized to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue or sale of the Loan Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us.

The offer, sale and delivery of the Loan Notes and the distribution of this Offering Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by us to inform themselves about and to observe any such restriction. In particular, the Loan Notes have not been, and will not be, registered under the Securities Act and may not be offered, sold or delivered within the United States. In addition, each holder of Loan Notes (a "Loan Noteholder") must be a Qualifying Bank (as defined in the Conditions); provided, however, that one single Permitted Non-Qualifying Lender (as defined in the Conditions) may also be a Loan Noteholder. For a description of the restrictions on resales and other transfers of the Loan Notes, see "Offering and Transfer Restrictions."

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In this Offering Memorandum, unless the context otherwise requires, "Issuer," "Swiss Re," "Swiss Re Group," "the Group," "we," "us" and "our" refer to Swiss Reinsurance Company and its consolidated subsidiaries. See also "Glossary of Selected Insurance and Reinsurance Terms" beginning on page 175 and "Certain Other Definitions Used in this Offering Memorandum" beginning on page 178.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our historical consolidated financial statements as of and for the years ended December 31, 2003, 2004 and 2005 are prepared and presented in accordance with Swiss company law and Swiss GAAP FER, have been audited by our independent accountants, and are included elsewhere in this Offering Memorandum. We have reclassified certain line items in our financial statements for 2003 and 2004 (as compared to the published financial statements for those prior periods) to reflect the transfer of our Risk Solutions unit from our Financial Services business to our Property & Casualty business and to conform to our 2005 presentation. We expect to begin publishing our consolidated accounts in U.S. GAAP beginning with the year ending December 31, 2006.

We publish our consolidated financial statements in Swiss francs. Unless we note otherwise, all amounts in this Offering Memorandum are expressed in Swiss francs. As used in this Offering Memorandum, references to "Swiss francs" or "CHF" are to Swiss currency and references to "U.S. dollars," "$" or "USD" are to U.S. currency. For your convenience, unless otherwise indicated, this Offering Memorandum contains translations of Swiss franc amounts into U.S. dollars at CHF 1.3148 = $1.00, the Bloomberg Rate on December 30, 2005. On May 3, 2006, the Bloomberg Rate was CHF 1.2351 = $1.00. See "Exchange Rate Information" for historical information about the Bloomberg Rate. We do not use these rates in the preparation of our consolidated financial statements. You should not construe these translations as representations that the amounts referred to actually represent translated amounts or that you could convert these amounts into U.S. dollars at the rate indicated.

On November 18, 2005, we agreed to acquire GE Insurance Solutions Corporation ("GEIS"), excluding its U.S. life and health operations, from General Electric Company for a purchase price of $6.8 billion (the "Proposed Acquisition"). The closing of the Proposed Acquisition is subject to various closing conditions, including receipt of regulatory approvals. The purchase price is subject to adjustments that will be determined at the time of the closing of the Proposed Acquisition, and certain adjustments will be determined post-closing. In addition, certain other payments to General Electric may be required in connection with the Proposed Acquisition and we will be assuming indebtedness and obligations in respect of letters of credit. See "Proposed Acquisition" and "Capitalization." We refer in this Offering Memorandum to:

- the business and operations of GEIS that we propose to acquire as the "GEIS Business";

- General Electric Company and/or the subsidiaries of General Electric Company that hold the shares of subsidiaries that conduct the GEIS Business to be transferred to us as part of the Proposed Acquisition as "General Electric";
- the U.S. life and health operations of GEIS that we are not acquiring as the "Excluded Operations"; and
- the Excluded Operations, together with certain assets and liabilities unrelated to such operations, that we are not acquiring or assuming as the "Excluded Items."

A description of the U.S. life and health business of GEIS is included under "Business of GE Insurance Solutions—Life and Health" and the adjustments in respect of the other assets and liabilities not being acquired or assumed are reflected in the "Other excluded items" column in the reconciliation of GEIS' historical income statement to the GEIS Business' income statement under Swiss GAAP FER in note (2) to the unaudited pro forma income statement, and the reconciliation of GEIS' historical balance sheet to the GEIS Business' balance sheet under Swiss GAAP FER in note (2) to the unaudited pro forma balance sheet, in each case as set forth in "Unaudited Pro Forma Financial Information."

We have included in this Offering Memorandum historical consolidated financial statements and data for GEIS prepared in accordance with U.S. GAAP as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005. The historical consolidated financial statements of GEIS as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 have been audited by KPMG LLP, independent accountants, and are included elsewhere in this Offering Memorandum. The U.S. GAAP historical financial statements of GEIS included in this Offering Memorandum have not been restated to exclude the Excluded Items.

We have also presented unaudited pro forma financial data as of and for the year ended December 31, 2005 based on our Swiss GAAP FER historical consolidated financial statements and on historical consolidated financial data for GEIS that have been converted for purposes of comparability from U.S. GAAP to Swiss GAAP FER. These data give effect to the Proposed Acquisition, including adjustments to eliminate the Excluded Items, as if the Proposed Acquisition had occurred on January 1, 2005, in the case of income statement data, and on December 31, 2005, in the case of balance sheet data.

Differences exist between Swiss company law and Swiss GAAP FER, on the one hand, and U.S. GAAP, on the other hand, that might be material to the financial information in this Offering Memorandum. Except for the reconciling items included in the notes to the pro forma financial information presented in this Offering Memorandum, we have made no attempt to identify or quantify the impact of those differences. The financial information included in this Offering Memorandum is not intended to comply with reporting requirements of the U.S. Securities and Exchange Commission (the "SEC"). Compliance with such requirements would require the presentation of U.S. GAAP financial information for us and U.S. GAAP pro forma financial information and could have required the modification of certain information presented in this Offering Memorandum and the presentation of certain additional information. In addition, neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information has been audited in accordance with U.S. generally accepted auditing standards, and the pro forma financial information has not been prepared in accordance with the requirements of SEC Regulation S-X. In making any investment decision in respect of our Loan Notes, you should rely on your own examination of our financial information and should consult your own professional advisors for an understanding of the differences among Swiss company law and Swiss GAAP FER and U.S. GAAP, and how those differences might affect the financial information presented in this Offering Memorandum.

SOURCES OF INFORMATION

Our financial statement data as of and for the years ended December 31, 2003, 2004 and 2005 included in this Offering Memorandum have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2003, 2004 and 2005 included elsewhere in this Offering Memorandum. The U.S. GAAP financial statement data as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 included in this Offering Memorandum have been derived from the audited consolidated financial statements of GEIS as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 included elsewhere in this Offering Memorandum.

Unless otherwise noted, the financial data set forth in the financial tables included in "Swiss Reinsurance Company Summary Consolidated Financial Data," "GE Insurance Solutions Summary Consolidated Financial Data," "Swiss Reinsurance Company Selected Consolidated Financial Data," "GE Insurance Solutions Selected Consolidated Financial Data," "Operating and Financial Review," "Our Business" and "Business of GE Insurance Solutions" have been derived from our audited consolidated financial statements or the audited consolidated financial statements of GEIS, included elsewhere in this Offering Memorandum, and unless otherwise noted, the ratios of financial measures presented in this Offering Memorandum have been calculated based on information presented in our and GEIS' audited consolidated financial statements.

Except where we otherwise attribute market or market share data to another source, all market and market share data included in this Offering Memorandum are our own estimates. These estimates are based upon our experience in the reinsurance industry and our familiarity with the global reinsurance market. While we believe these estimates to be reliable, we have not verified them with independent sources.

Information that we indicate has been sourced from Bloomberg has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

FORWARD-LOOKING STATEMENTS

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

- the impact of future investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transaction, including the ability to efficiently and effectively integrate the GEIS Business operations into our own;
- the cyclicality of the reinsurance industry;
- changes in general economic conditions, particularly in our core markets;
- uncertainties in estimating reserves;
- the performance of financial markets;
- expected changes in our investment results as a result of the changed composition of its investment assets or changes in its investment policy;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;

- mortality and morbidity experience;
- policy renewal and lapse rates;
- the lowering or loss of one of the financial or claims-paying ratings of one or more of our subsidiaries;
- changes in levels of interest rates;
- political risks in the countries in which we operate or in which we insure risks;
- extraordinary events affecting our clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- risks associated with implementing our business strategies;
- changes in currency exchange rates;
- changes in laws and regulations, including changes in accounting standards and taxation requirements and the impact on the industry in general, or us in particular, of governmental investigations; and
- changes in competitive pressures.

See "Risk Factors" for additional details.

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

SUMMARY

This summary should be read as an introduction to the Offering Memorandum. You should read the entire Offering Memorandum carefully, including the "Risk Factors" section, our consolidated financial statements and the notes to those consolidated financial statements.

Company Overview

We are one of the world's leading reinsurers and the world's largest life and health reinsurer, and upon acquiring the GEIS Business, we will be the world's largest reinsurer, as measured by premiums written. We operate through more than 70 offices in over 30 countries. We have been engaged in the reinsurance business since our founding in Zurich, Switzerland in 1863. We are recognized as a leading authority in managing capital and risk, based on our core competencies of: risk transfer, for which our objective is to identify, evaluate, underwrite and diversify risk to minimize the capital cost of carrying the risk; risk finance, for which we employ a range of products to finance risk retention; and asset management, which combines analysis of insurance liabilities, reinsurance products and asset management skills to optimize total return on financial assets. Our global reach enables us to offer our expertise to, and to service, clients throughout the world.

At and for the year ended December 31, 2005, we reported:

- gross premiums written of CHF 30.5 billion;
- premiums earned of CHF 27.8 billion;
- total assets of CHF 219.1 billion;
- shareholders' equity of CHF 22.9 billion; and
- investments of CHF 129.6 billion.

Proposed Acquisition of GE Insurance Solutions

On November 18, 2005, we announced that we had agreed with General Electric to acquire the GEIS Business for $6.8 billion, subject to purchase price adjustments. The closing of the Proposed Acquisition is subject to various closing conditions, including receipt of regulatory approvals. Certain purchase price adjustments will be determined at the time of the closing of the Proposed Acquisition, and certain adjustments will be determined post-closing. In addition, certain other payments to General Electric may be required in connection with the Proposed Acquisition and we will be assuming indebtedness and obligations in respect of letters of credit. The consideration to be paid to General Electric in the Proposed Acquisition is expected to consist of cash, our shares, mandatory convertible (or equivalent) instruments and notes. Upon consummation of the transaction, we expect General Electric will likely hold below 10% of our shares. Although we intend to use the proceeds from the Loan Notes Offering to fund a portion of the Proposed Acquisition, the Loan Notes Offering is not conditioned on the closing of the Proposed Acquisition, which we anticipate will occur in mid-2006.

Use of Proceeds

We estimate that we will receive approximately € 989.5 million in net cash proceeds from the Loan Notes Offering. This amount is after we deduct the estimated expenses payable by us. We expect to use the net proceeds of the Loan Notes Offering, together with the proceeds of various other capital raising activities, to fund the cash consideration for the Proposed Acquisition. These other capital raising activities include:

- the offering of CHF 1.0 billion of 6% mandatory convertible securities due 2008, which we completed in December 2005;
- an offering of $750 million of 6.854% perpetual subordinated step-up preferred securities (the "U.S. Perpetual Securities," and together with the Loan Notes, the "Perpetual Securities"), which we are conducting concurrently with the Loan Notes Offering (the "U.S. Perpetual Securities Offering" and, together with the Loan Notes Offering, the "Perpetual Securities Offerings"); and

- an equity offering (the "Equity Offering") of up to 18,946,632 newly issued shares consisting of: (i) a rights offering (the "Rights Offering") and (ii) a global offering (the "Global Offering").

Pending our use of the proceeds of the Loan Notes Offering, we may invest the net proceeds of the Loan Notes Offering in short-term fixed income securities. The relative proposed sizes of the Loan Notes Offering, the U.S. Perpetual Securities Offering and the Equity Offering may change. In the event the Proposed Acquisition is not consummated, we intend to use the net proceeds of the Loan Notes Offering and the other completed securities offerings undertaken to finance the Proposed Acquisition to fund the capital requirements of our existing business.

The Loan Notes

Issuer	Swiss Reinsurance Company
Securities	5.252% Perpetual Subordinated Step-Up Loan Notes
Description of the Issue	Fully paid-up, Perpetual, Subordinated, Step-Up, Loan Notes
Status of the Loan Notes	Our obligations under the Loan Notes constitute unsecured and subordinated obligations ranking junior to Senior Securities, *pari passu* among themselves and with Parity Securities, and senior to Junior Securities. In the event of the liquidation, dissolution, insolvency or other proceeding for the avoidance of insolvency of, or against, us, our obligations under the Loan Notes will be subordinated to the claims of all holders of Senior Securities, so that in any such event no amounts shall be payable in respect of the Loan Notes until the claims of all holders of our Senior Securities shall have first been satisfied in full. Where: "**Junior Securities**" means any of our securities or other relevant obligations expressly subordinated to the Loan Notes and, in case such securities may be issued or granted by us in the future, any of our securities or other relevant obligations, ranking or expressed to rank junior to the Loan Notes, including a guarantee or support (or any similar) agreement issued or entered into by us which ranks or is expressed to rank junior to the Loan Notes and, for the avoidance of doubt but without limitation, including classes of our shares. "**Parity Securities**" means any of our securities or other relevant obligations, ranking or expressed to rank *pari passu* with the Loan Notes including a guarantee or support (or any similar) agreement issued or entered into by us which ranks or is expressed to rank *pari passu* with the Loan Notes and our obligations under the subordinated guarantee issued by us in relation to the 6.854% perpetual subordinated step-up preferred securities issued by Swiss Re Capital I LP on or about May 11, 2006. "**Senior Securities**" means any of our securities or other relevant obligations, except those ranking or expressed to rank junior to or *pari passu* with the Loan Notes, including a guarantee or support (or any similar) agreement issued or entered into by us which ranks or is expressed to rank junior to or *pari passu* with the Loan Notes and, for the avoidance of doubt but without limitation, including obligations in respect of policies of insurance or reinsurance, trade accounts payable, any liability for income, franchise, real estate or other taxes owed or owing, unsubordinated and/or dated subordinated creditors and existing undated subordinated creditors, except those ranking or expressed to rank junior to or *pari passu* with the Loan Notes.
Securities Rating	A (Standard & Poor's) A1 (Moody's)
Aggregate Principal Amount of the Loan Notes and Denomination	€1,000,000,000, consisting of Loan Notes in minimum denominations of €50,000. Initially, only one Loan Note will be issued.

Issue Price	100%
Maturity	Perpetual, but redeemable at our option as set out below.
Issuer Call	The Loan Notes are redeemable in whole but not in part at our option at their principal amount together with any accrued interest on May 25, 2016 (the "**First Optional Redemption Date**") and on each Interest Payment Date thereafter. In all cases, we may call and redeem the Loan Notes only if the FOPI, any successor authority to the FOPI or any other authority or successor authority that has regulatory jurisdiction over the Group's operations (any such successor authority to the FOPI or otherwise, "**Successor Authority**") has given (and has not subsequently withdrawn) its consent to the redemption to the extent such consent is required or otherwise has not objected to such redemption.
Early Redemption Events	We may also redeem the Loan Notes in whole but not in part upon the occurrence of a Par Redemption Event or upon the occurrence of a Make Whole Redemption Event (each as defined below). **Par Redemption Event** A "**Par Redemption Event**" means a redemption by us of the Loan Notes at their principal amount together with any accrued interest at any time following a (a) Recalculation of Interest Event or (b) Special Tax Event (each as defined below). Where: "**Recalculation of Interest Event**" means the occurrence of a Recalculation of Interest or a payment of Additional Amounts in respect of the Loan Notes and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to the occurrence of a Recalculation of Interest Event, we will deliver to the Fiscal Agent an opinion of a recognized independent tax counsel which confirms such occurrence. "**Special Tax Event**" means that due to a change in law, ruling or interpretation we no longer obtain a tax deduction for the purposes of Swiss corporation tax for any payment of interest on the Loan Notes and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to the occurrence of a Special Tax Event, we will deliver to the Fiscal Agent an opinion of a recognized independent tax counsel which confirms such occurrence. **Make Whole Redemption Event** A "**Make Whole Redemption Event**" means a redemption by us of the Loan Notes at the higher of (1) the Make Whole Amount, and (2) their principal amount together, in each case, with any accrued interest, at any time following (a) an Accounting Event, (b) a Regular Tax Event or (c) a Regulatory Event (each as defined below).

The "**Make Whole Amount**" will equal the sum of the Present Values (as defined in the Conditions) on the date of redemption of (i) the principal amount of the Loan Notes assuming such to be due on the First Optional Redemption Date and (ii) the remaining scheduled payments of interest on the Loan Notes to but excluding the First Optional Redemption Date, using a discount rate equal to 65 basis points above the relevant Bund rate.

Where:

"**Accounting Event**" means that an opinion of a recognized accounting firm has been delivered to us, stating that our obligations in respect of securities arising out of this transaction must not or must no longer be recorded as liabilities on our balance sheet prepared in accordance with Applicable Accounting Standards (as defined below) for purposes of our published Group annual consolidated financial statements and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to the occurrence of an Accounting Event, we will deliver the applicable opinion to the Fiscal Agent.

"**Regular Tax Event**" means that we no longer obtain a tax deduction (other than due to a change in law, ruling or interpretation) for the purposes of Swiss corporation tax for any payment of interest on the Loan Notes and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to the occurrence of a Regular Tax Event, we will deliver to the Fiscal Agent an opinion of a recognized independent tax counsel which confirms such occurrence.

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

(a) the FOPI or any Successor Authority has stated that the Loan Notes are no longer eligible to qualify as Upper Additional Capital ("*oberes ergänzendes Kapital*"), and no longer fulfill the requirements for such category, or equivalent thereof, for group or solo solvency purposes (other than through the Loan Notes exceeding the then applicable quantitative limits on such capital issuance); or

(b) the FOPI or any Successor Authority issues further guidance in relation to Tier 1 Capital (*"Kernkapital"*) qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and following which the FOPI or any Successor Authority states that the Loan Notes do not fulfill the requirements of Tier 1 Capital (*"Kernkapital"*); or

(c) the FOPI or any Successor Authority issues further guidance in relation to Tier 1 Capital (*"Kernkapital"*) qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and the FOPI or any Successor Authority affords the Loan Notes recognition as Tier 1 Capital (*"Kernkapital"*) for group or solo solvency purposes, and at a subsequent time the FOPI or any Successor Authority states that the Loan Notes no longer fulfill the requirements of Tier 1 Capital (*"Kernkapital"*).

Substitution/ Modification following an Early Redemption Event . . . .

We may, without any requirement for the consent or approval of the Loan Noteholders, substitute at any time all (but not less than all) of the Loan Notes, or modify the terms of the Loan Notes:

(a) if an Accounting Event occurs, so that no Accounting Event exists after such substitution or modification; or

(b) if a Regular Tax Event occurs, so that no Regular Tax Event exists after such substitution or modification; or

(c) if a Special Tax Event occurs, so that no Special Tax Event exists after such substitution or modification; or

(d) if a Recalculation of Interest Event occurs, so that no Recalculation of Interest Event exists after such substitution or modification; or

(e) if a Regulatory Event occurs, so that no Regulatory Event exists after such substitution or modification.

Any substitution or modification of the Loan Notes is conditional on the substituted Loan Notes or the modified Loan Notes:

(a) having terms that are not less favorable to an investor than the terms of the Loan Notes; and

(b) being issued by us or being issued by another member of the Group with a guarantee by us, such that investors have the same material rights and claims as provided by the Loan Notes; and

(c) ranking at least equal to the Loan Notes and featuring the same tenor, principal amount, interest rate (including applicable margins and step-up), interest payment dates and first call date as the Loan Notes; and

(d) being listed on an internationally recognized stock exchange as selected by us (provided the Loan Notes were so listed at such time).

In addition, any substitution or modification is subject to (a) all interest amounts accrued and due on the relevant Interest Payment Date (as defined below) and all Deferred Interest Payments (as defined below) (if any) being satisfied in full on or prior to the date thereof, (b) our giving prior written notice (if such notice is required to be given) to, and receiving no objection from, the FOPI or any Successor Authority, (c) the substitution or modification not itself giving rise to a change in any published rating of the Loan Notes in effect at such time, (d) the substitution or modification not triggering the right to effectuate a Par Redemption Event or a Make Whole Redemption Event and (e) certification by two of our executive officers that these conditions have been complied with.

In connection with any substitution or modification as indicated above, we will comply with the rules of any stock exchange or other relevant authority on which the Loan Notes are then listed or admitted to trading.

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

(a) a fixed rate of 5.252% per annum from (and including) May 11, 2006 until (and excluding) the First Optional Redemption Date; and

(b) a floating rate equal to the sum of six month EURIBOR for such coupon period and 2.09% per annum *(which includes a 100* *basis point step-up above the original issue margin)* from (and including) the First Optional Redemption Date and thereafter.

Recalculation of Interest	If a tax deduction or withholding is required by law to be made by us in respect of any interest payable in respect of the Loan Notes, the applicable interest rate in relation to that Interest Payment Date shall be the interest rate which would have otherwise been payable on that Interest Payment Date divided by 1 minus the rate (as a fraction of 1) at which the relevant tax deduction or withholding is required to be made.
Interest Payment Dates	Subject to the interest deferral provisions described below, interest will be payable semi-annually in arrears on May 25 and November 25 in each year, commencing on November 25, 2006.
Optional Deferral Trigger	Save to the extent that a Required Deferral Event has occurred, we may, on each Interest Payment Date, elect in our discretion to defer in whole or in part the payment of interest if: (a) no dividend, other distribution or payment was declared or made by us or any of our subsidiaries (except where such dividend, other distribution or payment is made intra-Group) in respect of any Parity Security (except where such parity payment is itself required on a pro rata basis) or Junior Security during the 12 months preceding the Calculation Date (as defined below) in respect of such Interest Payment Date, and (b) no redemption, repurchase or acquisition of Junior Securities or Parity Securities has been made by us (except where such redemption, repurchase or acquisition is made intra-Group or is in respect of shares to satisfy exercises of options or warrants that were issued to employees for compensatory purposes), either directly or indirectly during the 12 months preceding the Calculation Date in respect of such Interest Payment Date. In the event of a partial payment of interest, interest will be paid on a pro rata basis with Parity Securities.
Required Deferral Event	We will be required to defer payments (1) if on an Interest Payment Date or a redemption date a Solvency Event (as defined below) has occurred or (2) if on an Interest Payment Date a Mandatory Deferral Event (as defined below) has occurred (collectively referred to herein as a "**Required Deferral Event**"). In the case where a Solvency Event has occurred, we will be required to defer payment of the Interest Amount (as defined below). In the case where payment of such Interest Amount would itself cause a Solvency Event to occur, we will be required to defer the Solvency Shortfall (as defined below). In the case where a Mandatory Deferral Event has occurred, then we will be required to defer any Mandatory Shortfall (as defined below). **Solvency Event** The "**Solvency Event**" shall have occurred if up to the end of the 10th Business Day preceding any Interest Payment Date (the "Calculation Date"):

(a) we and the Group do not have appropriate funds to cover the required minimum solvency margin (or a comparable term in case of a change in applicable rules) in accordance with the provisions of applicable regulatory capital requirements (including but not limited to Swiss insurance regulatory law) (for group solvency and single solvency purposes and the solvency pursuant to the regulation for financial conglomerates) and a generally recognized administrative practice, if any, of the FOPI or any Successor Authority applicable at that time, and the amount of such funds would, as a result of a full or partial interest payment or redemption payment, respectively, that would otherwise be due on such Interest Payment Date or date of redemption, respectively, be or become less than the required minimum solvency margin, or

(b) we are unable to pay our debts owed to our Senior Creditors (as defined below) as they fall due, or

(c) our Assets do not exceed our Liabilities (each as defined below) (other than liabilities to persons who are not Senior Creditors).

Where:

"**Assets**" means our unconsolidated total assets, as shown in our latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by us, or if we are being liquidated, our liquidator.

"**Interest Amount**" means, with respect to any Interest Payment Date, the amount of interest which would be payable on the aggregate principal amount of Loan Notes outstanding on such Interest Payment Date.

"**Liabilities**" means our unconsolidated total liabilities, as shown in our latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by us, or if we are being liquidated, our liquidator.

"**Senior Creditors**" means our creditors (a) who are our unsubordinated creditors or (b) whose claims are subordinated but senior to the claims of our other subordinated creditors, including those claims that rank *pari passu* with, or junior to, the claims of the Loan Noteholders.

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

Mandatory Deferral Event

A "**Mandatory Deferral Event**" shall have occurred on an Interest Payment Date if the following conditions are satisfied on the Test Date (as defined below) immediately preceding such Interest Payment Date:

(a) our consolidated net income, as determined in accordance with Applicable Accounting Standards, for the two consecutive Reporting Periods ending on the Lagged Reporting Date (each as defined below) is less than zero, and

(b) our Adjusted Equity Amount (as defined below) as at the Lagged Reporting Date has declined by more than 10% as compared to the Adjusted Equity Amount as at the Reporting Date (as defined below) that is 24 months prior to such Lagged Reporting Date (the "**Benchmark Adjusted Equity Amount**"), and

(c) our Adjusted Capital Amount (as defined below) as at the Current Reporting Date (as defined below) has declined by more than 10% as compared to the Benchmark Adjusted Equity Amount.

As a result of the provisions described herein, if the above conditions are satisfied on any Test Date, scheduled interest payments on the Loan Notes during the 12-month period following the Test Date to but excluding the subsequent Test Date will be subject to mandatory deferral.

Where:

"**Adjusted Equity Amount**" means, for the relevant period, published total shareholders' equity as shown in our consolidated balance sheet, as at the end of any Reporting Period, minus foreign currency translation adjustments and minus net unrealized gains/ losses, net of deferred tax.

"**Adjusted Capital Amount**" means the Adjusted Equity Amount plus Qualifying Mandatory Convertibles.

"**Applicable Accounting Standards**" means the accounting standards applied by us for our published accounts as applicable at the relevant dates and for the relevant periods.

"**Current Reporting Date**" means the most recent Reporting Date.

"**Lagged Reporting Date**" means the Reporting Date immediately prior to the Current Reporting Date.

"**Mandatory Shortfall**" is the amount by which the Interest Amount exceeds the New Capital Amount.

"**New Capital Amount**" means 100% of the net proceeds received by us or any other member of the Group between the Lagged Reporting Date and the relevant Interest Payment Date from any external issuance or sale of ordinary shares or Qualifying Mandatory Convertibles.

"**Qualifying Mandatory Convertible**" means, to the extent permitted under prevailing applicable regulatory criteria, a convertible instrument issued directly or indirectly by us that mandatorily converts into our share capital on or prior to the third anniversary of the date of its issuance.

"**Reporting Date**" means June 30 or December 31.

"**Reporting Period**" means a six-month period ending on a Reporting Date.

"**Test Date**" means the 10^{th} Business Day preceding every Interest Payment Date that falls on each May 25 starting on May 25, 2006.

Consecutive Mandatory Deferral Events	If we are required to defer a payment of interest following the occurrence of a Mandatory Deferral Event on an Interest Payment Date, then we will also be required to defer the payment of interest that would otherwise be due without application of this condition on one or more subsequent Interest Payment Dates until the Mandatory Deferral Event has been cured. After one or more Mandatory Deferral Events have occurred or are continuing, we may only begin to pay interest on the Loan Notes on any Interest Payment Date if on that Interest Payment Date (i) no new Mandatory Deferral Event has occurred and (ii) all of the previous Mandatory Deferral Events have been cured. A Mandatory Deferral Event that was triggered has been cured if our Adjusted Capital Amount is more than 90% of the Benchmark Adjusted Equity Amount when the Mandatory Deferral Event was triggered. We may elect in our discretion to satisfy on the relevant Interest Payment Date the interest that would otherwise have been due on such Interest Payment Date without application of this condition with funds raised prior to the Interest Payment Date by way of the ACSM.
Settlement of Deferred Interest Payments	Optionally or mandatorily deferred amounts of interest are referred to herein as "**Deferred Interest Payments**" and will not themselves bear interest. Deferred Interest Payments may only be settled by way of the ACSM. We will be required to satisfy any Deferred Interest Payments: (a) on the date on which the Loan Notes are called for redemption; (b) on the next subsequent Interest Payment Date on which we are not permitted to optionally defer interest (as described under "**Optional Deferral Trigger**" above), but irrespective of whether there is a Required Deferral Event; (c) on a pro rata basis on the next subsequent Interest Payment Date following a partial payment of current or deferred interest by us on any Parity Security, in which case the proportion shall be equal to the result from the division of the amount of the payment actually paid on the Parity Security by the outstanding amount (current or deferred) of the payment to which such partial payment relates; or (d) on the date on which a reason for our dissolution exists pursuant to Article 736 of the Swiss Code of Obligations (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent, where the continuing entity assumes substantially all of our assets and obligations). If the relevant Deferred Interest Payment is required to be made, we (i) may elect to do so pursuant to Ordinary Share Settlement and/or Parity Security Settlement (each as defined below) through the issuance and/or sale of Payment Shares or Placement Securities (each as defined below) and (ii) will use our best efforts to effect such issuance and/or sale of Payment Shares or Placement Securities on or about the relevant date on which the Deferred Interest Payment becomes due (the "**Deferred Settlement Date**"). If reasonably practicable, we will initiate this process during the six months prior to the relevant Deferred Settlement Date.

If we are unable to raise the required amount to settle the Deferred Interest Payment by the relevant Deferred Settlement Date, we must continue to use our best efforts to raise sufficient proceeds for such settlement for up to two years following such Deferred Settlement Date. If we are unable to consummate (i) the issuance and/or sale of such Payment Shares or Placement Securities within the time period outlined above or (ii) utilize PIK (as defined below), our obligation with respect to such Deferred Interest Payment will be cancelled.

Alternative Coupon Settlement Mechanisms ("**ACSM**") . . . . We may only satisfy our obligations in respect of Deferred Interest Payments by one (or a combination) of the following:

1. "**Ordinary Share Settlement**" means the sale of existing or newly issued ordinary shares or Qualifying Mandatory Convertibles (the "**Payment Shares**") for cash proceeds.

2. "**Parity Security Settlement**" means the receipt of cash proceeds by us or any other member of the Group from the issuance of Placement Securities and the delivery of such cash proceeds to us. "**Placement Securities**" means any securities or other instruments that receive equal or greater equity credit from the rating agencies relative to the Loan Notes.

3. **Payment-in-Kind** ("**PIK**") means, to the extent permitted under prevailing applicable regulatory criteria governing the Loan Notes, the increase in the outstanding aggregate principal amount of the Loan Notes by an amount equal to all of the outstanding Deferred Interest Payments (the "**PIK Amount**"), and the outstanding principal amount of each Loan Note shall be so increased proportionately. For the avoidance of doubt, if PIK is utilized, it may only be used on an Interest Payment Date.

We intend to assess the extent to which Deferred Interest Payments (if any) are due prior to each Interest Payment Date, and to satisfy such Deferred Interest Payments in accordance with Ordinary Share Settlement or Parity Security Settlement. Where we are unable to satisfy the Deferred Interest Payments that are due and payable by Ordinary Share Settlement or Parity Security Settlement, we intend to utilize PIK up to the Threshold (as defined below).

If in the event of the liquidation, dissolution, insolvency or other proceedings for the avoidance of insolvency of, or against, us, we are unable to apply the ACSM, then our obligations in respect of such unsettled amount shall rank *pari passu* with our obligations in respect of the principal amount of the Loan Notes in an amount up to the Threshold; to the extent the Threshold would be exceeded, our obligation to satisfy the Deferred Interest Payment (if any) shall be cancelled.

Limitations

(a) We may only utilize the Ordinary Share Settlement to the extent that the number of Payment Shares used in any 12-month period (including the maximum number of shares issued or issuable pursuant to all Qualifying Mandatory Convertibles as of their respective date of issuance) for this purpose does not exceed 2.0% of our outstanding share capital. Calculation of such percentage will apply solely and exclusively to the use of Ordinary Share Settlement where deferral was triggered by the occurrence or the continuation of a Mandatory Deferral Event.

(b) We may only utilize Parity Security Settlement and/or PIK to the extent the aggregate principal amount of the Placement Securities to be issued and/or the PIK Amount (together with any Placement Securities previously issued and any previous PIK Amounts) would not exceed 25% of the initial aggregate principal amount of the Loan Notes (the "**Threshold**"). Calculation of the Threshold will apply solely and exclusively to the use of Parity Security Settlement and/or PIK, as the case may be, where deferral was triggered by the occurrence or the continuation of a Mandatory Deferral Event.

Ordinary Share Settlement Covenant .... We will, from time to time, use our best efforts to keep available for issue or sale such number of Payment Shares as we reasonably consider would be required to be issued or sold in order to satisfy all interest payments on the Loan Notes for a 12-month period using the Ordinary Share Settlement.

No damages will be payable for breach of this covenant but, in the event of breach by us, we may be required to recommend to our Board of Directors to put before the next general meeting of our shareholders a proposal for a resolution to remedy the breach.

Market Disruption Event .... If there exists, in our reasonable opinion, a Market Disruption Event (as defined in the Conditions), then the two-year period described under "Settlement of Deferred Interest Payments" shall be extended by a period equal to the time during which the Market Disruption Event exists, plus 60 Business Days. We will give notice of both the occurrence of a Market Disruption Event and the date on which, in our opinion, the Market Disruption Event no longer exists. No amount will be payable by way of interest as a result of the occurrence of a Market Disruption Event.

Governing Law .... The Loan Notes will be governed by the laws of England (except the subordination provisions which will be governed by the laws of Switzerland).

The Loan Notes will form part of our capital resources and, as such, it is our intention to redeem the Loan Notes only to the extent that we or any of our subsidiaries have, in the period of six months preceding such redemption, raised funds in an amount at least equal to the aggregate principal amount of the Loan Notes by the external issuance and sale of any ordinary shares or any securities that have equal or greater equity characteristics relative to the Loan Notes.

SWISS REINSURANCE COMPANY SUMMARY CONSOLIDATED FINANCIAL DATA

You should read the following summary consolidated financial data with our consolidated financial statements, the notes to those consolidated financial statements and the information under "Operating and Financial Review." We derived the summary consolidated financial data as of and for the years ended December 31, 2003, 2004 and 2005 from our audited consolidated financial statements, which have been audited by our independent accountants, and have been prepared and presented in accordance with Swiss company law and Swiss GAAP FER. We have reclassified certain line items in our financial statements for 2003 and 2004 (as compared to the published financial statements for those prior periods) to reflect the transfer of our Risk Solutions unit from our Financial Services business to our Property & Casualty business and to conform to our 2005 presentation.

We have included a translation of the data at and for the year ended December 31, 2005 from Swiss francs into U.S. dollars, solely for your convenience. This translation is at the rate of CHF 1.3148 = $1.00, the Bloomberg Rate on December 30, 2005. On May 3, 2006 the Bloomberg Rate was CHF 1.2351 = $1.00. See "Exchange Rate Information."

	Year Ended December 31,			
	2003	2004	2005	2005
	CHF	CHF	CHF	USD (unaudited)
	(reclassified) (in millions, except per share data and ratios)			
Income Statement Data:				
Revenues				
Premiums earned				
Property & Casualty	19,655	18,336	16,359	12,442
Life & Health	10,229	10,205	10,512	7,995
Financial Services	856	898	908	691
Total premiums earned	30,740	29,439	27,779	21,128
Net investment income	4,606	4,857	5,352	4,071
Net realized investment gains	376	1,116	1,249	950
Trading revenues	472	438	343	261
Other revenues	236	243	286	218
Total revenues	36,430	36,093	35,009	26,628
Expenses				
Claims and claim adjustment expenses	(14,898)	(13,853)	(14,178)	(10,783)
Life and health benefits	(9,085)	(9,331)	(9,521)	(7,242)
Acquisition costs	(6,854)	(6,325)	(5,938)	(4,516)
Amortisation of goodwill	(315)	(277)	(274)	(208)
Other operating costs and expenses	(2,942)	(2,940)	(3,125)	(2,377)
Total expenses	(34,094)	(32,726)	(33,036)	(25,126)
Income before income tax expense	2,336	3,367	1,973	1,501
Income tax expense	(634)	(892)	(522)	(397)
Net income	1,702	2,475	1,451	1,104
Per share data				
Net income per share, basic	5.48	8.00	4.68	3.56
Net income per share, diluted	5.43	7.77	4.58	3.48
Balance Sheet Data (at period end):				
Total investments	83,831	108,023	129,571	98,548
Total assets	169,663	184,440	219,147	166,677
Total liabilities	151,152	165,263	196,218	149,238
Unpaid claims and claim adjustment expenses	62,913	61,619	71,272	54,207
Liabilities for life and health policy benefits	37,244	43,239	49,579	37,708
Total shareholders' equity	18,511	19,177	22,929	17,439
Other Data				
Property & Casualty operating ratios (traditional business) [a][b]				
Claims ratio	74.6	72.7	85.1	
Acquisition cost ratio	19.5	19.2	19.9	
Administration expense ratio	4.6	5.3	5.3	
Property & Casualty combined ratio	98.7	97.2	110.3	
Life & Health return on operating revenues [b][c]	8.7	9.1	9.6	
Management expense ratio [b]	4.4	5.2	5.6	

(a) Excludes the non-traditional business of our Property & Casualty (including Risk Solutions) business, which encompasses certain large commercial lines and certain structured reinsurance products, and for which we believe the combined ratio is not a suitable measure as the source of profits under applicable contracts typically arises from a combination of investment performance and underwriting performance.
(b) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).
(c) Represents annual Life & Health business operating income less net realized investment gains on non-participating policies divided by total annual Life & Health business operating revenues (which include premiums and net investment income and realized gains on participating policies).

GE INSURANCE SOLUTIONS SUMMARY CONSOLIDATED FINANCIAL DATA

You should read the following summary consolidated financial data of GEIS with the consolidated financial statements and the notes to those consolidated financial statements. The summary consolidated financial data of GEIS as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 are derived from the audited consolidated financial statements of GEIS, which have been audited by KPMG LLP, independent accountants, and have been prepared and presented in accordance with U.S. GAAP. As the statements are historical, they have not been restated to exclude the Excluded Items. For a discussion of the impact of the exclusion of the Excluded Items, see "Unaudited Pro Forma Financial Information."

	Year Ended December 31,		
	2003	2004	2005
	(USD in millions)		
Income Statement Data			
Revenues			
Net premiums written	9,729	8,173	6,697
Net premiums earned	10,001	8,453	7,136
Net investment income	1,203	1,273	1,303
Net realized gains on investments	224	198	210
Gain on disposition of subsidiary	—	—	92
Other revenues	193	202	147
Total revenues	11,621	10,126	8,888
Costs and Expenses			
Claims, claim expenses and policy benefits	7,912	7,508	9,612
Insurance acquisition costs	2,103	1,576	1,407
Amortization of intangibles	71	60	50
Interest expense	127	138	124
Loss on disposition of subsidiary	116	—	—
Other operating costs and expenses	647	829	738
Total costs and expenses	10,976	10,111	11,931
Earnings (loss) before income taxes	645	15	(3,043)
Income tax benefit (expense):			
Current	379	262	1,367
Deferred	(278)	(134)	201
Total tax benefit	101	128	1,568
Net earnings (loss)	746	143	(1,475)
Balance sheet data (at period end)			
Investments		30,288	28,274
Total assets		52,786	50,663
Total liabilities		43,371	42,412
Claims and claim expenses		25,316	26,689
Future policy benefits for life and health		4,362	4,284
Shareholders' equity		9,415	8,251

SUMMARY UNAUDITED CONDENSED PRO FORMA FINANCIAL INFORMATION

The following summary unaudited condensed pro forma financial information as of and for the year ended December 31, 2005, which is presented to illustrate the effect on our income statement and balance sheet of the Proposed Acquisition, as well as the financing for the Proposed Acquisition, is based on our Swiss GAAP FER historical consolidated financial statements and on historical consolidated financial data for GEIS that have been adjusted to exclude GEIS' U.S. life and health operations (namely, the Excluded Operations), and to reflect certain adjustments in respect of certain assets and liabilities unrelated to such operations (as described in "Proposed Acquisition—The Transaction Agreement—The base purchase price and the purchase price adjustments" of this Offering Memorandum), that we will not acquire or assume in the Proposed Acquisition (namely, the Excluded Items) and have been converted for purposes of comparability from U.S. GAAP to Swiss GAAP FER. This information has been derived from the Unaudited Pro Forma Financial Information included in this Offering Memorandum.

This information illustrates the effect of the Proposed Acquisition as if it had occurred on January 1, 2005, in the case of income statement data, and December 31, 2005, in the case of balance sheet data. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not reflect actual results of operations or financial position. The unaudited condensed pro forma financial information does not purport to represent what the consolidated results of operations and financial position would have been if the Proposed Acquisition had in fact occurred on the dates indicated, nor does it purport to project the results of operations or our financial position for any future period or as of any date.

You should read the summary unaudited condensed pro forma financial information presented below, including the notes thereto, in conjunction with the unaudited pro forma financial information (which sets forth the assumptions and adjustments), our historical consolidated financial statements and the historical consolidated financial statements of GEIS, including the notes related to each of those financial statements, all of which are included elsewhere in this Offering Memorandum.

Unaudited pro forma income statement for the year ended December 31, 2005

	Swiss Re Historical	GEIS Business(1)	Acquisition and Financing Adjustments(2)	Pro Forma	Pro Forma
	(CHF in millions)				(USD in millions)
Revenues					
Premiums earned	27,779	7,358		35,137	26,724
Net investment income	5,352	1,295		6,647	5,056
Net realized investment gains	1,249	308		1,557	1,184
Trading revenues	343	0		343	261
Other revenues	286	147		433	329
Total revenues	35,009	9,108		44,117	33,554
Expenses					
Claims and claim adjustment expenses	(14,178)	(8,746)		(22,924)	(17,435)
Life and health benefits	(9,521)	(1,293)		(10,814)	(8,225)
Acquisition costs	(5,938)	(1,537)		(7,475)	(5,685)
Amortisation of goodwill	(274)	(184)	(76)	(534)	(406)
Other operating costs and expenses	(3,125)	(961)	(331)	(4,417)	(3,359)
Total expenses	(33,036)	(12,721)	(407)	(46,164)	(35,110)
Income/(loss) before income tax expense	1,973	(3,613)	(407)	(2,047)	(1,556)
Income tax benefit/(expense)	(522)	1,581	99	1,158	881
Net income/(loss)	1,451	(2,032)	(308)	(889)	(675)

Unaudited pro forma balance sheet as of December 31, 2005

	Swiss Re Historical	GEIS Business(1)	Acquisition and Financing Adjustments(2)	Pro Forma	Pro Forma
	(CHF in millions)				(USD in millions)
Balance Sheet Data					
Total investments	129,571	29,095	(1,000)	157,666	119,916
Total assets	219,147	55,005	1,317	275,469	209,514
Total liabilities	196,218	47,122	4,719	248,059	188,666
Unpaid claims and claim adjustment expenses	71,272	33,024		104,296	79,325
Liabilities for life and health policy benefits	49,579	2,525		52,104	39,629
Total shareholders' equity	22,929	7,883	(3,402)	27,410	20,848

(1) GEIS' historical financial statements as of and for the year ended December 31, 2005 have been adjusted to exclude the Excluded Items, including the Excluded Operations. The adjustments made for the Excluded Operations do not necessarily reflect the results of operations or financial position of the Excluded Operations and the GEIS Business had they been operated on a stand-alone basis during 2005. As GEIS' historical financial statements have been prepared in accordance with U.S. GAAP, its historical financial statements as of and for the year ended December 31, 2005 have also been adjusted and presented in accordance with Swiss GAAP FER for purposes of preparing the unaudited condensed pro forma financial information. GEIS' historical income statement has been translated into Swiss francs using an exchange rate of CHF 1.2437 = $1.00 and its historical balance sheet has been translated into Swiss francs using an exchange rate of CHF 1.31795 = $1.00.

(2) Intra-group items between Swiss Re and the GEIS Business have not been eliminated.

RISK FACTORS

An investment in the Loan Notes involves risks. You should carefully consider the following risk factors and the other information in this Offering Memorandum before making an investment decision. Any of the risk factors could impact our business, financial conditions or operating results. Some of the statements in "Risk Factors" are forward-looking statements. For more information about forward-looking statements, see "Forward-Looking Statements."

Risks Related to Our Business

Our investment returns are subject to fluctuations in both the fixed income and equity markets

Investments are an important part of our overall profitability, and fluctuations in the fixed income or equity markets have had, and could continue to have, an adverse effect on our consolidated financial condition, results of operations and cash flows. Fluctuations in interest rates affect our returns on fixed-income investments, as well as the market values of, and corresponding levels of capital gains or losses on, the fixed income securities in our investment portfolio. Generally, investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature or are sold and the proceeds reinvested at lower rates. During periods of rising interest rates, prices of fixed income securities tend to fall and realized gains upon their sale are reduced. In the current interest rate environment, our principal challenge is to manage the interest rate risk of our portfolio. In addition, we are exposed to changes in the level or volatility of equity prices that affect the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index.

We seek to achieve long-term competitive returns with capital appreciation by investing in enterprises with attractive growth and profitability characteristics. Our efforts to use portfolio diversification, derivatives and other risk management tools to reduce our exposure to adverse price movements may not be successful. Our investment returns are also susceptible to changes in general economic conditions, including changes that impact the general creditworthiness of the issuers of debt securities held in our portfolio or the value of equity securities held in our portfolio.

Our reserves may not adequately cover future claims and benefits

Our reserves may prove to be inadequate to cover our actual claims and benefits experience. We maintain reserves in our Property & Casualty lines to cover our estimated ultimate liability for claims and claim adjustment expenses for reported and unreported claims incurred as of the end of each accounting period. We also maintain reserves for future policy benefits for our Life & Health lines and we maintain reserves against insurance and reinsurance contracts written by the units of our Financial Services business. Reserves do not represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. These estimates are based on actuarial and statistical projections of facts and circumstances known at a given time and estimates of trends in claims severity and other variable factors, including new bases of liability and general economic conditions.

Changes in trends or other variable factors underlying our reserve estimates could result in claims in excess of reserves. For example, our assumptions concerning future claims cost inflation could prove to be too low at a time of rising interest rates, resulting in higher claims combined with a reduction in fixed income asset values in our investment portfolio to meet these claims. For some types of claims, most significantly asbestos-related, environmental pollution and health hazard claims and certain liability claims, it has been necessary, and may over time continue to be necessary, to revise estimated potential claims exposure and, therefore, the related claims reserves. Consequently, actual claims, benefits and related expenses paid may differ from estimates reflected in the reserves in our consolidated financial statements. Premium rates in our Life & Health business are often guaranteed for the life of a contract, which could be 30 years or more. If premium rates prove to be inadequate, we would make provision for the shortfall for the remaining lifetime of the business. In addition, morbidity benefits are often payable over many years and there is uncertainty in the estimate of the number of years over which benefits will be paid. Additional claims, including claims arising from changes in the legal and regulatory environment, the type or magnitude of which we cannot foresee, may emerge in the future. Additional claims could also arise from changes in general economic conditions that impact companies whose obligations are backed by credit insurance or reinsurance, financial guarantees or similar commitments provided as part of our alternative risk transfer business.

Generally, we are still experiencing adverse development from prior years in our Property & Casualty business. In the first half of 2005, prior years generated adverse development of CHF 255 million. In the second half of 2005, prior years developed favorably with a small release of CHF 31 million. Overall, prior years suffered modestly from adverse development. In 2004 and 2005, we strengthened net reserves by CHF 200 million and CHF 150 million, respectively. For 1998 and prior years, the development was broadly neutral, while years 1999 to 2001 are still experiencing adverse development for U.S. liability lines, in particular directors and officers liability covers. Adverse development in liability was partially offset by positive developments in property, marine, aviation and engineering. There can be no assurance that we will not experience further adverse development. To the extent reserves are insufficient to cover actual claims, claim adjustment expenses or future policy benefits, we would have to add to these reserves and incur a charge to our earnings. These insufficiencies in reserves could have material adverse effects on our future consolidated financial condition, results of operations and cash flows.

Catastrophic events expose us to the risk of unexpected large losses

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

The increasing concentration of economic activities and people living and working in areas exposed to natural catastrophes has resulted in increased financial risk and complexity. Hurricane Katrina, which devastated the Gulf Coast of the Southern United States in September 2005, resulted in an estimated insurance market loss of $45 billion, significantly contributing to estimated industry losses for natural catastrophes of $78 billion and estimated total catastrophe losses (including man-made losses) of $83 billion. Hurricanes Rita and Wilma triggered estimated insurance market claims of $10 billion each and Hurricane Dennis triggered estimated insurance claims of $1 billion. As for the impact on us, in 2005, claims exceeding CHF 20 million from natural perils reached a record CHF 3 billion. As a result, our combined ratio deteriorated by 11.7% from 2004. In 2005, we released CHF 613 million of our equalization reserves to help mitigate large claim events such as Hurricane Katrina. High severity, low frequency events, such as Hurricane Katrina, are an integral part of our business, and providing cover for these natural catastrophes will remain fundamental to our value proposition. We have retroceded a portion of our exposure to peak risks associated with natural catastrophes to the capital markets through the issuance of insurance-linked securities (i.e., catastrophe bonds), and a significant portion of our capacity of over $800 million will be expiring mid-June 2006. We will be seeking to renew that capacity prior to mid-June and to do so with improved features (see "Our Business—Retrocession"), but there is no assurance that we will be successful in doing so on improved terms or at the desired levels.

The September 11, 2001 terrorist attack on the United States and the threat of future terrorist acts, including bio terrorism, had a significant impact on economic, political and market conditions around the world. The climate of uncertainty could continue for the foreseeable future and may worsen if additional attacks occur. These conditions could increase the risk of, and have a continuing adverse effect on, our business. The prospect of future substantial terrorist attacks poses a challenge for risk managers and underwriters alike. There is also the prospect that the frequency of smaller terrorist events could increase in the future.

We have significant exposure to mortality and morbidity risk through our Life & Health business, and consequently an influenza pandemic is a material risk as it has the potential to impact all markets across the world. In the past one hundred years, there have been three influenza pandemics, with greatly varying mortality rates, typically among the more vulnerable and concentrated in the very young and old. We believe that a pandemic has the potential to affect a significant percentage of the world's population, causing a high level of sickness and an increase in mortality. The worst of these three pandemics caused an estimated 20-50 million deaths in 1918-1919. Recent attention has focused on the likelihood and severity of a new influenza pandemic arising from the H5N1 virus and the risk that a new subtype of virus could emerge, which could be transmitted between humans and against which there is little, or no, immunity, that could trigger a new influenza pandemic.

Cyclicality of the reinsurance industry may cause fluctuations in our results

The insurance and reinsurance industries, particularly the property and casualty market, are cyclical. Historically, operating results of reinsurer's have fluctuated significantly because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of reinsurers. These developments include:

- price competition;
- frequency of occurrence and/or severity of catastrophic events;
- capital markets volatility;
- underwriting capacity; and
- general economic conditions.

Underwriting results and underwriting capacity of insurers and prevailing general economic conditions significantly influence demand for property and casualty reinsurance. The supply of reinsurance is primarily related to prevailing reinsurance premiums, levels of insured claims, levels of reinsurance industry surplus and use of underwriting capacity which, in turn, may fluctuate in response to changes in rates of return on investments earned in the reinsurance industry. We expect to experience the effects of this cyclicality, including changes in premium rates, which could have a material adverse effect on our results of operations.

Competitive conditions in the reinsurance industry could impact our results

Consolidation in the worldwide insurance industry has created a smaller group of larger companies that are retaining an increasing portion of their business and relying less on reinsurance to mitigate their risk exposure. Competition in the types of reinsurance we provide is based on many factors, including the overall financial strength of the reinsurer, expertise, local presence, reputation, experience and qualifications of employees, client relationships, geographic scope of business, products and services offered, premiums charged, contract terms and conditions and speed of claims payment. We compete for reinsurance business in the European, U.S. and other international reinsurance markets with numerous reinsurance and insurance companies, some of which have substantial financial resources and are highly rated. Since 1998, we have acquired over 40 blocks of Admin Re^SM business, and although we did not make any significant Admin Re^SM acquisitions in 2005, we expect further consolidation of the global life industry will offer substantial future opportunities. However, we are facing increasing competition for Admin Re^SM opportunities.

We could be subject to unexpected needs for liquidity

In addition to premiums from our reinsurance operations, our principal sources of funds are our investments and the funds we raise from time to time through the issuance of securities or through borrowings. Our uses of funds include our obligations arising in our reinsurance business, which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements, payment of principal and interest on outstanding debt and funding of acquisitions. We also enter into contracts that could give rise to significant short-term funding obligations. Meeting the liquidity needs of these contracts may force us to raise cash by liquidating investments unexpectedly and in unfavorable market conditions, which would adversely affect the results of our investment operations and, in turn, our results of operations and financial conditions.

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

Various regulatory authorities, including the SEC and State Attorneys General in the United States, including the Attorney General of the State of New York, State Insurance Commissioners in the United States and the U.K. Financial Services Authority, as well as law enforcement agencies, are conducting investigations of non-traditional, or loss mitigation insurance, products. Swiss Re is among the companies that have received subpoenas to produce documents relating to "non-traditional" products as part of these investigations. We have announced that we are cooperating fully with all requests for documents addressed to us.

It is unclear at this point what the ultimate scope of these investigations will be, in terms of the products, parties or practices under review, particularly given the potentially broad range of products that could be characterized as "non-traditional." Consequently, it is unclear at this point what the direct or indirect consequences of such investigations will be. The scope of the investigations could expand and other regulators and law enforcement agencies may initiate their own investigations. The consequences of these investigations could include, for example, but are not limited to, criminal or civil actions by regulators or lawsuits arising from practices under review, changes in the scope and nature of regulatory oversight of the insurance and reinsurance industries, changes to applicable accounting rules, adoption of new reporting rules, restatement of financial statements, changes to the range of non-traditional products that are available and a reduction in the use of non-traditional products, changes in the criteria used by ratings agencies and changes to practices in respect of a range of non-traditional products by both providers and users of such products. The investigations could also adversely affect the levels of business, and the stock prices, of industry participants. To date, certain industry participants have restated their financial statements to reflect reassessments of accounting for certain non-traditional products. We are not currently in a position to give any assurances as to the consequences for us or the insurance and reinsurance industries of the foregoing investigations or related developments. Any of the foregoing could adversely affect our business, results of operations and financial condition.

Changes in foreign exchange rates may impact our results

We publish our consolidated financial statements in Swiss francs. Therefore, fluctuations in exchange rates used to translate other currencies, particularly other European currencies and the U.S. dollar, into Swiss francs will impact our reported consolidated financial condition, results of operations and cash flows from year to year. These fluctuations in exchange rates will also impact the Swiss franc value of our investments and the return on our investments. For a discussion of the impact of changes in foreign exchange rates on our results of operations, see "Operating and Financial Review—Quantitative and Qualitative Disclosures about Financial Market Risk."

A decline in the financial strength and credit ratings assigned to us and our businesses by various rating agencies could materially adversely affect our potential to write business and could increase our costs of borrowing

Third-party rating agencies assess and rate the financial strength of reinsurer's and insurers, such as Swiss Re. These ratings are based upon criteria established by the rating agencies. The rating agencies continuously evaluate us to confirm that we continue to meet the criteria of the rating assigned to us. The financial strength ratings assigned by rating agencies to reinsurance or insurance companies are based upon factors relevant to cedants. Financial strength ratings by rating agencies are not ratings of securities or recommendations to buy, hold or sell any security.

Subsequent to the announcement of the Proposed Acquisition, Standard & Poor's, Moody's and A.M. Best announced the following rating actions with regard to us and our rated subsidiaries. Standard & Poor's placed us on CreditWatch with negative implications and stated that if the Proposed Acquisition is completed as currently planned, they expect our ratings would be lowered to "AA-" with a stable outlook. Barring other events or developments, if the Proposed Acquisition does not proceed, the rating agencies have indicated our ratings would be affirmed. Standard & Poor's affirmed its views in February 2006. Moody's placed us on review for a possible downgrade, but indicated that in the event the review process resulted in a downgrade of our rating, such a downgrade would likely be limited to one notch. A.M. Best placed us under review with negative implications. As a result, we currently have (i) from Standard & Poor's: long-term counterparty credit, financial strength and senior unsecured debt ratings of "AA (CreditWatch negative)," and a short-term counterparty credit rating of "A-1+," (ii) from Moody's: insurance financial strength and senior debt ratings of "Aa2" (on review for possible downgrade), and a short-term rating of "P-1" and (iii) from A.M. Best: a financial strength rating of "A+" (superior) and a long-term debt rating of "aa" (under review with negative implications).

We can provide no assurance that one or more of these or other rating agencies will not downgrade (in connection with the Proposed Acquisition or otherwise) or withdraw their ratings in the future. As claims paying and financial strength ratings are a key factor in establishing the competitive position of reinsurers, a decline in just our rating could make reinsurance provided by us less attractive relative to reinsurance from our competitors with similar or stronger ratings. A decline in rating could also cause our clients to prefer our competitors and could cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurer's with certain ratings. Any rating downgrades could also materially adversely affect our cost of borrowing.

Constraints on collateral capacity could have an adverse impact on our business

A substantial part of our business is conducted with ceding companies in the United States. Some of this business is channelled to non-U.S. subsidiaries, which triggers collateralization requirements of the full U.S. statutory reserves in order for the U.S. ceding company to receive credit for reinsurance by the relevant regulator.

The bulk of our reinsurance collateral requirements are currently being met with bank letters of credit obtained through a number of syndicated and bilateral letter of credit facilities, including a syndicated $2.0 billion five-year letter of credit facility entered into in June 2004 and a syndicated $2.5 billion six-year letter of credit facility entered into in October 2004. We will also need, following the closing of the Proposed Acquisition, to increase our letter of credit capacity to accommodate the business that will be integrated into ours as a result of the Proposed Acquisition. We understand that the GEIS Business has approximately $1.5 billion in letter of credit facilities (approximately $1.1 billion of which are collateralized). Further we may need to extend the maturity of our letters of credit in response to rating agency reassessments of their treatment of shorter duration facilities. Should we be unable to retain access to sufficient collateral capacity to meet our collateral requirements, our financial condition and results could be materially impacted. In addition, the letter of credit facilities are subject to repricing risk upon renewal. Significant increases in the costs of letters of credit (including by reason of a substantial downgrading by major rating agencies) could require us to reduce our activities and adversely impact our financial condition.

Regulatory or legal changes, including recent proposals by the European Commission, could adversely affect our business

Regulations and policies currently governing us and our clients may change at any time in ways which may adversely affect our business. We are subject to applicable regulation in each of the jurisdictions in which we conduct business, particularly Switzerland, the United States, the United Kingdom and Germany. We cannot predict the future impact of changing law or regulation on our operations and any changes could have a material adverse effect on our financial condition, results of operations or cash flows. See “Regulation.”

Since January 1, 2005, we have been subject to supplementary group supervision which is equivalent to the provisions of the EU Financial Conglomerate Directive. Group supervision is currently based on a decree issued by the Swiss Federal Office of Private Insurance (“FOPI”), which is based upon the provisions of group supervision that are detailed under the amended Swiss Federal Insurance Supervisory Act (the “Swiss FISA”), which took effect on January 1, 2006, and which provides expanded supervisory authority to the FOPI. In addition, the Swiss Solvency Test (“SST”) introduced with the amended Swiss FISA will likely be compatible with future Solvency II requirements in the EU. The requirements will be based upon internal models, reflecting market values of investments and liabilities. We cannot be certain as to how the Solvency II requirements will impact our financial position.

In April 2004, the European Commission released a draft of a Directive on reinsurance supervision, known as the fast-track reinsurance Directive. The Directive will introduce the principle of single license and home country control to the reinsurance sector. The harmonization of prudential rules of reinsurance is largely based on the existing framework for direct insurance. The Directive, once it is adopted and implemented by EU member states, will have a direct impact on our subsidiaries in the EU and may also influence supervision in Switzerland. The FOPI has issued a decree which is equivalent with EU standards and establishes the FOPI as lead regulator for Swiss Re. The EU fast-track Directive does not currently provide for any discrimination of non-EU based reinsurance companies. However, if the final adopted Directive should include such discriminatory regulations, this could be a disadvantage to us in our doing business in the EU, as we derive a substantial portion of our revenues within the EU and any competitive disadvantage we face there could have an adverse effect on our results of operations.

You may not be able to effectively compare our future financial statements to our historical financial statements

While we currently prepare consolidated financial statements in accordance with Swiss GAAP FER, GEIS historically prepared its consolidated financial statements in accordance with U.S. GAAP and we expect to prepare our consolidated financial statements in U.S. GAAP beginning with the financial statements at and for the year ended December 31, 2006. Prior to the Proposed Acquisition, GEIS did not operate as a stand-alone company and relied upon its parent entities for administrative, treasury, management and other services. As a result, the consolidated financial statements of GEIS do not necessarily reflect what its results of operations, financial position or cash flows will be in the future or what its results of operations, financial position or cash flow would have been in the past had GEIS been a stand-alone company during the periods presented. In addition, we are not proposing to acquire all of GEIS, and the GEIS U.S. GAAP historical financial statements in this Offering Memorandum have not been restated to exclude the Excluded Items (which we are not acquiring or assuming in the Proposed Acquisition). Accordingly, you may not be able to effectively compare our 2005 and our future consolidated financial statements to the historical financial statements of Swiss Re or GEIS.

Risks Related to the Proposed Acquisition

The GEIS Business is subject to operational risks similar to the operational risks we face, as well as to certain risks, such as those related to retrocession and to its primary insurance business, that we do not face to a significant extent

The GEIS Business is affected by market risks and other categories of risk described with respect to the Group elsewhere in this section and in this Offering Memorandum. In particular, its business is subject to many of the same risks that could potentially affect our business and our operating results, including: investment return fluctuations; the risk of inadequate reserves; the risk that we will incur unexpected losses from catastrophic events; the cyclicality of the reinsurance industry as a whole; competition; unexpected needs for liquidity; regulatory actions; rating agency action; collateral capacity constraints and regulatory or legal developments. For example, although GEIS has strengthened its reserves by $9.8 billion for years 2002-2005, including $3.8 million in 2005 (of which $3.2 billion was in the fourth quarter), its reserves may prove to be inadequate to cover its actual claims and benefits experience, and to the extent reserves are insufficient to cover actual claims, claim adjustment expenses or future policy benefits, we would have to add to these reserves and incur a charge to our earnings. These insufficiencies in reserves could have material adverse effects on our future consolidated financial condition, results of operations and cash flows.

The GEIS Business has complementary strengths and further supports our franchise in areas on which we focus. In other cases, the GEIS Business has strengths in areas which we are not significantly exposed to, or in which we have reduced our exposure in prior years, such as London market, U.K. critical illness, direct commercial lines and program business. Like us, the GEIS Business is exposed to catastrophic events. GEIS had claims of approximately $830 million on a net basis in respect of the 2005 hurricanes and of $576 million on a net basis in respect of the attack on the World Trade Center. Also, GEIS is the subject of some of the same regulatory investigations in respect of non-traditional products to which we are subject.

In contrast to our business, the GEIS Business historically has relied to a significant degree on retrocession arrangements, the level of which we expect we will reduce over time. To the extent we retain retrocession arrangements of the GEIS Business, those arrangements would be subject to the credit risk of the retrocessionaires.

Additionally, the GEIS Business has a primary U.S. insurance business and is therefore subject to other potential risks arising from a primary insurance business, including, without limitation, loss of distribution channels (brokers and agents to the extent the GEIS companies rely on agents to write their business), poor quality of third party reinsurance receivables for primary companies, significant competition in certain lines of business, regulatory restrictions on exiting (through cancellation or non-renewal) certain lines of business, long-tail exposures including asbestos and pollution and insufficiency of reserves for such exposures, and inadequate rates (premiums).

We may experience difficulties in integrating the GEIS Business

Our ability to achieve the benefits we anticipate from the Proposed Acquisition, including achieving the expected synergies, will depend in large part upon whether we are able to integrate the businesses of Swiss Re and the GEIS Business in an efficient and effective manner. We may not be able to integrate these businesses smoothly or successfully, and the process may take longer than expected. The integration of certain operations following the Proposed Acquisition will require the dedication of significant management resources, which may distract management's attention from day-to-day business. If we are unable to successfully integrate our operations with the GEIS Business, we may be unable to realize the cross-selling, cost savings, revenue growth and other anticipated benefits we expect to achieve as a result of the Proposed Acquisition and our business and results of operations could be adversely affected. The success with which we are able to integrate the GEIS business will depend on our ability to manage a variety of issues, including the following:

- loss of key personnel or higher than expected employee attrition rates could adversely affect the performance of the GEIS Business and our ability to integrate it successfully;
- customers of the GEIS Business may reduce, delay or defer decisions concerning their use of its or our products and services as a result of the Proposed Acquisition or uncertainties related to the consummation of the Proposed Acquisition;

- customers of the GEIS Business that are also customers of ours may cease to do business with us altogether for any number of reasons, including concerns about risk concentration following the combination of our operations with the GEIS Business; and
- integrating the GEIS Business with our existing operations will require us to coordinate geographically separated organizations, address possible differences in corporate culture and management philosophies, and combine separate information technology platforms.

In certain cases, the integration will be phased-in over time. For example, investment management services for the assets of Employers Reinsurance Company and its affiliates currently provided by GE Asset Management will continue to be provided for a period of time pursuant to a management services agreement.

Beginning with fiscal 2008, we expect to achieve estimated annual pre-tax synergies of $300 million. We are in the process of formulating detailed integration plans to deliver planned synergies. Accordingly, our estimates of synergies are preliminary estimates and subject to change. We could also encounter other transaction and integration-related costs or other factors such as the failure to realize any benefit from synergies anticipated in the Proposed Acquisition.

Our acquisition of the GEIS Business could expose us to potential liabilities

Under the terms of the Transaction Agreement (as defined below) entered into in connection with the Proposed Acquisition, we have agreed to purchase shares of GEIS as well as assets, rather than just its assets. As a result, we will purchase the liabilities of the GEIS Business as well, including unknown and contingent liabilities. We have performed extensive due diligence in connection with the Proposed Acquisition, but there may be pending, threatened, contemplated or contingent claims against the GEIS Business related to regulatory, litigation or other matters of which we and GEIS are unaware. Although we are indemnified under the Transaction Agreement against some of these liabilities (including in respect of regulatory investigations commenced within one year after the closing of the Proposed Acquisition), there is a risk that we could ultimately be liable for other liabilities and, even in respect of indemnified liabilities, could face reputational risk. In addition, indemnities provided for under the Transaction Agreement are limited in scope. See "Proposed Acquisition—The Transaction Agreement—Indemnification." Any of these contingencies, individually or in the aggregate, could increase our costs, which could have a material adverse effect on our financial condition.

We expect to incur significant costs and additional indebtedness in connection with the Proposed Acquisition

We expect to incur significant one-time restructuring costs in connection with the Proposed Acquisition of CHF 325 million over and above integration costs of approximately CHF 115 million that we expect will be incurred over a three-year period. The costs and liabilities actually incurred in connection with the Proposed Acquisition and subsequent integration process may exceed those anticipated. Although we expect that the realization of efficiencies related to the Proposed Acquisition will offset additional expenses over time and result in net cost savings, we cannot ensure that this net benefit will be achieved soon or at all.

There is no financing condition in the Transaction Agreement, and we are raising equity (through the Equity Offering), hybrid capital and senior debt in the capital markets to fund the cash component of the purchase price for the Proposed Acquisition. These securities include CHF 1.0 billion of 6% mandatory convertible securities due 2008 as well as the U.S. Perpetual Securities and Loan Notes. We expect to also be issuing equity and hybrid and senior debt securities to General Electric, which will increase the level of our indebtedness and add to our annual interest expense. The number of shares and the level of indebtedness to be issued to General Electric will be determined at the time of the closing of the Proposed Acquisition based on various factors. The level of interest expense will be based on market conditions as will the offer price for the Equity Offering (the "Offer Price") and the value assigned to our shares to be issued by us to subsidiaries of General Electric as part of the consideration for the Proposed Acquisition. See "Unaudited Pro Forma Financial Information" for a description of interest expense associated with this indebtedness, based on indicative rates and assumptions as to the number of shares to be issued. Our cash obligations under the Transaction Agreement are denominated in dollars and to manage our exposure to deliver the cash component to General Electric we may enter into hedging transactions. There can be no assurance that such arrangements will adequately protect us.

In addition, as part of the Proposed Acquisition, we will be assuming $1.7 billion in additional long-term indebtedness and have agreed to arrange for substitute letters of credit, guarantees and similar obligations to replace existing letters of credit, guarantees and similar obligations or to assume obligations under such instruments. We understand that the GEIS Business has $1.5 billion in letter of credit facilities ($1.1 billion of which are collateralized). As a result, we are likely to need to provide additional letter of credit facilities, over and above the facilities we currently maintain to cover reinsurance collateral requirements in connection with our reinsurance operations, to cover reinsurance collateral requirements in connection with certain of the reinsurance operations of the GEIS Business.

The Proposed Acquisition is subject to certain closing conditions, including the receipt of various governmental consents and approvals to complete the Proposed Acquisition, which if delayed, not granted or granted with unacceptable conditions, may jeopardize or postpone the completion of the Proposed Acquisition, result in additional expenditures of money and resources and reduce the anticipated benefits of the Proposed Acquisition

We must obtain numerous consents and approvals in a timely manner from U.S. federal and state, Swiss, U.K., German and other foreign governmental agencies prior to the completion of the Proposed Acquisition. To date, we have received various of these consents and approvals and believe we will receive the remaining ones by mid-2006. However, if we do not receive all of these consents or approvals, or do not receive all of them on terms that satisfy the conditions set forth in the Transaction Agreement, then neither we nor General Electric will be obligated to complete the Proposed Acquisition. In such case, it is possible that either company may forego or postpone the Proposed Acquisition as contemplated in the Transaction Agreement. Were the Proposed Acquisition not to occur for any reason, having raised capital in anticipation of the Proposed Acquisition of approximately $3.8 billion (CHF 4.9 billion), including pursuant to the Loan Notes Offering and the U.S. Perpetual Securities Offering, pending our finding alternative uses for such capital, our return on equity and earnings per share would be adversely impacted.

The governmental agencies from which we will seek these approvals have broad discretion in administering the governing regulations. As a condition to approval of the Proposed Acquisition, these agencies may impose requirements, limitations or costs that could negatively affect the way we conduct, or the GEIS Business conducts, business. These requirements, limitations or costs could jeopardize or delay the completion of the Proposed Acquisition. If we agree to any material requirements, limitations or costs in order to obtain any approvals required to complete the Proposed Acquisition, these requirements, limitations or additional costs could adversely affect our ability to integrate the GEIS Business' operations or reduce the anticipated benefits of the Proposed Acquisition. This could result in a material adverse effect on our business and results of operations.

Risks Related to the Loan Notes and the Loan Notes Offering

An investment in the Loan Notes involves certain risks that would not be associated with an investment in typical debt securities. Such risks could result in principal or interest not being repaid or paid by us and/or a material impairment of the market price of the Loan Notes. The following is a description of risk factors in relation to the Loan Notes.

The Loan Notes have no scheduled maturity, and you do not have the right to accelerate the payment of the principal amount of the Loan Notes or otherwise call a default in respect of the Loan Notes

The Loan Notes have an indefinite term. We are under no obligation to redeem the Loan Notes at any time, and you have no right to call for their redemption. As there is an indefinite term, there is no fixed date for the payment of principal on the Loan Notes. You do not have the right to accelerate the payment of the principal amount of the Loan Notes if we default under the Loan Notes or to otherwise declare the Loan Notes due and payable.

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

The Loan Notes are redeemable in whole but not in part at our option at their principal amount on the First Optional Redemption Date and on each Interest Payment Date thereafter. We may also redeem the Loan Notes in whole but not in part at their principal amount together with any accrued interest at any time following the occurrence of a Par Redemption Event (which could be triggered by a Recalculation of Interest Event or a Special Tax Event) and at the greater of the Make Whole Amount and the principal amount of the Loan Notes, in each case, together with accrued interest, following the occurrence of a Make Whole Redemption Event (which could be triggered by an Accounting Event, a Regular Tax Event or a Regulatory Event). In any case, we may call and redeem the Loan Notes only if the FOPI or any Successor Authority has given (and has not subsequently withdrawn) its consent to the redemption, to the extent such consent is required, or otherwise has not objected to the redemption, all as more fully described in the Conditions. If we call and redeem the Loan Notes in any of the circumstances mentioned above, you may only be able to reinvest the redemption proceeds in securities with a lower yield.

We are not subject to limits on the issuance of securities or other obligations, which may reduce the amount recoverable by you in certain circumstances

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

Your right to receive payment on the Loan Notes is subordinated in right of payment to existing and future senior creditors

The Loan Notes will be our perpetual, subordinated obligations. In the event of the liquidation, dissolution, insolvency or other proceedings for the avoidance of insolvency of, or against, us, our obligations under the Loan Notes will be subordinated to the claims of all holders of Senior Securities, so that in any such event no amounts shall be payable in respect of the Loan Notes until the claims of all holders of Senior Securities shall have first been satisfied in full. In such liquidation, dissolution, insolvency or other proceeding for the avoidance of insolvency of, or against, us, you may recover proportionately less than the holders of our unsubordinated and dated subordinated liabilities.

We may decide to defer interest payments on the Loan Notes

We may, with respect to any Interest Payment Date, elect in our discretion to defer in whole or in part the payment of interest on the Loan Notes, if no dividend, other distribution or payment was declared or made by us or any of our subsidiaries (except where such dividend, other distribution or payment was made intra-Group) in respect of any Parity Security (except where such parity payment is itself required on a pro rata basis) or Junior Security during the 12 months preceding the Calculation Date in respect of such Interest Payment Date and no redemption, repurchase or acquisition of Junior Securities or Parity Securities has been made by us (except where such redemption, repurchase or acquisition is made intra-group or is in respect of shares to satisfy exercises of options or warrants that were issued to employees for compensatory purposes), either directly or indirectly during the 12 months preceding the Calculation Date in respect of such Interest Payment Date.

Deferred interest payments will not themselves bear interest and may only be settled by way of the ACSM. ACSM could include an Ordinary Share Settlement, a Parity Security Settlement or a Payment-in-Kind (PIK), in each case, subject to the limitations described in the Conditions. Although we intend to assess the extent to which Deferred Interest Payments (if any) are due prior to each Interest Payment Date and to satisfy such Deferred Interest Payments in accordance with Ordinary Share Settlement or Parity Security Settlement, where we are unable to satisfy the Deferred Interest Payments that are due and payable by Ordinary Share Settlement or Parity Security Settlement, we intend to use PIK up to the Threshold described in the Conditions.

You will not receive any additional interest or compensation for the optional deferral of the payment of interest.

We may be required to defer interest payments on the Loan Notes

If on an Interest Payment Date a Solvency Event has occurred, we will be required to defer the Interest Amount as described in the Conditions. In the case where payment of the Interest Amount would itself cause a Solvency Event to occur, we will be required to defer the Solvency Shortfall. If on an Interest Payment Date a Mandatory Deferral Event has occurred, we will be required to defer any Mandatory Shortfall. If we are required to defer a payment of interest following the occurrence of a Mandatory Deferral Event on an Interest Payment Date, we will also be required to defer on one or more subsequent Interest Payment Dates the interest that would otherwise be due on such Interest Payment Dates until the Mandatory Deferral Event has been cured. After one or more Mandatory Deferral Events have occurred, we may only begin to pay interest on the Loan Notes on any Interest Payment Date if on that Interest Payment Date (i) no new Mandatory Deferral Event has occurred and (ii) all of the previous Mandatory Deferral Events have been cured.

Deferred Interest Payments will not themselves bear interest and may only be settled by way of the ACSM. ACSM could include an Ordinary Share Settlement, a Parity Security Settlement or a Payment-in-Kind (PIK), in each case subject to the limitations described in the Conditions. Although we intend to assess the extent to which Deferred Interest Payments (if any) are due prior to each Interest Payment Date and to satisfy such Deferred Interest Payments in accordance with Ordinary Share Settlement or Parity Security Settlement, where we are unable to satisfy the Deferred Interest Payments that are due and payable by Ordinary Share Settlement or Parity Security Settlement, we intend to use PIK up to the Threshold described in the Conditions.

You will not receive any additional interest or compensation for the mandatory deferral of the payment of interest.

You may not receive any interest payments that have been deferred and interest payments may be cancelled if we are unable to sell shares or other securities ranking junior to or pari passu with the Loan Notes

Our obligation to pay Deferred Interest Payments is subject to the condition that these payments can only be settled by way of the ACSM, which means that we can use only cash proceeds of an Ordinary Share Settlement (that is, from the issuance or sale of Payment Shares, which are existing or newly issued shares of ours or our existing or newly issued Qualifying Mandatory Convertibles), a Parity Security Settlement (that is, from the issuance of Placement Securities, which are securities or other instruments that receive equal or greater equity credit from the rating agencies relative to the Loan Notes) or, to the extent permitted under prevailing regulatory criteria governing the Loan Notes, a PIK (that is, through the increase of the outstanding aggregate principal amount of the Loan Notes by an amount equal to all of the outstanding Deferred Interest Payments). There are limitations on using the ACSM, including that in the case of delivery of cash from the issuance of Payment Shares or Parity Securities, such shares or securities must have been issued within two years of the relevant Deferred Settlement Date (that is, the date on which the Deferred Interest Payment becomes due). In addition, under Swiss law the issuance of new shares must be approved by the shareholders upon recommendation of the board of directors; shareholders are not bound by the recommendation of the board of directors. We may only use the Ordinary Share Settlement to the extent that the number of Payment Shares (including the maximum number of shares issued or issuable pursuant to all Qualifying Mandatory Convertibles as of their respective date of issuance) used in any 12-month period for this purpose does not exceed 2.0% of our outstanding share capital. Calculation of such percentage will apply solely and exclusively to the use of the Ordinary Share Settlement where deferral was triggered by the occurrence or the continuation of a Mandatory Deferral Event as described in the Conditions. We may only use Parity Security Settlement and/or PIK to the extent that the aggregate principal amount of the Placement Securities to be issued or the PIK Amount (together with any Placement Securities previously issued and any previous PIK Amounts) would not exceed the Threshold (that is, 25% of the initial aggregate principal amount of the Loan Notes). Calculation of the Threshold will apply solely and exclusively to the use of Parity Security Settlement and/or PIK, as the case may be, where deferral was triggered by the occurrence or the continuation of a Mandatory Deferral Event as described in the Conditions.

We intend to assess the amount of Deferred Interest Payments (if any) prior to each Interest Payment Date and, although we are not under an obligation to do so, we intend to pay such deferred interest when due by means of Ordinary Share Settlement or Parity Security Settlement. Where we are unable to satisfy the payments that are due and payable by Ordinary Share Settlement or Parity Security Settlement, we intend to use PIK up to the Threshold. If we are unable to do the foregoing within the time limits provided, our obligation to make such Deferred Interest Payment (if any) would be cancelled.

If in the event of the liquidation, dissolution, insolvency or other proceedings for the avoidance of insolvency of, or against, us we are unable to apply the ACSM, then our obligations in respect of such unsettled amount shall rank *pari passu* with our obligations in respect of the principal amount of the Loan Notes in an amount up to the Threshold; to the extent the Threshold would be exceeded, our obligation to satisfy the Deferred Interest Payment (if any) would be cancelled.

The Loan Notes are subject to interest rate risk

Initially, the Loan Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "Market Interest Rate"). While the normal interest rate of a bond or note with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Movements of the Market Interest Rate can adversely affect the market price of the Loan Notes and could lead to losses for you if you were to sell the Loan Notes.

After the First Optional Redemption Date, unless the Loan Notes have been redeemed, they will bear interest at a floating rate. A holder of a security with a floating rate of interest is exposed to the risk of fluctuating compensation rate levels and uncertain compensation income. Fluctuating compensation rate levels make it difficult to determine the yield of the instrument.

The ratings on the Loan Notes could be lowered

The Loan Notes have been assigned a rating of “A1” by Moody’s and “A” by Standard and Poor’s. In addition, other rating agencies may assign credit ratings to the Loan Notes with or without any solicitation from us and without any provision of information from us. A downgrade or potential downgrade in these ratings, the assignment of a new rating that is lower than existing ratings, or a downgrade or potential downgrade in the ratings assigned to us, our subsidiaries or any of our securities could adversely affect the price and liquidity of the Loan Notes.

The Loan Notes do not contain covenants governing our operations and do not limit our ability to merge, effect asset sales or otherwise effect significant transactions that may have a material and adverse effect on the Loan Notes and the Loan Noteholders

The Loan Notes do not contain covenants governing our operations and do not limit our ability to enter into a merger, asset sale or other significant transaction that could materially alter our existence, jurisdiction of organization or regulatory regime and/or the composition and business of the Group. In the event we were to enter into such a transaction, you could be materially and adversely affected.

TERMS AND CONDITIONS OF THE LOAN NOTES

Terms and Conditions of the Loan Notes (the "Conditions")

1. Form and Denomination

(a) We will issue the Loan Notes in the aggregate principal amount of € 1,000,000,000 on or about May 11, 2006 (the "Issue Date"). Initially, only one Loan Note will be issued.

(b) The Loan Notes will be represented by definitive certificates in registered form. The Loan Notes shall each bear the manual or facsimile signatures of two of our duly authorized officers as well as the manual signature of an authentication officer of the Registrar. The Bank of New York, Brussels Branch (the "Registrar") will maintain a register (the "Register") of Loan Noteholders reflecting the ownership of the Loan Notes. Transfer (as defined in Condition 9) of Loan Notes shall be made in accordance with Condition 9.

2. Status

(a) *Status*

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

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

"Junior Securities" means any of our securities or our other relevant obligations expressly subordinated to the Loan Notes and, in case such securities may be issued or granted by us in the future, any of our securities or other relevant obligations, ranking or expressed to rank junior to the Loan Notes, including a guarantee or support (or any similar) agreement issued or entered into by us which ranks or is expressed to rank junior to the Loan Notes and, for the avoidance of doubt but without limitation, including all classes of our shares.

"Parity Securities" means any of our securities or our other relevant obligations, ranking or expressed to rank *pari passu* with the Loan Notes including a guarantee or support (or any similar) agreement issued or entered into by us which ranks or is expressed to rank *pari passu* with the Loan Notes and our obligations under the subordinated guarantee issued by us in relation to the 6.854 % perpetual subordinated step-up preferred securities issued by Swiss Re Capital I LP on or about May 11, 2006.

"Senior Securities" means (i) any of our securities or our other relevant obligations, except those ranking or expressed to rank junior to or *pari passu* with the Loan Notes, including a guarantee or support (or any similar) agreement issued or entered into by us which ranks or is expressed to rank junior to or *pari passu* with the Loan Notes and, (ii) for the avoidance of doubt but without limitation, including obligations in respect of policies of insurance or reinsurance, trade accounts payable, any liability for income, franchise, real estate or other taxes owed or owing, unsubordinated and/or dated subordinated creditors and existing undated subordinated creditors, except those ranking or expressed to rank junior to or *pari passu* with the Loan Notes.

(b) No security of whatever kind is, or will at any time be, provided by us or any other person securing rights of the Loan Noteholders. No subsequent agreement may limit the subordination pursuant to the provisions set out in this Condition 2 or shorten any applicable notice period in respect of the Loan Notes. If the Loan Notes are redeemed in violation of Condition 4, the amounts redeemed must be returned to us irrespective of any agreement to the contrary, unless we have been dissolved or such amounts have been replaced by regulatory capital qualifying with the same regulatory (sub-)category or equivalent thereof or if the Federal Office of Private Insurance ("FOPI") or any Successor Authority (as defined in Condition 3.2(c)(i)(A)) has given its consent to the redemption.

(c) *No right to set-off*

No Loan Noteholder may set off any claims arising under the Loan Notes against any claims that we may have against the Loan Noteholder. We may not set off any claims we may have against any Loan Noteholder against any of our obligations under the Loan Notes.

3. Interest

3.1 Fixed and Floating Interest

(a) Subject to Condition 3.2, the Loan Notes will bear interest (the "Rate of Interest") on their aggregate principal amount at:

(i) a fixed rate of 5.252% per annum from (and including) May 11, 2006 until (and excluding) the First Optional Redemption Date (as defined in Condition 4.3) (the "Fixed Rate Period"); and

(ii) a floating rate equal to the sum of six month EURIBOR for such coupon period and 2.09% per annum (*which includes a 100 basis point step-up above the original issue margin*) from (and including) the First Optional Redemption Date and thereafter (the "Floating Rate Period").

Subject to Condition 3.2, interest will be payable semi-annually in arrears on May 25 and November 25 in each year, commencing on November 25, 2006 (each such date before or after the First Optional Redemption Date, an "Interest Payment Date"). Each period beginning on (and including) the Issue Date and ending on (but excluding) the next succeeding Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an "Interest Period."

(b) If interest is required to be calculated for an Interest Period of less than a full year, such interest shall be calculated (x) during the Fixed Rate Period on the basis of the actual number of days in such Interest Period divided by the actual number of days (365 or 366) in the respective year and (y) during the Floating Rate Period on the basis of the actual number of days in such Interest Period divided by 360 (the "Floating Rate Day Count Fraction").

(c) If six month EURIBOR does not appear on the Relevant Screen Page on the relevant Interest Determination Date, the Calculation Agent will:

(i) Request the principal euro-zone office of each of four major banks in the euro-zone interbank market (the "Reference Banks") to provide a quotation of the rate at which deposits in euros are offered by it at approximately 11:00am (Brussels time) on the Interest Determination Date to prime banks in the euro-zone interbank market for a period of six months commencing on the first day of the relevant Interest Period and in an amount that is representative for a single transaction in the market at that time; and determine the arithmetic mean of such quotations to the nearest 5 decimal places (with 0.00005 being rounded upwards).

(ii) If fewer than two quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the euro-zone selected by the Calculation Agent at approximately 11:00 a.m. (Brussels time) on such Interest Determination Date for loans in euros to leading European banks for a period of six months commencing on the first day of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at that time.

(iii) If the Calculation Agent is unable to determine an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Loan Notes during such Interest Period will be the Rate of Interest in effect for the last preceding Interest Period to which one of the preceding determinations of this Condition 3.1(c) shall have applied or if none the Rate of Interest that applied in the Fixed Rate Period.

(d) During the Floating Rate Period, the Calculation Agent will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the Interest Amount (as defined in Condition 3.2(c)) payable in respect of each Loan Note for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Loan Note, multiplying the product by the 30/360 Day Count Fraction and rounding the resulting figure to the nearest euro (half a euro being rounded upwards).

(e) During the Floating Rate Period, the Calculation Agent will cause the Rate of Interest and the Interest Amount for each Interest Period together with the relevant Interest Payment Date to be notified to the Loan Noteholders, each of the Paying Agents and any stock exchange on which the Loan Notes are at the time being listed as soon as practicable after their determination but in no event later than the fourth Interest Business Day thereafter (or such earlier day as the rules of the stock exchange (if any) require). The Interest Amount and Interest Payment Date so published may subsequently be amended without notice in the event of an extension or shortening of the Interest Period.

(f) We will procure that, so long as any Loan Note is outstanding, there will at all times be the number of Reference Banks provided above (where the Rate of Interest is to be calculated by reference to them) and a Calculation Agent for the purposes of the Loan Notes. If any such bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amount, we will appoint some other leading bank engaged in the London interbank market (acting through its principal London office) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been so appointed.

(g) All notifications, opinions, determinations, certificates, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on us, the Paying Agents and the Loan Noteholders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(h) If a tax deduction or withholding (collectively, a "Tax Deduction") is required by law to be made by us in respect of any interest payable in respect of the Loan Notes and should paragraph (a) of Condition 6 be unlawful for any reason, the applicable interest rate in relation to that Interest Payment Date will be the interest rate which would have otherwise been payable on the Interest Payment Date divided by 1 minus the rate (as a fraction of 1) at which the relevant Tax Deduction is required to be made and we will (i) be obligated to pay the relevant interest on that Interest Payment Date at the adjusted rate in accordance with this Condition 3.1(h) and (ii) make the Tax Deduction on the recalculated interest. Without prejudice to the foregoing, all references to a rate of interest in the Conditions shall be construed accordingly and all provisions in Condition 6 (other than Condition 6(a)) shall apply to the Tax Deduction on the recalculated interest payment (such recalculation is referred to herein as a "Recalculation of Interest").

(i) The Loan Notes shall cease to bear interest from the end of the day preceding the day on which they become due for redemption. If we fail to redeem the Loan Notes when due, interest shall continue to accrue on the outstanding principal amount of the Loan Notes beyond the due date until the end of the day preceding the day of the actual redemption of the Loan Notes. The applicable rate of interest will be determined in accordance with this Condition 3. This does not affect any additional rights that might be available to the Loan Noteholders.

Where

"Interest Business Day" means a day on which the European settlement payment service TARGET (Trans-European Automated Real-Time Gross Settlement Express Transfer Service) is available for settlement of euro payments.

"euro-zone" means the region comprised by member states of the European Union that adopted the single currency in accordance with the EC Treaty.

"Interest Determination Date" means, during the Floating Rate Period, the second Interest Business Day prior to the commencement of each Interest Period or, in the case of the first Interest Period in the Floating Rate Period, the First Optional Redemption Date.

"Relevant Screen Page" means (A) Telerate Page 248 on the Dow Jones Telerate Service; (B) such other page as may replace that page on that service for the purpose of displaying such information; or (C) if that service ceases to display such information, such page as displays such information on such service (or if more than one, that one selected at the discretion of the Calculation Agent) as may replace the Dow Jones Telerate Service.

"six month EURIBOR" means the offered rate for deposits in euros with a designated maturity of six months which appear on the Relevant Screen Page as of 11:00 a.m. (Brussels time) on the relevant Interest Determination Date.

3.2 Payment and deferral of interest payments

(a) *Compulsory interest payments*

Interest which accrues during an interest period to but excluding an Interest Payment Date will be payable in cash on that Interest Payment Date, save that if on the Interest Payment Date (x) a Required Deferral Event has occurred, the provisions of Condition 3.2(c) shall apply or (y) an optional deferral of interest has been elected pursuant to Condition 3.2(b), the provisions of Condition 3.2(b) shall apply.

(b) *Optional deferral of interest payments*

(i) Save to the extent that a Required Deferral Event has occurred, with respect to any Interest Payment Date if (1) no dividend, other distribution or payment was declared or made by us or any of our subsidiaries (except where such dividend, other distribution or payment is made intra-Group) in respect of any Parity Security (except where such parity payment is itself required on a pro rata basis) or Junior Security during the 12 months preceding the Calculation Date in respect of such Interest Payment Date and (2) no redemption, repurchase or acquisition of Junior Securities or Parity Securities has been made by us (except where such redemption, repurchase or acquisition is made Intra-Group or is in respect of shares to satisfy exercises of options or warrants that were issued to employees for compensatory purposes), either directly or indirectly during the 12 months preceding the Calculation Date in respect of such Interest Payment Date, we may elect in our discretion:

(A) either to pay on such Interest Payment Date the interest which accrued during the interest period to but excluding such Interest Payment Date, in cash, or

(B) to defer in whole or in part the payment of interest which accrued during the interest period to but excluding such Interest Payment Date by giving notice in accordance with Condition 13 not less than 3 Business Days prior to such Interest Payment Date (which notice will be irrevocable); in this case, such interest will constitute an "Optionally Deferred Interest Payment."

(ii) If we elect to defer an interest payment pursuant to Condition 3.2(b)(i)(B), we will not have any obligation to make such interest payment on the relevant Interest Payment Date and the failure to pay such interest will not constitute a default by us or any other breach of obligations under the Loan Notes or for any other purpose.

In the event of a partial payment of interest, interest will be paid on a pro rata basis with Parity Securities.

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

"Calculation Date" means the 10^{th} Business Day preceding the relevant Interest Payment Date or redemption date, as the case may be.

(c) *Required deferral of interest payments*

We will be required to defer payment of (i) any Interest Amount or Solvency Shortfall (each as defined below), as applicable, if in respect of an Interest Payment Date or a redemption date a Solvency Event (as defined below) has occurred or would occur or (ii) any Mandatory Shortfall (as defined in Condition 3.2(c)(ii)) if in respect of an Interest Payment Date a Mandatory Deferral Event (as defined in Condition 3.2(c)(ii)) has occurred (collectively referred to herein as a "Required Deferral Event").

(i) If on an Interest Payment Date or redemption date a Solvency Event has occurred, we will be required to defer payment of any Interest Amount; provided that in the case where the payment of such Interest Amount would itself cause a Solvency Event to occur, we will only be required to defer the Solvency Shortfall (as defined below).

A "Solvency Event" shall have occurred if up to the end of the Calculation Date:

(A) we and the Group do not have appropriate funds to cover the required minimum solvency margin (or a comparable term in case of a change in applicable rules) in accordance with the provisions of applicable regulatory capital requirements (including but not limited to Swiss insurance regulatory law) (for group solvency and single solvency purposes and the solvency pursuant to the regulation for financial conglomerates) and a generally recognized administrative practice, if any, of the FOPI, any successor authority to FOPI or any authority or successor authority that has regulatory jurisdiction over the Group's operations (any such domestic or foreign successor authority to FOPI or otherwise, "Successor Authority") applicable at that time, and the amount of such funds would, as a result of a full or partial interest payment or redemption payment, respectively, that would otherwise be due on such Interest Payment Date or date of redemption, respectively, be or become less than the required minimum solvency margin, or

(B) we are unable to pay our debts owed to our Senior Creditors (as defined below) as they fall due, or

(C) our Assets (as defined below) do not exceed our Liabilities (as defined below) (other than liabilities to persons who are not Senior Creditors).

Where:

"Assets" means our unconsolidated total assets, as shown in our latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by us, or if we are being liquidated, our liquidator.

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

"Liabilities" means our unconsolidated total liabilities, as shown in our latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by us, or if we are being liquidated, our liquidator.

"Senior Creditors" means our creditors (a) who are our unsubordinated creditors or (b) whose claims are subordinated but senior to the claims of our other subordinated creditors, including those claims that rank pari passu with, or junior to, the claims of the Loan Noteholders.

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

(ii) If on an Interest Payment Date a Mandatory Deferral Event has occurred, then we will be required to defer payment of any Mandatory Shortfall (as defined below).

A "Mandatory Deferral Event" shall have occurred in respect of an Interest Payment Date if the following conditions are satisfied on the Test Date (as defined below) immediately preceding such Interest Payment Date:

(A) our consolidated net income, as determined in accordance with Applicable Accounting Standards, for the two consecutive Reporting Periods ending on the Lagged Reporting Date is less than zero, and

(B) our Adjusted Equity Amount as at the Lagged Reporting Date has declined by more than 10% as compared to the Adjusted Equity Amount as at the Reporting Date that is 24 months prior to such Lagged Reporting Date (the "Benchmark Adjusted Equity Amount"), and

(C) our Adjusted Capital Amount at the Current Reporting Date has declined by more than 10% as compared to the Benchmark Adjusted Equity Amount.

As a result of the provisions described herein, if the above conditions are satisfied on any Test Date, scheduled interest payments on the Loan Notes during the 12-month period following the Test Date to but excluding the subsequent Test Date will be subject to mandatory deferral.

Where:

"Adjusted Equity Amount" means, for the relevant period, published total shareholders' equity as shown in our consolidated balance sheet, as at the end of any Reporting Period, minus foreign currency translation adjustments and minus net unrealized gains/ losses, net of deferred tax.

"Adjusted Capital Amount" means the Adjusted Equity Amount plus Qualifying Mandatory Convertibles.

"Applicable Accounting Standards" means the accounting standards applied by us for our published accounts as applicable at the relevant dates and for the relevant periods.

"Current Reporting Date" means the most recent Reporting Date.

"Lagged Reporting Date" means the Reporting Date immediately prior to the Current Reporting Date.

"Mandatory Shortfall" is the amount by which the Interest Amount exceeds the New Capital Amount.

"New Capital Amount" means 100% of the net proceeds received by us or any other member of the Group between the Lagged Reporting Date and the relevant Interest Payment Date from any external issuance or sale of ordinary shares or Qualifying Mandatory Convertibles.

"Qualifying Mandatory Convertible" means, to the extent permitted under prevailing applicable regulatory criteria, a convertible instrument issued directly or indirectly by us that mandatorily converts into our share capital on or prior to the third anniversary of the date of its issuance.

"Reporting Date" means June 30 or December 31.

"Reporting Period" means a six-month period ending on a Reporting Date.

"Test Date" means the 10^{th} Business Day preceding every Interest Payment Date that falls on each May 25, starting on May 25, 2006.

(iii) If we are required to defer a payment of interest following the occurrence of a Mandatory Deferral Event in accordance with Condition 3.2(c)(ii) on an Interest Payment Date, then we will also be required to defer the payment of interest that would otherwise be due without application of this Condition 3.2(c)(iii) on one or more subsequent Interest Payment Dates until the Mandatory Deferral Event has been cured. After one or more Mandatory Deferral Events have occurred or are continuing, we may only begin to pay interest on the Loan Notes on any Interest Payment Date if on that Interest Payment Date (A) no new Mandatory Deferral Event has occurred and (B) all of the previous Mandatory Deferral Events have been cured.

A Mandatory Deferral Event that was triggered has been cured if our Adjusted Capital Amount is more than 90% of the Benchmark Adjusted Equity Amount when the Mandatory Deferral Event was triggered.

(iv) We may elect in our discretion to satisfy on the relevant Interest Payment Date the interest that would otherwise have been due on such Interest Payment Date without application of Condition 3.2(c)(ii) or this Condition 3.2(c)(iii) with funds raised prior to the Interest Payment Date by way of the ACSM in accordance with Condition 3.4.

(v) In case of a Required Deferral Event we will give notice in accordance with Condition 13 not less than three Business Days prior to such Interest Payment Date either:

(A) of the amount of the relevant interest payment that shall be deferred (any such amount of deferred interest together with any Optionally Deferred Interest Payment shall be referred to herein as a "Deferred Interest Payments"), or

(B) that in the case of Conditions 3.2(b) and 3.2(c)(i), (ii) or (iii) we will satisfy such interest payment; in each such case we will be required to state in such notice that we will satisfy such interest payment by way of the ACSM in accordance with Condition 3.4.

(vi) If an interest payment is deferred pursuant to Condition 3.2(c)(i), (ii) or (iii), we shall not have any obligation to make such interest payment on the relevant Interest Payment Date and the failure to pay such interest shall not constitute a default by us or any other breach of obligations under the Loan Notes or for any other purpose.

Deferred Interest Payments will not themselves bear interest.

3.3 Settlement of Deferred Interest Payments

(a) We may at any time upon giving prior notice in accordance with Condition 13 satisfy in whole or in part any Deferred Interest Payment on the date on which the Deferred Interest Payment becomes due (the "Deferred Settlement Date") only by way of the ACSM in accordance with Condition 3.4.

(b) We will be required to satisfy any outstanding Deferred Interest Payment on the relevant Deferred Settlement Date only by way of the ACSM in accordance with Condition 3.4 in the following situations:

(i) We will be required to satisfy any Deferred Interest Payment on the date on which the Loan Notes are called for redemption.

(ii) We will be required to satisfy any Deferred Interest Payment on the next subsequent Interest Payment Date:

(A) on which we are not permitted to optionally defer interest (pursuant to Condition 3.2(b)), but irrespective of whether there is a Required Deferral Event; or

(B) on a pro rata basis following a partial payment of current or deferred interest by us on any Parity Security, in which case the proportion shall be equal to the result from the division of the amount of the payment actually paid on the Parity Security by the outstanding amount (current or deferred) of the payment to which such partial payment relates.

(iii) We will be required to satisfy any Deferred Interest Payment on the date on which a reason for our dissolution exists pursuant to Article 736 of the Swiss Code of Obligations (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent, where the continuing entity assumes substantially all of our assets and obligations).

If the relevant Deferred Interest Payment is required to be made, we (i) may elect to do so pursuant to Ordinary Share Settlement and/or Parity Security Settlement (each as defined below) through the issuance and/or sale of Payment Shares or Placement Securities (each as defined below) and (ii) will use our best efforts to effect such issuance and/or sale of Payment Shares or Placement Securities on or about the relevant date on which the Deferred Interest Payment becomes due (the "Deferred Settlement Date"). If reasonably practicable, we will initiate this process during the six months prior to the relevant Deferred Settlement Date. If we are unable to raise the required amount to settle the Deferred Interest Payment by the relevant Deferred Settlement Date, we must continue to use our best efforts to raise sufficient proceeds for such settlement for up to two years following such Deferred Settlement Date. If we are unable to consummate (i) the issuance and/or sale or such Payment Shares or Placement Securities within the time period outlined above or (ii) utilize PIK (as defined in Condition 3.4), our obligation with respect to such Deferred Interest Payment will be cancelled.

If we make any deferred payment on any Parity Security (including the U.S. Perpetual Securities), we will satisfy any Deferred Interest Payment in the same proportion on the concurrent or the next subsequent Interest Payment Date following the date on which such payment was made. In this case the proportion shall be equal to the result from the division of the amount of the deferred payment actually paid by the outstanding amount of the deferred payment.

In the case of Condition 3.3(b)(i), (ii) or (iii), we will give notice in accordance with Condition 13 not less than three Business Days prior to the Deferred Settlement Date of our application of the Deferred Interest Payment by way of the ACSM in accordance with Condition 3.4.

3.4 Alternative coupon settlement mechanism (ACSM)

(a) Subject to Conditions 3.4(b) through (h), we may only satisfy our obligations in respect of any Deferred Interest Payment by way of the alternative coupon settlement mechanism (referred to herein as "ACSM") by one (or a combination) of the following:

(i) We may raise the funds required for the satisfaction of the relevant Deferred Interest Payment by issuing or selling Payment Shares (as defined below) for cash proceeds (the "Ordinary Share Settlement").

(ii) We (or any other member of the Group) may raise funds for the satisfaction of the relevant Deferred Interest Payment from the receipt of cash proceeds from the issuance of Placement Securities (as defined below) (the "Parity Security Settlement").

(iii) We may, to the extent permitted under prevailing regulatory criteria governing the Loan Notes, increase the outstanding aggregate principal amount of the Loan Notes by an amount equal to all of the outstanding Deferred Interest Payments (the "PIK Amount") (such increase is herein referred to as "Payment in Kind" or "PIK"), and the outstanding principal amount of each Loan Note will be so increased proportionately. For the avoidance of doubt, if we elect to satisfy the relevant Deferred Interest Payment by utilizing PIK, we may only do so on an Interest Payment Date.

Where:

"Payment Shares" means our existing or newly issued ordinary shares or Qualifying Mandatory Convertibles.

"Placement Securities" means any securities or other instruments that receive equal or greater equity credit from the rating agencies relative to the Loan Notes.

We intend to assess the extent to which Deferred Interest Payments (if any) are due prior to each Interest Payment Date, and to satisfy such Deferred Interest Payments in accordance with Ordinary Share Settlement or Parity Security Settlement. Where we are unable to satisfy the Deferred Interest Payments that are due and payable by Ordinary Share Settlement or Parity Security Settlement, we intend to utilize PIK up to the Threshold (as defined below).

(b) If we elect to satisfy the relevant Deferred Interest Payment pursuant to Condition 3.4(a)(i), we may only utilize the Ordinary Share Settlement to the extent that the number of Payment Shares used in any 12-month period (including the maximum number of shares issued or issuable pursuant to all Qualifying Mandatory

Convertibles as of their respective date of issuance) for this purpose does not exceed 2.0% of our outstanding share capital. Calculation of the percentage in this Condition 3.4(b) will apply solely and exclusively to use of Ordinary Share Settlement where deferral was triggered by the occurrence or the continuation of a Mandatory Deferral Event pursuant to Condition 3.2(c)(ii).

(c) If we elect to satisfy the relevant Deferred Interest Payment pursuant to Condition 3.4(a)(ii) and/or Condition 3.4(a)(iii), we may utilize Parity Security Settlement and/or PIK to the extent that the aggregate principal amount of the Placement Securities to be issued or the PIK Amount (together with any Placement Securities previously issued and any previous PIK Amounts) would not exceed 25% of the initial aggregate principal amount of the Loan Notes (the "Threshold"). Calculation of the Threshold will apply solely and exclusively to the use of Parity Security Settlement and/or PIK, as the case may be, where deferral was triggered by the occurrence or the continuation of a Mandatory Deferral Event pursuant to Condition 3.2(c)(ii).

(d) If in the event of the liquidation, dissolution, insolvency or other proceedings for the avoidance of insolvency of, or against, us, we are unable to apply the ACSM, then our obligations in respect of such unsettled amount shall rank *pari passu* with our obligations in respect of the principal amount of the Loan Notes in an amount up to the Threshold; to the extent the Threshold would be exceeded, our obligation to satisfy the Deferred Interest Payment (if any) shall be cancelled.

(e) We will without undue delay give notice in accordance with Condition 13:

(i) whether and to what extent we will satisfy the Deferred Interest Payment pursuant to Condition 3.3 for the relevant interest period pursuant to the ACSM in accordance with Condition 3.4(a)(i); and/or

(ii) whether and to what extent we will satisfy the Deferred Interest Payment pursuant to Condition 3.3 for the relevant interest period pursuant to the ACSM in accordance with Condition 3.4(a)(ii); and/or

(iii) whether and to what extent we will satisfy the Deferred Interest Payment pursuant to Condition 3.3 by way of the ACSM in accordance with Condition 3.4(a)(iii).

(f) If there exists, in our reasonable opinion, a Market Disruption Event (as defined below), then the two-year period described in Condition 3.3(b) shall be extended by a period equal to the time during which the Market Disruption Event exists plus 60 Business Days. We will give notice pursuant to Condition 13 of both the occurrence of a Market Disruption Event and the date on which, in our opinion, the Market Disruption Event no longer exists. No amount will be payable by way of interest due to the occurrence of a Market Disruption Event.

"Market Disruption Event" means the occurrence or existence of any of the following events or sets of circumstances:

(i) the trading in our registered shares or securities generally on any internationally recognized exchange on which the securities issued by the Group are traded has been suspended or the settlement of such trading generally shall have been materially disrupted;

(ii) a general moratorium shall have been declared on commercial banking activities or securities settlement systems in Switzerland, the U.S. or the U.K.;

(iii) there shall have occurred a change, event or circumstance that could be expected to result in a prospective change in Swiss taxation materially and adversely affecting us, our ordinary shares, or the imposition of exchange controls by Switzerland; or

(iv) there shall have occurred an outbreak or escalation of hostilities, any terrorist attacks or calamity or crisis, or any change or development involving or likely to involve a prospective change in national or international financial, political or economic conditions in any country.

(g) With respect to Condition 3.4(a)(i), we will, from time to time, use our best efforts to keep available for issue or sale such number of Payment Shares as we reasonably consider would be required to be issued or sold in order to satisfy all interest payments on the Loan Notes for a 12-month period using the Ordinary Share Settlement. We will not be responsible to pay damages for breach of this covenant but, in the event that we breach this covenant, we may be required to recommend to our Board of Directors to put before the next general meeting of our shareholders a proposal for a resolution to remedy the breach.

4. Redemption

4.1 No scheduled redemption

The Loan Notes have no final maturity date, are not redeemable at the option of the Loan Noteholders and will not otherwise be redeemed except at our option and in accordance with the provisions set out in Conditions 4.2 through 4.6.

4.2 Early redemption events

(a) Subject to Condition 4.6, we may redeem the Loan Notes in whole but not in part upon the occurrence of a Par Redemption Event (as defined below) pursuant to Condition 4.2(a)(i) or upon the occurrence of a Make Whole Redemption Event pursuant to Condition 4.2(a)(ii).

(i) Any redemption by us pursuant to Condition 4.2(a)(i) shall be referred to as a "Par Redemption Event."

(A) If at any time after the issue of the Loan Notes a Recalculation of Interest Event (as defined below) or a Special Tax Event (as defined below) occurs, we may call and redeem the Loan Notes at their principal amounts plus accrued interest at any time on giving not less than 30 nor more than 60 days' irrevocable notice to the Loan Noteholders in accordance with Condition 13, provided that:

(B) no such notice of redemption may be given earlier than 90 days prior to the earliest date on which we would be for the first time obligated to pay the Additional Amounts (as defined in Condition 6) or to pay amount in respect of which there has been a Recalculation of Interest or, as applicable, the date on which the Special Tax Event becomes effective; and

(C) prior to the giving of any such notice of redemption, we will deliver or procure that there is delivered to the Fiscal Agent:

(I) a certificate signed by us stating that we are entitled to effect that redemption and setting out a statement of facts showing that the conditions precedent to our right so to redeem have occurred; and

(II) an opinion of an independent legal advisor of recognized standing to the effect that we have or will become subject to the Par Redemption Event in question as a result of the relevant change or amendment.

Where:

A "Recalculation of Interest Event" means the occurrence of a Recalculation of Interest or a payment of Additional Amounts in respect of the Loan Notes and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to the occurrence of a Recalculation of Interest Event, we will deliver to the Fiscal Agent an opinion of a recognized independent tax counsel which confirms such occurrence.

A "Special Tax Event" means that due to a change in law, ruling or interpretation we no longer obtain a tax deduction for the purposes of Swiss corporation tax for any payment of interest on the Loan Notes and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to the occurrence of a Special Tax Event, we will deliver to the Fiscal Agent an opinion of a recognized independent tax counsel which confirms such occurrence.

We may redeem the Loan Notes pursuant to this Condition 4.2(a)(i) only in accordance with Condition 4.6 and subject to no Solvency Event having occurred.

Upon the occurrence of any of the events set forth above that give rise to a Par Redemption Event, we must deliver to the Fiscal Agent a notice bearing the manual signature of two of our duly authorized officers stating that such Recalculation of Interest Event or Special Tax Event, as the case may be, has occurred as well as a copy of any related opinions of other instruments or documents.

(ii) Any redemption by us pursuant to this Condition 4.2(a)(ii) shall be referred to as a "Make Whole Redemption Event"

(A) If at any time after the issue of the Loan Notes an Accounting Event (as defined below), a Regular Tax Event (as defined below) or a Regulatory Event (as defined below) occurs, we may call and redeem the Loan Notes (in whole but not in part) at their Make Whole Redemption Amount (pursuant to Condition 4.7) at any time on giving not less than 30 nor more than 60 days' irrevocable notice to the Loan Noteholders in accordance with Condition 13; provided that no such notice of redemption may be given earlier than 90 days prior to the date on which the applicable Make Whole Redemption Event becomes effective.

Where:

"Accounting Event" means that an opinion of a recognized accounting firm has been delivered to us, stating that our obligations in respect of securities arising out of this transaction must not or must no longer be recorded as liabilities on our balance sheet prepared in accordance with Applicable Accounting Standards (as defined in Condition 3.2(c)(ii)) for purposes of our published Group annual consolidated financial statements and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to an Accounting Event we will deliver the applicable opinion to the Fiscal Agent.

"Regular Tax Event" means that we no longer obtain a tax deduction (other than due to a change in law, ruling or interpretation) for the purposes of Swiss corporation tax for any payment of interest on the Loan Notes and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to the occurrence of a Regular Tax Event, we will deliver to the Fiscal Agent an opinion of a recognized independent tax counsel which confirms such occurrence.

"Regulatory Event" means the occurrence of any of the following events which occurrence cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate:

(1) the FOPI or any Successor Authority has stated that the Loan Notes are no longer eligible to qualify as Upper Additional Capital ("*oberes ergänzendes Kapital*"), and no longer fulfill the requirements for such category, or equivalent thereof, for group or solo solvency purposes (other than through the Loan Notes exceeding the then applicable quantitative limits on such capital issuance); or

(2) the FOPI or any Successor Authority issues further guidance in relation to Tier 1 Capital ("*Kernkapital*") qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and following which the FOPI or any Successor Authority states that the Loan Notes do not fulfill the requirements of Tier 1 Capital ("*Kernkapital*"); or

(3) the FOPI or any Successor Authority issues further guidance in relation to Tier 1 Capital ("*Kernkapital*") qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and the FOPI or any Successor Authority affords the Loan Notes recognition as Tier 1 Capital ("*Kernkapital*") for group or solo solvency purposes, and at a subsequent time the FOPI or any Successor Authority states that the Loan Notes no longer fulfill the requirements of Tier 1 Capital ("*Kernkapital*").

Upon the occurrence of any of the events set forth above that give rise to a Make Whole Redemption Event, we must deliver to the Fiscal Agent a notice bearing the manual signature of two of our duly authorized officers stating that such Accounting Event, Regular Tax Event or Regulatory Event, as the case may be, has occurred and in which respect as well as a copy of any related opinions of other instruments or documents.

We may redeem the Loan Notes pursuant to this Condition 4.2(a)(ii) only in accordance with Condition 4.6 and subject to no Solvency Event having occurred.

4.3 Early redemption at our option

(a) Subject to Condition 4.6 and subject to no Solvency Event having occurred, we may at our option, upon giving not less than 30 nor more than 60 days' notice in accordance with Condition 4.3(b), redeem in whole but not in part the Loan Notes at their principal amount together with any accrued interest on May 25, 2016 (the "First Optional Redemption Date") and on each subsequent Interest Payment Date thereafter (each, an Optional Redemption Date").

(b) The appropriate redemption notice is a notice given by us to the Loan Noteholders in accordance with Condition 13. The notice shall be irrevocable and shall specify:

- the Loan Notes subject to redemption;
- that such Loan Notes are to be redeemed in whole;
- the Interest Payment Date on which the Loan Notes are to be redeemed; and
- the amount at which such Loan Notes are to be redeemed.

(c) We will inform, if required by any stock exchange on which the Loan Notes are then listed, such stock exchange, and the Principal Paying Agent as soon as possible of such optional redemption or of any Par or Make Whole Redemption.

4.4 No early redemption at the option of the Loan Noteholders

The Loan Noteholders shall not be entitled to put the Loan Notes for redemption at any time.

4.5 Purchase of Loan Notes

We or any other member of the Group may at any time (subject to mandatory provisions of law) purchase Loan Notes in the open market or otherwise and at any price. Such acquired Loan Notes may be cancelled, held or resold.

The aforementioned persons may purchase the Loan Notes in accordance with this Condition 4.5 only in accordance with Condition 4.6 (and subject to no Solvency Event having occurred).

4.6 Limitation of termination rights and purchase

(a) We may call and redeem the Loan Notes in accordance with Condition 4.2 or Condition 4.3 only if the FOPI or any Successor Authority has given (and not subsequently withdrawn) its consent to the redemption to the extent such consent is required or otherwise has not objected to such redemption.

(b) The persons mentioned in Condition 4.5 may, subject to mandatory provisions of law, acquire the Loan Notes in accordance with Condition 4.5 only if the FOPI or any Successor Authority has given (and not subsequently withdrawn) its consent to the redemption to the extent such consent is required or otherwise has not objected to such redemption.

(c) If the Loan Notes are repaid in circumstances other than as described in this Condition 4, then, irrespective of any agreement to the contrary, the amount so repaid must be repaid to us.

4.7 Make Whole Redemption Amount

"Bund Rate" means the yield on the relevant Bund as selected by the Independent Investment Banker (as defined below) having a maturity date closest to the First Optional Redemption Date.

The "Make Whole Redemption Amount" of the Loan Notes will in the case of a Make Whole Redemption Event pursuant to Condition 4.2(a)(ii) equal the greater of (x) the Make Whole Amount (as defined below) and (y) the principal amount of the Loan Notes together, in each case, with any accrued and unpaid interest through and including the redemption date.

The "Make Whole Amount" will be calculated by the Independent Investment Banker and will equal the sum of the Present Values (as defined below) on the date of redemption of (i) the principal amount of the Loan Notes assuming such to be due on the First Optional Redemption Date and (ii) the remaining scheduled payments (assuming each such scheduled payment to be due in full) of interest on the Loan Notes to but excluding the First Optional Redemption Date, using a discount rate equal to 65 basis points above the Bund Rate on the Redemption Calculation Date (as defined below).

The "Present Values" will be calculated by the Independent Investment Banker by discounting the principal amount of the Loan Notes and the remaining scheduled payments of interest to the redemption date on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year.

"Redemption Calculation Date" means the third Business Day prior to the date on which the Loan Notes are redeemed at our option pursuant to Condition 4.2 or 4.3, as the case may be.

"Independent Investment Banker" means one of the Reference Dealers appointed by us.

"Reference Dealer" means:

- each of Dresdner Bank AG London Branch, HSBC Bank plc and UBS Limited and their respective successors, provided that if any of the foregoing ceases to be a primary European government bond dealer (a "Primary Government Bond Dealer"), we will substitute another Primary Government Bond Dealer, and
- any other Primary Government Bond Dealer selected by us.

5. Payments

(a) We undertake to pay, as and when due, principal and interest on the Loan Notes in Euros. Payment of principal and interest on the Loan Notes shall be made to the Fiscal Agent or to its order for credit to the relevant account holders of the Fiscal Agent as of the relevant Record Date (as defined below).

(b) We shall be discharged by payment to the Fiscal Agent.

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

For these purposes, "Payment Business Day" means a day which is a day (other than a Saturday or a Sunday) on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) System settles payments.

(d) Reference in these Conditions to principal in respect of the Loan Notes shall be deemed to include the Make Whole Redemption Amount of the Loan Notes. Any reference in these Conditions to principal or interest will be deemed to include any Additional Amounts in respect of principal or interest (as the case may be) which may be payable under Condition 6.

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

6. Taxation

(a) All payments of principal and interest in respect of the Loan Notes will be made free and clear of, and without Tax Deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("Taxes"), unless we are compelled by law to make such Tax Deduction. In the event of such Tax Deduction, we will pay such additional amounts (the "Additional Amounts") as the Loan Noteholders would have received if no Tax Deduction had been required.

(b) However, no such Additional Amounts or interest recalculated pursuant to Condition 3.1(h) shall be payable with respect to such Taxes in respect of any Loan Noteholder:

(i) if the Loan Note is presented for payment by or on behalf of a Loan Noteholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Loan Note by reason of it having some connection with Switzerland or the Netherlands (as the case may be) other than the mere holding of that Loan Note;

(ii) if the Loan Note is presented for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the relevant holder would have been entitled to payment of such Additional Amounts or interest recalculated pursuant to Condition 3.1(h) if it had presented its Loan Note for payment on the 30th day after the Relevant Date, on the assumption if such is not the case, that such last day is a Business Day;

(iii) where such Tax Deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(iv) if the Loan Note is presented for payment by or on behalf of a Loan Noteholder which would have been able to avoid such Tax Deduction by presenting the Loan Note to a Paying Agent in another Member State of the European Union;

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

(vi) if the payment could have been made without a Tax Deduction if the Loan Noteholders had complied with Condition 9.

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

(d) If we must make a Tax Deduction and the relevant Loan Noteholder (acting in good faith) determines that (i) a Tax refund for such Tax Deduction is available to it and it has retained that Tax refund, that Loan Noteholder shall pay within 10 Business Days after such Tax refund an amount to us which that Loan Noteholder determines (in its sole discretion) will leave it (after that payment) in the same after-tax position as it would have been if the payment of the Additional Amount or a payment at an interest rate recalculated in accordance with paragraph (h) of Clause 3.1 had not been required to be made by us.

Where:

"Guidelines" means, together, the guideline S-01.123 in relation to interbank loans of 22 September 1986 (Merkblatt "Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)" vom 22. September 1986), guideline S-02.122.1 in relation to bonds of April 1999 (Merkblatt "Obligationen" vom April 1999) and article 4 of the guideline S-02.128 in relation to syndicated credit facilities of January 2000 (Merkblatt "Steuerliche Behandlung von Konsortialkrediten, Schuldscheindarlehen, Wechseln und Unterbeteiligungen" vom Januar 2000), as issued, and as amended from time to time, by the Swiss Federal Tax Administration.

"Non-Bank Rules" means the Ten Non-Bank Rule and the Twenty Non-Bank Rule (each as defined below).

"Permitted Non-Qualifying Lender" means:

(i) initially ELM B.V., Amsterdam, The Netherlands ("ELM"), and

(ii) a successor of ELM, or any subsequent successor thereof, by way of Transfer (as defined in Condition 9) of all of the Loan Notes, except for Loan Notes held by Qualifying Banks, that is not a Qualifying Bank on the date it becomes a Loan Noteholder, provided that:

(A) such proposed Permitted Non-Qualifying Lender (prior to its becoming a Loan Noteholder) is designated as the Permitted Non-Qualifying Lender in writing by us with at least ten days' notice before such designation notice is intended to become effective;

(B) if we (acting reasonably), on receiving such notification with respect to a proposed Permitted Non-Qualifying Lender, believe such proposed Permitted Non-Qualifying Lender is more than one person for purposes of the Non-Bank Rules, we may during such notice period request from that proposed Permitted Non-Qualifying Lender, at its cost) a tax ruling of the Swiss Federal Tax Administration that such proposed Permitted Non-Qualifying Lender constitutes one person for purposes of the Non-Bank Rules; and

(C) following such a request under subparagraph (B) of this definition, such proposed Permitted Non-Qualifying Lender shall only be a Permitted Non-Qualifying Lender under this paragraph (ii) if (x) we receive from such proposed Permitted Non-Qualifying Lender a certified copy of such tax ruling and such tax ruling confirms, to our reasonable satisfaction, that such proposed Permitted Non-Qualifying Lender constitutes one person for the Non-Bank Rules and (y) such proposed Permitted Non-Qualifying Lender confirms to us that such proposed Permitted Non-Qualifying Lender has disclosed all facts relevant to this determination to us.

We will confirm within ten days of our receipt of any such tax ruling whether or not such ruling is satisfactory for this purpose and, in the absence of such confirmation, we will be deemed to have confirmed that such tax ruling is so satisfactory on the 10th day after our receipt of such tax ruling; which (in each case) has not ceased to be a Loan Noteholder in accordance with the terms hereof.

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

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

"Relevant Date" means whichever is the later of the date on which the payment in question first becomes due and, if the full amount payable has not been received by the Principal Paying Agent on or prior to that due date, the date on which notice of receipt of the full amount has been given to the Loan Noteholders in accordance with Condition 13.

“Ten Non-Bank Rule” means the rule that the aggregate number of our Loan Noteholders under the Loan Notes which are not Qualifying Banks must not exceed ten, in each case in accordance with the meaning of the Guidelines.

“Twenty Non-Bank Rule” means the rule that the aggregate number of our lenders (including Loan Noteholders), other than Qualifying Banks, under all outstanding loans (including intra-Group loans), facilities and/or private placements (including under the Loan Notes) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

7. Presentation

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 5 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

8. Fiscal Agent, Principal Paying Agent and Calculation Agent

(a) The initial Fiscal Agent, Principal Paying Agent and the Calculation Agent for the Loan Notes will be The Bank of New York, which is located at:

One Canada Square
London E14 5AL
United Kingdom

(b) We reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, the Principal Paying Agent, any Paying Agent and the Calculation Agent and to appoint another Fiscal Agent, Principal Paying Agent or additional or other Paying Agents or other Calculation Agents provided at they will at all times maintain (i) a Fiscal Agent, a Principal Paying Agent and a Calculation Agent and (ii) so long as the Loan Notes are listed on a stock exchange, a Paying Agent (which may be the Principal Paying Agent) with (a) specified office in such city as may be required by the rules of the relevant stock exchange and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive. The Fiscal Agent, the Principal Paying Agent and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Fiscal Agent, the Principal Paying Agent, any Paying Agent and the Calculation Agent will be given promptly by us to the Loan Noteholders in accordance with Condition 13.

The Fiscal Agent, the Principal Paying Agent, any Paying Agent and the Calculation Agent act solely as our agents and do not assume any obligations towards or relationship of agency or trust for the Loan Noteholder. The Fiscal Agent, the Principal Paying Agent, any Paying Agent and the Calculation Agent are exempt from the restrictions relating to self-dealing.

9. Transfer and Exchange of Notes

(a) A Loan Note may only be assigned or transferred, including by way of security, (a “Transfer” and “Transferred” shall be construed accordingly), in whole or in part, if the Transfer is to a Qualifying Bank or the Permitted Non-Qualifying Lender. Title to the relevant Loan Note passes only on due registration on the Register. The Loan Note will bear a legend setting forth the applicable transfer restrictions.

(b) A Loan Noteholder may at any time require that we replace such Loan Noteholder’s certificate(s) representing the Loan Notes with certificates in minimum denominations of EUR 50,000. The Fiscal Agent shall accordingly authenticate such replacement certificates and the Registrar shall amend the Register.

(c) Loan Notes may be Transferred in amounts of EUR 50,000 in accordance with the terms of this Condition 9.

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

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

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

(e) No Loan Noteholder shall enter into any agreement with another person which is treated as a Sub-Participation. However, no Loan Note will be invalidated by any such agreement having being entered into.

(f) At the date hereof and for so long as the Loan Notes are outstanding we will ensure that we are in compliance with the Non-Bank Rules, provided that we will not be in breach of this paragraph (f) of Condition 9 if either of the Non-Bank Rules are exceeded solely by reason of a failure by one or more Loan Noteholders to comply with their respective obligations under this Condition 9.

Where:

"Sub-Participation" means any agreement of a Loan Noteholder with another person under which such Loan Noteholder makes to such other person payments by reference to any of the Loan Notes and which agreement is treated as our sub-participation (Unterbeteiligung) in the meaning of the Guidelines.

10. Grants of Security

Any Loan Noteholder may, without our consent, at any time charge or create a security interest in all or any portion of its rights under any Loan Note to secure obligations of such Loan Noteholder; provided that:

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

(i) substitute any such chargee or holder of the benefit of such security interest for such Loan Noteholder as Loan Noteholder except in accordance with the provisions of Condition 9; or

(ii) require any payments to be made by us other than as required by the Loan Notes. A copy of any notice of charge or creation of security interest as envisaged in this paragraph shall be delivered to the Fiscal Agent and the Fiscal Agent shall not be obligated to take any action in regard to such notice; and

(b) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Loan Note or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 9; and

(c) the Loan Noteholder promptly notifies the Fiscal Agent of any such charge or security interest and the secured party's identity and status by delivering to the Fiscal Agent a respective notification.

11. Substitution/Modification

11.1 Substitution

(a) Subject to Condition 11.2, 11.3 and 11.4, we may at any time, without the consent or approval of the Loan Noteholders, substitute all (but not less than all) of the Loan Notes, or modify the terms of the Loan Notes:

(i) if an Accounting Event occurs, so that no Accounting Event exists after such substitution or modification; or

(ii) if a Regular Tax Event occurs, so that no Regular Tax Event exists after such substitution or modification; or

(iii) if a Special Tax Event occurs, so that no Special Tax Event exists after such substitution or modification; or

(iv) if a Recalculation of Interest Event occurs, so that no Recalculation of Interest Event exists after such substitution or modification; or

(v) if a Regulatory Event occurs, so that no Regulatory Event would exist after such substitution or modification.

11.2 Requirements of Substitution or Modification

(a) Any substitution or modification of the Loan Notes is conditional on the substituted Loan Notes or the modified Loan Notes:

(i) having terms that are not less favorable to an investor than the terms of the Loan Notes; and

(ii) being issued by us or being issued by another member of the Group (a "New Issuer") with a guarantee by us, such that investors have the same material rights and claims as provided by the Loan Notes; and

(iii) ranking at least equal to the Loan Notes and featuring the same tenor, principal amount, interest rate (including applicable margins and step-up), interest payment dates and first call date as the Loan Notes; and

(iv) being listed on an internationally recognized stock exchange as selected by us (provided the Loan Notes were so listed at such time).

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

(i) all interest amounts accrued and due on the relevant Interest Payment Date and all Deferred Interest Payments (if any) being satisfied in full on or prior to the date thereof;

(ii) our giving prior written notice (if such notice is required to be given) to, and receiving no objection from, the FOPI or any Successor Authority;

(iii) the substitution or modification not itself giving rise to a change in any published rating of the Loan Notes in effect at such time;

(iv) the substitution or modification not triggering the right to effectuate a Par Redemption Event or a Make Whole Redemption Event; and

(v) certification by two of our executive officers that these conditions have been complied with.

(c) In connection with any substitution or modification as indicated above, we will comply with the rules of any stock exchange or other relevant authority on which the Loan Notes are then listed or admitted to trading.

11.3 References

In the event of a substitution pursuant to paragraph 11.2 (a)(ii), any reference in these Conditions to us shall be a reference to the New Issuer and any reference to Switzerland shall be a reference to the New Issuer's country of domicile for tax purposes.

11.4 Notice and Effectiveness of Substitution

Notice of any substitution of us shall be given by publication in accordance with Condition 13. Upon such publication, the substitution shall become effective, and we and in the event of a repeated application of this Condition 11, any previous New Issuer shall be discharged from any and all obligations under the Loan Notes. In the case of such substitution, the stock exchange(s), if any, on which the Loan Notes are then listed will be notified and a supplemental prospectus describing the New Issuer will be prepared.

12. Meetings and Amendments

(a) *Single Loan Noteholder*

For so long as there is no more than one Loan Noteholder registered in the Register (x) no amendment, waiver, variation of the Loan Notes, the Fiscal Agency Agreement or the Conditions may be made without the prior written consent of such Loan Noteholder and parties to the Fiscal Agency Agreement and (y) the meeting, quorum and voting provisions of Conditions 12(b) and (c) shall not apply.

(b) *Meetings of Loan Noteholders*

The Fiscal Agency Agreement contains provisions for convening meetings of Loan Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Fiscal Agency Agreement. Such a meeting may be convened by Loan Noteholders holding not less than 10 per cent. in principal amount of the Loan Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Loan Notes for the time being outstanding, or at any adjourned meeting, two or more persons being or representing Loan Noteholders whatever the principal amount of the Loan Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Loan Notes or the dates on which interest is payable in respect of the Loan Notes, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on or to vary the method of calculating the rate of interest on the Loan Notes, (iii) to change the currency of payment of the Loan Notes, (iv) to vary, amend or grant a waiver in relation to Condition

2 or 3 or (v) to modify the provisions concerning the quorum required at any meeting of Loan Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Loan Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Loan Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Loan Noteholders.

(c) *Modification and Waiver*

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

13. Notices

(a) Notices to the Loan Noteholders will be valid if published in a national newspaper designated for exchange notices by any stock exchange (if any) where the Loan Notes are then listed, and if the Loan Notes are unlisted we will deliver such notice to the Registrar for communication by the Registrar to the Loan Noteholders. Any notice so given will be deemed to have been validly given on the third day after the date of the first such publication.

(b) Provided this complies with the rules of the stock exchange on which the Loan Notes are listed (if any), we may replace any newspaper notice pursuant to Condition 13(a) by delivering the notice to the Registrar for communication by the Registrar to the Loan Noteholders. Any such notice shall be deemed to have been given to the Loan Noteholders on the seventh day after the day on which the said notice was given to the Registrar.

14. Further Issues

We reserve the right from time to time, without the consent of the Loan Noteholders to issue additional securities with identical terms and conditions as the Loan Notes in all respects (or in all respects except for the issue date, the first payment of interest, if any, and the issue price on them) so as to be consolidated and form a single series with such Loan Notes. The term “Loan Notes” shall, in the event of such further issue, also comprise such further securities.

15. Applicable Law, Place of Performance and Jurisdiction

(a) *Governing Law*

The Fiscal Agency Agreement and the Loan Notes will be governed by, and shall be construed in accordance with, English law (except for the subordination provisions (Condition 2) which are governed by the laws of Switzerland). The place of performance is London, England.

(b) *Jurisdiction*

(i) Subject to Condition 14(b)(ii), we have irrevocably agreed that the English courts shall have exclusive jurisdiction in relation to any legal action or proceedings arising out of or in connection with the Fiscal Agency Agreement or the Loan Notes (“Proceedings”) and have waived any objection to Proceedings in such courts on the grounds of venue or on the grounds that Proceedings have been brought in an inappropriate forum.

(ii) Condition 15(b)(i) operates for the benefit of the Loan Noteholders and accordingly the Loan Noteholders shall be entitled to take Proceedings in any other court or courts having jurisdiction.

(c) *Service of Process*

(i) We irrevocably appoint Swiss Re Services Ltd. of 30 St. Mary Axe, London, England, as our process agent to receive on our behalf service of process of any Proceedings in England.

(ii) Service of process upon any process agent appointed by or in accordance with this Condition 15(c) shall be good service upon us whether or not it is forwarded to and received us. We irrevocably agree that if, for any reason, any such process agent ceases to be able to act as process agent on our behalf, or no longer has an address in England, we will within 30 days thereof appoint a substitute process agent with an address in England acceptable to the Fiscal Agent and deliver to the Fiscal Agent a copy of the substitute process agent's acceptance of that appointment. In the event that the we fail to appoint a substitute process agent, it shall be effective service for the Fiscal Agent to serve the process upon the last address in England known to the Fiscal Agent of the process agent for us notified to the Fiscal Agent notwithstanding that such process agent is no longer found at such address or has ceased to act. As used in this Condition 15(c), the expression "process agent" includes, where the context so admits, a substitute process agent.

(iii) In addition to the methods of service set out in the foregoing provisions of this Condition 15(c), process may be served upon us in any other manner permitted by law.

(d) *Waiver of Immunity*

To the extent that we may be entitled in any jurisdiction to claim for ourselves or our assets immunity from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process or to the extent that in any jurisdiction such immunity (whether or not claimed) may be attributed to us or our assets, we irrevocably agree not to claim and irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction.

(e) Any Loan Noteholder may in any proceedings against us protect and enforce in its own name its rights arising under its Loan Notes by submitting the following documents: (a) a certificate issued by its depositary bank (i) stating the full name and address of the Loan Noteholder, (ii) specifying an aggregate principal amount of Loan Notes credited on the date of such certificate to such Loan Noteholder's securities account maintained with such depositary bank and (iii) confirming that the depositary bank has given a written notice to the Registrar as well as to the Paying Agent containing the information pursuant to (i) and (ii) and bearing acknowledgements of the Registrar and the relevant Registrar accountholder as well as (b) a copy of the Loan Certificate certified by a duly authorized officer of the Registrar or the Paying Agent as being a true copy.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any rights to enforce any term or condition of the Loan Notes under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of a third party which exists or is available apart from that act.

PROPOSED ACQUISITION

On November 18, 2005, we announced that we had entered into an agreement (as amended in April 2006, the "Transaction Agreement") to acquire the GEIS Business from General Electric for $6.8 billion, subject to certain adjustments. The Proposed Acquisition excludes the Excluded Operations, namely the U.S. life and health business of GEIS. Following the closing of the Proposed Acquisition, on a pro forma basis, we would have had combined 2005 revenues of CHF 44.1 billion and total assets at December 31, 2005 of CHF 275.5 billion. See "Unaudited Pro Forma Financial Information." The Proposed Acquisition is expected to close in mid-2006. See "Risk Factors—Risks Related to the Proposed Acquisition."

The consideration for the Proposed Acquisition is expected to consist of cash, our shares, mandatory convertible instruments (or equivalent instruments) and notes. Following the Proposed Acquisition, General Electric will likely hold below 10% of our shares as a result of these transactions. In anticipation of the Proposed Acquisition, we raised CHF 1.0 billion in mandatory convertible securities in December 2005 and expect to raise additional funds through the Loan Notes Offering, the U.S. Perpetual Securities Offering and the Equity Offering, the net proceeds of these offerings will be available to fund the cash portion of the purchase price and other payments that may be required under the Transaction Agreement or to fund transaction expenses.

The Transaction Agreement

Summary of What We Are Acquiring and Paying

Under the Transaction Agreement, we have agreed to acquire the GEIS Business (that is, the business of GEIS other than the Excluded Operations). We will effect the Proposed Acquisition by acquiring:

- from certain subsidiaries of General Electric all of the outstanding shares of capital stock (the "Purchased Equity") of the subsidiaries of such sellers (the "Acquired Subsidiaries"); and
- certain non-excluded assets of OP Holdings, LLC and all of the non-excluded assets of certain indirect subsidiaries of General Electric (the "Transferred Assets").

The Transaction Agreement provides that the purchase price is to be paid by the delivery of:

- $2.4 billion of our shares (subject to a maximum of 60,000,000 shares) to be issued to the selling entities, subject to increase as described below under "—How We Will Finance the Proposed Acquisition—The shares" (the "GE Consideration Shares");
- $500 million non-voting mandatory convertible instruments (or the equivalent) to General Electric, or a subsidiary of General Electric; and
- the balance in cash and notes.

We may be required to make further payments to General Electric under the Transaction Agreement, as described below.

We will be assuming $1.7 billion of long-term indebtedness of GEIS. We have also agreed to arrange for substitute letters of credit, guarantees and similar obligations to replace existing letters of credit, guarantees and similar obligations or to assume obligations under such instruments. See "Operating and Financial Review—Liquidity and Capital Resources."

We discuss the impact of the consideration to be paid as part of the Proposed Acquisition and the raising of capital to finance the consideration under "Capitalization." In addition, we have set forth the estimated pro forma impact of the Proposed Acquisition and the expected financing thereof in "Unaudited Pro Forma Financial Information." The illustration of the pro forma effect of the Proposed Acquisition and financing thereof assume a closing of the Proposed Acquisition as of January 1, 2005, in the case of income statement data, and December 31, 2005, in the case of balance sheet data.

The Closing

A portion of the Purchased Equity sold against payment of cash will be transferred at an initial closing (the "Initial Closing"). The remaining Purchased Equity not included in the Initial Closing, whether transferred against the issuance of our shares or sold against payment of cash, mandatory convertible instruments or equivalent instruments and notes, will be transferred at a final closing (the "Final Closing"). The entirety of the Transferred Assets will be transferred at the Initial Closing for cash. The Initial Closing and Final Closing are sometimes collectively referred to herein as the "closing" of the Proposed Acquisition.

What We Will Pay

We set forth below an overview of what we estimate we will pay in connection with the Proposed Acquisition, based on the provisions of the Transaction Agreement. The exact amounts will be subject to change as discussed below. We have included an illustration of the estimated sources and uses of funds for the Proposed Acquisition, based on certain assumptions described therein, under "Capitalization" and "Unaudited Pro Forma Financial Information."

The base purchase price and the purchase price adjustments. The base purchase price of $6.8 billion is subject to a series of adjustments, which will be calculated as of the Initial Closing on an estimated basis and will determine the consideration to be paid at the Initial and the Final Closing. The adjustments, which are subject to a maximum cap of $800 million on the amount we would pay over and above the base purchase price, include, among others:

- increases for certain tax liabilities that are assumed by General Electric and decreases for certain tax assets that are retained by General Electric;
- increases for certain pension liabilities transferred to General Electric;
- increases for certain obligations and liabilities owed to General Electric assumed by General Electric or for which we are not responsible after the closing;
- decreases for certain receivables and other amounts owed by General Electric;
- increases for a payable in respect of dividend payments from a subsidiary;
- decreases in respect of amounts of third-party indebtedness that exceed agreed upon levels; and
- adjustments in respect of net reserve increases in the United States and Bermuda.

Following the Final Closing, to the extent the estimated adjustments differ from the definitive calculations, there will be a further purchase price adjustment. In addition, following the Final Closing, a further purchase price adjustment will be made based on the net income/(loss) of the GEIS Business for the fiscal quarter ended December 31, 2005 and thereafter through to the Final Closing. If there is net income, we will make a payment to General Electric, and if there is a net loss, we will receive a payment, in each case equal to the amount of the net income/(loss). These further adjustments will be paid in cash and are not subject to any cap.

Other payment obligations. GEIS agreed to cause, prior to the Initial Closing, net reserves to be increased by a net amount equal to approximately $3.4 billion pre-tax or such different amount that in the good faith judgment of GEIS is supported by appropriate actuarial analysis and is in accordance with applicable law and applicable accounting principles or standards. In the fourth quarter of 2005, GEIS strengthened its reserves by $3.2 billion pre-tax. We have agreed that in the event General Electric (i) provides capital to the GEIS Business in response to a general increase in any rating agency's capital requirements for the insurance or reinsurance industry or a rating agency or governmental authority as a result of the net reserve increase referred to above or (ii) otherwise provides capital to the GEIS Business, we will pay General Electric an amount equal to such capital increase (the "Capital Reimbursement").

How We Will Finance the Proposed Acquisition

The shares. The Transaction Agreement provides a minimum of $2.4 billion of the consideration to be paid in the form of GE Consideration Shares, which amount can be increased up to 45% of the purchase price in the event we elect as a result of a severe catastrophic event to withdraw or reduce the size of the Offering. Under the Transaction Agreement, the number of GE Consideration Shares to be delivered as consideration will depend on the trading prices of our shares for a period of 20 days ending on and including the trading day prior to the Initial Closing, subject to a lower limit of $61.84 and an upper limit of $72.15 per share (which we refer to herein as the "issue price"). As a result of this upper and lower limit, if the market price of our shares exceeds the upper limit, we would be delivering GE Consideration Shares having a market value that is greater than the portion of the purchase price represented by such shares. As of May 3, 2006, the closing price of our shares on virt-x was CHF 88.40 ($71.57).

In addition, under the Transaction Agreement, the contribution-in-kind represented by shares of the Acquired Subsidiaries will be evaluated to verify that the fair value of such shares is not less than the issue price of the GE Consideration Shares to be delivered as consideration. If the fair value is less than the issue price of the GE Consideration Shares to be delivered as consideration, the number of our shares to be delivered will be reduced by an amount equal to the shortfall and we will instead pay cash in lieu of the value of such shares.

The mandatory convertible instruments. We have agreed that, of the portion of the consideration that does not constitute our shares, \$500 million will be paid in the form of mandatory convertible instruments or, under certain circumstances, similar instruments. The mandatory convertible instruments are to be non-voting, are to be convertible into our shares based on a minimum conversion price fixed at the time of pricing and a maximum conversion price fixed at 120% of the minimum conversion price and are to bear interest at a market rate determined at the time of pricing.

The notes and the cash payments. We have agreed to pay to General Electric in cash or notes (or a combination of the two) an amount equal to the undistributed proceeds (the "Undistributed Proceeds") of the redemption of shares of common stock of a GEIS subsidiary. Following the Proposed Acquisition, we will indirectly hold the common stock of such subsidiary. Therefore, to the extent such proceeds remain undistributed, hence triggering such payment, we will be entitled to the Undistributed Proceeds.

In addition, after determining the amount and value of the GE Consideration Shares to be delivered, and after giving effect to the issuance of \$500 million of mandatory convertible or similar instruments, the balance is to be paid in cash or notes. The maximum principal amount of notes payable in respect of the balance would be in an amount equal to the lesser of (a) \$750 million and (b) the difference between the proceeds of the redemption of the common stock of the GEIS subsidiary (referred to above) minus the principal amount of the notes delivered in respect of the Undistributed Proceeds. We currently expect that the aggregate principal amount of the notes that we will issue will be in the range of \$1.150 billion. We may issue these notes under our Euro Medium-Term Note ("EMTN") program.

The balance after giving effect to the issuance of the notes will be paid in cash. In addition, any post-closing purchase price adjustments will be payable in cash.

Non-Competition Covenant

For a period of three-years following the Initial Closing, except as otherwise permitted by the Transaction Agreement or applicable law, General Electric, the selling entities and their subsidiaries are prohibited from engaging in business in a manner which competes with the business to be conducted by the Acquired Subsidiaries and Transferred Assets as of the Final Closing in the United States, and as of the Initial Closing in all other locations where the Acquired Subsidiaries and Transferred Assets conduct such business, subject to a number of exceptions, including without limitation: (i) certain financial services business activities; (ii) certain existing business activities; (iii) the development and marketing of risk management and loss control services with respect to transportation fleets and the contents carried by those fleets; (iv) de minimis business; and (v) business that would otherwise not be allowed if carried out by a business or person that is acquired by, combined with or becomes a subsidiary of General Electric, selling entities or their respective subsidiaries after the date of the Transaction Agreement (each as defined in the Transaction Agreement), provided certain conditions are met.

Shareholding Agreement

In connection with the issuance of the GE Consideration Shares and as part of the purchase price, as of the Final Closing, we will be a party to a shareholding agreement with General Electric Company, General Electric Capital Corporation and General Electric Capital Services, Inc. (together, with any affiliate transferee, the "sellers"), which prohibits, subject to certain exceptions, the transfer by the sellers of any of our shares for 360 days following the closing, subject to certain exceptions. The exceptions include transfers to affiliates (so long as the transfers do not result in economic realization in respect of the transferred securities, transfers in connection with a business combination, tender or exchange offer or other extraordinary transaction approved by our board and transfers to us or our subsidiaries. We have agreed for the benefit of the Managers not to waive General Electric's compliance with the lock-up obligation prior to the 180th day from the inception of the lock-up period. The lock-up also covers mandatory convertible instruments (or similar instruments) delivered to General Electric in connection with the Proposed Acquisition for a period beginning 30 days after the Final Closing and ending 360 days after the Final Closing (subject to the same exceptions). This lock-up does not cover notes delivered to General Electric in connection with the Proposed Acquisition.

The shareholding agreement will also provide for the nomination of a designee of the sellers as a member of our Board of Directors so long as the sellers hold shares of our common stock in aggregate representing more than 7.5% of the then outstanding equity interests and no other individual shareholder holds a greater percentage of the then outstanding equity securities. Dennis Dammerman, the General Electric designee, was elected a director with immediate effect at the Extraordinary General Meeting on February 27, 2006.

The shareholding agreement will also contain certain standstill provisions that prohibit the sellers, for so long as they own 5% or more of our outstanding common stock, from acquiring directly or indirectly additional shares, making or participating in any solicitation of proxies, form, joining or participating in a “group” with respect to any voting securities, seeking to control or influence management or our policies (other than through the shareholder designee) or disclosing any intention, plan or arrangement which might require us to make a public announcement regarding the possibility of a business combination or merger.

Conditions to Closing

The completion of the Proposed Acquisition is conditioned upon the occurrence and non-occurrence of certain events as specified in the Transaction Agreement and including, but not limited to, those summarized below.

Initial Closing

Our and General Electric’s respective obligations to effect the Initial Closing are conditioned upon the satisfaction of certain conditions, any and all of which may be waived in whole or in part to the extent permitted by applicable law (all capitalized terms used in this section and not herein defined shall be used as defined in the Transaction Agreement) and include, without limitation, the following:

- the representations and warranties of General Electric set forth in the Transaction Agreement are true and correct as of the date of execution of the Transaction Agreement and the Related Agreements and will be true and correct as of the Initial Closing date (subject to certain exceptions), except where any failure of the representations and warranties to be true and correct, individually or in the aggregate, would not have a Business Material Adverse Effect (as defined), and we shall have received a certificate signed by an authorized officer of General Electric (an “Authorized Officer”), dated the Initial Closing date, to such effect;
- General Electric shall have performed and complied in all material respects with all covenants, obligations and agreements required by the Transaction Agreement and any Related Agreements that were executed prior to the Initial Closing date to be performed or complied with by General Electric on or prior to such date, and we shall have received a certificate signed by an Authorized Officer, dated the Initial Closing date, to such effect;
- since December 31, 2004, other than claims arising under policies or contracts of insurance, reinsurance or retrocession issued or assumed by the Acquired Subsidiaries in the ordinary course of business consistent with past practice, there shall have been no change, event, effect or condition that has had or would reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect;
- the absence of an order or pending action by any Governmental Authority of competent jurisdiction that restrains, enjoins or otherwise prohibits the consummation of the Proposed Acquisition or any of the transactions contemplated by the Transaction Agreement;
- the absence of an order by any Governmental Authority of competent jurisdiction that limits in any material respect our ability to operate the acquired business as it is currently conducted, unless such order would not reasonably be expected to, individually or in the aggregate with other orders, (i) materially impair or interfere with the Acquired Subsidiaries’ (taken as a whole) and our and our subsidiaries’ (taken as a whole) ability to conduct our respective businesses substantially in the manner as they were conducted prior to the Proposed Acquisition, (ii) have a Business Material Adverse Effect or (iii) have a material adverse effect on us or our subsidiaries (taken as a whole);
- expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and completion or receipt of all required filings or approvals and the expiration or termination of any applicable waiting periods under other Antitrust Laws;
- receipt and effect of all required consents, authorizations, orders, permits and approvals of other governmental or regulatory bodies, agencies, courts or other authorities, without any condition, restriction

or limitation that would reasonably be expected to (i) materially impair or interfere with, the Acquired Subsidiaries' (taken as a whole) or our and our subsidiaries' (taken as a whole) ability to conduct our respective businesses substantially in the manner as they were conducted prior to the Proposed Acquisition, (ii) have a Business Material Adverse Effect or (iii) have a material adverse effect on us and our subsidiaries (taken as a whole);

- the Missouri Insurance Department's delivery of a final report to General Electric in connection with its most recent triennial review of certain of the Acquired Subsidiaries, which report does not impose any material adjustment or alteration to the accounting treatment employed with respect to certain reinsurance contracts;
- our representations and warranties set forth in the Transaction Agreement are true and correct as of the date of execution of the Transaction Agreement and as of the Initial Closing date (subject to certain exceptions), except where any failure of the representations and warranties to be true and correct, individually or in the aggregate, would not have an Aquiror Material Adverse Effect, and General Electric shall have received a certificate signed by an authorized officer of our company (a "Company Officer"), dated the Initial Closing date, to such effect;
- we shall have performed and complied in all material respects with all covenants, obligations and agreements required by the Transaction Agreement and any Related Agreements that were executed prior to the Initial Closing date to be performed or complied with by us on or prior to such date, and General Electric shall have received a certificate signed by a Company Officer, to such effect;
- General Electric shall have received opinions in agreed form as to the U.S. federal income tax consequences of the transactions contemplated by the Transaction Agreement;
- in the event that we do not deliver convertible instruments upon agreed terms, or there is a change of law after the date of the Transaction Agreement relating to the treatment of such convertible instruments, General Electric shall have received opinions within 45 days of any change in deliverables, or prior to the effective date of any change of law, as to the U.S. federal tax consequences of the transactions contemplated by the Transaction Agreement, in agreed form;
- since December 31, 2004, other than ordinary course benefit claims arising under policies or contracts of insurance, reinsurance or retrocession issued by or assumed by one of our insurance subsidiaries, there shall have been no change, event, effect or condition that has had or would reasonably be expected to have, individually or in the aggregate, an Aquiror Material Adverse Effect; and
- our shareholders shall have voted to approve the Proposed Acquisition at our shareholder meeting in accordance with applicable law and our articles of association and any shares to be issued under the Transaction Agreement shall have been registered in the competent commercial register.

The Initial Closing shall take place (i) two Business Days following the date on which the last of the conditions required to be satisfied or waived is either satisfied or waived (other than those conditions that by their nature are to be satisfied at the Initial Closing, but subject to the satisfaction or waiver of those conditions at such time) or (ii) at such other time or date as the parties hereto shall agree upon in writing; except the closing of the sale and purchase of the assets and liabilities transferred under the U.K. Transfer Scheme shall take place in the United Kingdom pursuant to the applicable Court Order.

Final Closing

Our and General Electric's respective obligations to effect the Final Closing are conditioned upon the satisfaction of certain conditions, any and all of which may be waived in whole or in part to the extent permitted by applicable law, (all capitalized terms used in this section and not herein defined shall be used as defined in the Transaction Agreement) and include, without limitation, the following:

- the completion of the Initial Closing;
- the representations and warranties of General Electric set forth in the Transaction Agreement and the Related Agreements are true and correct as of the date of execution of such Agreement and will be true and correct as of the Final Closing date (subject to certain exceptions), except where any failure of the representations and warranties to be true and correct, individually or in the aggregate, would not have a Business Material Adverse Effect, and we shall have received a certificate signed by an Authorized Officer, dated the Final Closing date, to such effect;

- General Electric shall have performed and complied in all material respects with all covenants, obligations and agreements required by the Transaction Agreement and any Related Agreements that were executed prior to the Final Closing date to be performed or complied with by General Electric after the Initial Closing and on or prior to the Final Closing date, and we shall have received a certificate signed by an Authorized Officer, dated the Final Closing date, to such effect;
- since December 31, 2004, other than claims arising under policies or contracts of insurance, reinsurance or retrocession issued or assumed by any U.S. Acquired Subsidiaries in the ordinary course of business consistent with past practice, there shall have been no change, event, effect or condition that has had or would reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect;
- the absence of an order or pending action by any Governmental Authority of competent jurisdiction that restrains, enjoins or otherwise prohibits the consummation of the Proposed Acquisition or any of the transactions contemplated by the Transaction Agreement;
- the absence of an order by any Governmental Authority of competent jurisdiction that limits in any material respect our ability to operate the acquired business as it is currently conducted, unless such order would not reasonably be expected to, individually or in the aggregate with other orders, (i) materially impair or interfere with the Acquired Subsidiaries' (taken as a whole) and our and our subsidiaries' (taken as a whole) ability to conduct our respective businesses substantially in the manner as they were conducted prior to the Proposed Acquisition, (ii) have a Business Material Adverse Effect or (iii) have a material adverse effect on us and our subsidiaries (taken as a whole);
- approval by the UK Financial Services Authority ("FSA") of the listing and offering prospectus, and approval by the admissions board of the SWX Swiss Exchange for the listing and admission to trading of all shares to be issued pursuant to the Transaction Agreement (namely, the GE Consideration Shares) without imposing any limitation, commitment or restriction that is material in the context of the transactions contemplated by such Transaction Agreement;
- receipt and effect of all required consents, authorizations, orders, permits and approvals of all required governmental or regulatory bodies, agencies, courts or other authorities, without any condition, restriction or limitation that would reasonably be expected to (i) materially impair or interfere with the Acquired Subsidiaries' (taken as a whole) or our and our subsidiaries' (taken as a whole) ability to conduct our respective businesses substantially in the manner as they were conducted prior to the Proposed Acquisition, (ii) have a Business Material Adverse Effect or (iii) have a material adverse effect on us or our subsidiaries taken as a whole;
- our representations and warranties set forth in the Transaction Agreement are true and correct as of the date of execution of the Transaction Agreement and as of the Final Closing date (subject to certain exceptions), except where any failure of the representations and warranties to be true and correct, individually or in the aggregate, would not have an Aquiror Material Adverse Effect, and General Electric shall have received a certificate signed by a Company Officer, dated the Final Closing date, to such effect;
- we shall have performed and complied in all material respects with all covenants, obligations and agreements required by the Transaction Agreement and any Related Agreements that were executed prior to the Final Closing date to be performed or complied with by us on or prior to such date, and General Electric shall have received a certificate signed by a Company Officer, to the such effect; and
- since December 31, 2004, other than ordinary course benefit claims arising under policies or contracts of insurance, reinsurance or retrocession issued by or assumed by one of our insurance subsidiaries, since December 31, 2004, there shall have been no change, event, effect or condition that has had or would reasonably be expected to have, individually or in the aggregate, an Aquiror Material Adverse Effect.

The Final Closing shall take place where specified in the Transaction Agreement (i) on the later of (x) the second Business Day following the Initial Closing and (y) the first Business Day following the date on which the last of the conditions required to be satisfied for the Final Closing are satisfied (other than those conditions that by their nature are to be satisfied at the Final Closing, but subject to the satisfaction of those conditions at such time) or (ii) at such other time or date as the parties hereto shall agree in writing.

Termination

We or General Electric may terminate the Transaction Agreement prior to the Initial Closing:

- on or after November 30, 2006, if the Initial Closing under the Transaction Agreement has not occurred by such date (subject to certain conditions);

- by mutual written consent;
- if there shall be in effect a final non-appealable Order of a Governmental Authority of competent jurisdiction restraining, enjoining, or otherwise prohibiting the consummation of the transactions contemplated by the Transaction Agreement (subject to certain conditions);
- if the required shareholder vote for the Proposed Acquisition shall not have been obtained at our duly convened shareholders meeting or at an adjournment or postponement of such meeting; or
- if there shall have been a material breach by the other party of any of its representations, warranties, covenants or agreements, which would result in a failure to satisfy an Initial Closing condition and which has not been, or is incapable of being, cured within ninety (90) days after written notice of such breach shall have been received by the alleged breaching party.

General Electric may terminate the Transaction Agreement prior to the Initial Closing:

- if our Board of Directors shall not have approved, by affirmative vote, and recommended that the Proposed Acquisition, the Transaction Agreement and the related actions and agreements be approved by our shareholders, or shall have withdrawn (or proposed to withdraw) such approval or recommendation;
- if our Board of Directors takes any action to rescind the resolutions required under the Transaction Agreement after such resolutions have been adopted at our shareholders meeting; or
- if it does not receive the legal opinions required to be delivered to it by the dates set forth in the Transaction Agreement.

In the event of termination and abandonment by us or by General Electric, the Transaction Agreement shall terminate and the purchase, transfer and assumption of the equity and assets contemplated by such agreement shall be abandoned without further action by us or by General Electric. General Electric would be free to enter into a sale transaction with respect to the GEIS Business with another party.

Indemnification

General Electric has agreed to indemnify us for, among other things, breach of a limited number of representations and warranties, breach of covenants following the Initial Closing or the Final Closing, excluded liabilities (as defined), monetary penalties, fines, assessments or other similar sanctions arising out of certain governmental investigations (commenced within one year after the Final Closing), pension liabilities retained or assumed by General Electric and other liabilities specifically assumed by General Electric. General Electric's indemnity obligations are capped at the purchase price paid by us. We have agreed to indemnify General Electric for, among other things, breach of a limited number of representations and warranties, breach of covenants following the Initial Closing or the Final Closing and assumed liabilities (as defined). Our indemnity obligations are also capped at the purchase price.

Other Ancillary Agreements

In connection with the Proposed Acquisition, some or all of parties to the Transaction Agreement will enter into certain related agreements. These agreements include, among others, Transition Services Agreements, related to the provision of certain services by General Electric to the GEIS Business for a specified period of time following the closing of the Proposed Acquisition, an Employee Matters Agreement, relating to the continuation of employment of certain General Electric employees following the Proposed Acquisition, and an Intellectual Property Cross License Agreement and Transition Trademark License Agreement, each relating to the transfer of intellectual property in connection with the Proposed Transaction. We have generally agreed that, following a transition period, we will not use the "GE" name or trademark in connection with the acquired businesses and operations.

Certain of the parties will also enter into a Management Services Agreement, pursuant to which GE Asset Management ("GEAM") will continue to provide, on a non-exclusive basis (though with a limited ability on our part to engage other investment advisers), asset management services on a discretionary basis (subject to investment guidelines and restrictions agreed by both parties) for each of the units within the GEIS Business for which GEAM currently provides asset management services. This agreement is expected to be for a three-year term, with two one-year renewals exercisable at our election upon one year's notice to GEAM. We may terminate the agreement during the initial term for cause and following the initial term upon notice equal to the remaining portion of the renewal term. GEAM may terminate the agreement to comply with regulatory requirements or if GEAM no longer provides investment services to GE Pension Trust.

USE OF PROCEEDS

We estimate that we will receive approximately € 989.5 million in net cash proceeds from the Loan Notes Offering. This amount is after we deduct the estimated expenses payable by us. We expect to use the net proceeds of the Loan Notes Offering, together with the proceeds of various other capital raising activities, to fund the cash consideration for the Proposed Acquisition. These other capital raising activities include:

- the offering of CHF 1.0 billion of 6% mandatory convertible securities due 2008, which we completed in December 2005;
- the $750 million U.S. Perpetual Securities Offering; and
- the Equity Offering of up to 18,946,632 newly issued shares consisting of: (i) the Rights Offering and (ii) the Global Offering.

The relative proposed sizes of the Loan Notes Offering, the U.S. Perpetual Securities Offering and the Equity Offering may change.

Pending the application of the proceeds to fund the Proposed Acquisition, we may invest the net proceeds of the Loan Notes Offering in short-term fixed income securities.

In case we do not receive all consents and approvals required from governmental agencies, or do not receive all of them on terms that satisfy the conditions set forth in the Transaction Agreement, then neither we nor General Electric will be obliged to complete the Proposed Acquisition. In such case it is possible that either company may forgo or postpone the Proposed Acquisition as contemplated in the Transaction Agreement. See "Risk Factors—Risks Related to the Proposed Acquisition—The Proposed Acquisition is subject to certain closing conditions, including the receipt of various governmental consents and approvals to complete the Proposed Acquisition, which if delayed, not granted or granted with unacceptable conditions, may jeopardize or postpone the completion of the Proposed Acquisition, result in additional expenditures of money and resources and reduce the anticipated benefits of the Proposed Acquisition." In the event the Proposed Acquisition were not consummated following completion of the Loan Notes Offering, we expect we would use the proceeds from the Loan Notes Offering, and our other completed securities offerings undertaken to finance the Proposed Acquisition, to fund the capital requirements of our existing business. These capital requirements include, but are not limited to, the funding of current operations, growth opportunities and redemptions of outstanding securities. Generally, if our level of available capital were to significantly exceed the capital requirements of our business, we, as a matter of practice, would explore means of returning such excess capital to our shareholders in an efficient manner.

CAPITALIZATION

Capitalization and Adjustment for Perpetual Securities Offerings

The table below presents our capitalization and indebtedness as of December 31, 2005, and as adjusted to reflect the Perpetual Securities Offerings.

You should read this table together with our consolidated financial statements and the notes to those consolidated financial statements, as well as the information under "Operating and Financial Review—Liquidity and Capital Resources." We have included a translation of the actual and as adjusted data as of December 31, 2005 from Swiss francs into U.S. dollars, solely for your convenience. This translation is at the rate of CHF 1.3148 = $1.00, the Bloomberg Rate on December 30, 2005. On May 3, 2006, the Bloomberg Rate was CHF 1.2351 = $1.00. See "Exchange Rate Information."

None of our long-term debt is secured. None of our long-term debt is guaranteed by third parties; however, except in the case of one tranche of debt assumed in a previous acquisition, all of our long-term debt has been guaranteed either directly, or indirectly through blanket corporate guarantees that have been issued in favor of various of our financing subsidiaries, by Swiss Reinsurance Company.

Since December 31, 2005, except as set forth below, there has been no material change in our capitalization taken as a whole.

	At December 31, 2005			
	Actual		As adjusted for the Perpetual Securities Offerings	
	CHF	USD	CHF	USD
	(in millions)			
Long-term senior and subordinated debt[a]	5,852	4,451	8,396[b]	6,381
Shareholders' equity:				
Registered shares (nominal value CHF 0.10 per share; 322,070,439 authorized and issued)	32	24	32	24
Additional paid-in capital	5,843	4,444	5,843	4,444
Treasury shares	(297)	(226)	(297)	(226)
Accumulated other comprehensive income:				
Net unrealized investment gains, net of deferred taxes	1,031	784	1,031	784
Foreign currency translation	(469)	(357)	(469)	(357)
Total accumulated other comprehensive income	562	427	562	427
Retained earnings	16,789	12,769	16,789	12,769
Total shareholders' equity	22,929	17,439	22,929	17,439
Total capitalization	28,781	21,890	31,325	23,820

(a) The long-term debt that we report in our financial statements includes senior financial debt and subordinated financial debt, but does not include operational debt, which is used for funded business (that is, to fund "financial services assets and liabilities" that are structured to create assets and liabilities that generate offsetting market risks such as foreign exchange, interest rate, equity and credit risks) and is included on our balance sheet within "financial services liabilities." The 2005 historical figure represents senior financial debt of CHF 2,794 million and subordinated financial debt of CHF 3,058 million, but does not include operational debt of CHF 4,389 million. Upon closing of the Proposed Acquisition (and the assumption of $1,700 million (CHF 2,235 million) of long-term debt)), our operational debt would be CHF 5,293 million.

(b) Reflects the issuance of the equivalent of $1,930 million (CHF 2,544 million) (converted at December 30, 2005 Bloomberg Rates) of Perpetual Securities. Using May 3, 2006 Bloomberg Rates, the total issued would be the equivalent of $2,019 million (CHF 2,493 million).

Impact of the Equity Offering and Proposed Acquisition

We expect that our capitalization will be impacted by the Equity Offering of up to 18,946,632 shares and the Proposed Acquisition, in particular as a result of:

- the issuance to General Electric of the GE Consideration Shares;
- the issuance to General Electric of mandatory convertible instruments;
- the issuance to General Electric of notes;
- the payment to General Electric of cash; and
- the assumption of $1.7 billion of long-term indebtedness of GEIS (which we expect to treat as operational debt).

The relative proposed sizes of the Loan Notes Offering, the U.S. Perpetual Securities Offering and the Equity Offering may change. In addition, the actual purchase price is subject to adjustments that will be determined at the time of the closing of the Proposed Acquisition, and certain adjustments will be determined post-closing. See "Proposed Acquisition."

We currently are assuming:

- a purchase price of $7.6 billion (reflecting purchase price adjustments of $800 million above the base purchase price), as of closing, Undistributed Proceeds of $400 million, a $1.2 billion Capital Reimbursement and fees and expenses of $44 million;
- the issuance of 32.4 million shares to General Electric ($2.4 billion);
- the issuance of $500 million of mandatory convertible instruments to General Electric;
- the issuance of $1.150 billion of notes to General Electric as part of the purchase price and in respect of Undistributed Proceeds and Capital Reimbursement;
- the receipt of $1.0 billion of net proceeds from the Equity Offering; and
- the payment of $4.7 billion in cash in respect of the purchase price and the payment of fees and expenses.

These assumptions are for illustrative purposes only. There can be no assurance that the assumed purchase price will be the definitive purchase price or that we will elect the mix of consideration so illustrated. These determinations will be made just before the closing of the Proposed Acquisition and, hence, after the closing of the Loan Notes Offering.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Swiss franc and the U.S. dollar will affect the U.S. dollar equivalent of the Swiss franc price of our shares. We will pay cash dividends in Swiss francs. Therefore, exchange rate fluctuations will affect the U.S. dollar value of cash dividends paid on our shares.

We publish our consolidated financial statements in Swiss francs. Because substantial portions of our revenues and expenses, and of our assets and liabilities, are denominated in other currencies, we are exposed to fluctuations in the value of those other currencies against the Swiss franc and, in some of our operations, against other currencies as well. For information about the effects of currency fluctuations on our results of operations, see “Risk Factors—Risks Related to Our Business—Changes in foreign exchange rates may impact our results” and “Operating and Financial Review—Exchange Rate Fluctuations” and “—Quantitative and Qualitative Disclosure About Market Risk.”

The table below presents the Bloomberg Rate at the end of the periods indicated, the average of the Bloomberg Rates on the last business day of each full month during the periods indicated and the high and low Bloomberg Rates during the periods indicated. The Bloomberg Rates are expressed in Swiss francs per $1.00. We do not use these rates in the preparation of our consolidated financial statements. See “Operating and Financial Review—Exchange Rate Fluctuations” for information about exchange rates used for financial statement purposes. On May 3, 2006, the Bloomberg Rate was CHF 1.2351 per $1.00.

Year Ended December 31,	At Period End	Average Rate	High	Low
	(CHF per $1)			
2000	1.6202	1.6904	1.8250	1.5526
2001	1.6598	1.6900	1.8185	1.5858
2002	1.3833	1.5567	1.7190	1.3833
2003	1.2380	1.3450	1.4181	1.2380
2004	1.1412	1.2428	1.3202	1.1338
2005	1.3148	1.2459	1.3255	1.1466
2006 (through May 3)	1.2351	1.2908	1.3228	1.2351

SWISS REINSURANCE COMPANY SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data with our consolidated financial statements, the notes to those consolidated financial statements and the information under "Operating and Financial Review." We derived the selected consolidated financial data as of and for the years ended December 31, 2003, 2004 and 2005 from our audited consolidated financial statements, which have been audited by our independent accountants, and have been prepared and presented in accordance with Swiss Company Law and Swiss GAAP FER. We have reclassified certain line items in our financial statements for 2003 and 2004 (as compared to the published financial statements for those prior periods) to reflect the transfer of our Risk Solutions operations from our Financial Services business to our Property & Casualty business and to conform to our 2005 presentation.

	Year Ended December 31,			
	2003	2004	2005	2005
	CHF (reclassified)	CHF (reclassified)	CHF	USD (unaudited)
	(in millions, except per share data and ratios)			
Income Statement Data				
Revenues				
Premiums earned				
Property & Casualty	19,655	18,336	16,359	12,442
Life & Health	10,229	10,205	10,512	7,995
Financial Services	856	898	908	691
Total premiums earned	30,740	29,439	27,779	21,128
Net investment income	4,606	4,857	5,352	4,071
Net realized investment gains	376	1,116	1,249	950
Trading revenues	472	438	343	261
Other revenues	236	243	286	218
Total revenues	36,430	36,093	35,009	26,628
Expenses				
Claims and claim adjustment expenses	(14,898)	(13,853)	(14,178)	(10,783)
Life and health benefits	(9,085)	(9,331)	(9,521)	(7,242)
Acquisition costs	(6,854)	(6,325)	(5,938)	(4,516)
Amortisation of goodwill	(315)	(277)	(274)	(208)
Other operating costs and expenses	(2,942)	(2,940)	(3,125)	(2,377)
Total expenses	(34,094)	(32,726)	(33,036)	(25,126)
Income before income tax expense	2,336	3,367	1,973	1,501
Income tax expense	(634)	(892)	(522)	(397)
Net income	1,702	2,475	1,451	1,104
Per share data				
Net income per share, basic	5.48	8.00	4.68	3.56
Net income per share, diluted	5.43	7.77	4.58	3.48
Balance Sheet Data (at period end)				
Total investments	83,831	108,023	129,571	98,548
Total assets	169,663	184,440	219,147	166,677
Total liabilities	151,152	165,263	196,218	149,238
Unpaid claims and claim adjustment expenses	62,913	61,619	71,272	54,207
Liabilities for life and health policy benefits	37,244	43,239	49,579	37,708
Total shareholders' equity	18,511	19,177	22,929	17,439
Other Data				
Property & Casualty operating ratios (traditional business) [(a)(b)]				
Claims ratio	74.6	72.7	85.1	
Acquisition cost ratio	19.5	19.2	19.9	
Administration expense ratio	4.6	5.3	5.3	
Property & Casualty combined ratio	98.7	97.2	110.3	
Life & Health return on operating revenues [(b)(c)]	8.7	9.1	9.6	
Management expense ratio [(b)]	4.4	5.2	5.6	

(a) Excludes the non-traditional business of our Property & Casualty (including Risk Solutions) business, which encompasses certain large commercial lines and certain structured reinsurance products, and for which we believe the combined ratio is not a suitable measure as the source of profits under applicable contracts typically arises from a combination of investment performance and underwriting performance.

(b) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).

(c) Represents annual Life & Health business operating income less net realized investment gains on non-participating policies divided by total annual Life & Health business operating revenues (which include premiums and net investment income and realized gains on participating policies).

GE INSURANCE SOLUTIONS SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data of GEIS with the consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this Offering Memorandum. The selected consolidated financial data of GEIS as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 are derived from the audited consolidated financial statements of GEIS, which have been audited by KPMG LLP, independent accountants, and have been prepared and presented in accordance with U.S. GAAP. As the statements are historical, they have not been restated to exclude the Excluded Items.

	Year Ended December 31,		
	2003	2004	2005
		(USD in million)	
Revenues			
Net premiums written	9,729	8,173	6,697
Net premiums earned	10,001	8,453	7,136
Net investment income	1,203	1,273	1,303
Net realized gains on investments	224	198	210
Gain on disposition of subsidiary	—	—	92
Other revenues	193	202	147
Total revenues	11,621	10,126	8,888
Costs and Expenses			
Claims, claim expenses and policy benefits	7,912	7,508	9,612
Insurance acquisition costs	2,103	1,576	1,407
Amortization of intangibles	71	60	50
Interest expense	127	138	124
Loss on disposition of subsidiary	116	—	—
Other operating costs and expenses	647	829	738
Total costs and expenses	10,976	10,111	11,931
Earnings (loss) before income taxes	645	15	(3,043)
Income tax benefit (expense):			
Current	379	262	1,367
Deferred	(278)	(134)	201
Total tax benefit	101	128	1,568
Net earnings (loss)	746	143	(1,475)
Balance sheet data (at period end)			
Investments		30,288	28,274
Total assets		52,786	50,663
Total liabilities		43,371	42,412
Claims and claim expenses		25,316	26,689
Future policy benefits for life and health		4,362	4,284
Shareholder’s equity		9,415	8,251

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information for the year ended December 31, 2005, which is presented to illustrate the effect on our income statement and balance sheet of the Proposed Acquisition, as well as the financing for the Proposed Acquisition, is based on our Swiss GAAP FER historical consolidated financial statements and on historical consolidated financial data for GEIS that have been adjusted to exclude the GEIS' U.S. life and health operations (namely, the Excluded Operations), and to reflect certain adjustments in respect of certain assets and liabilities unrelated to such operations, that we will not acquire or assume in the Proposed Acquisition (namely, the Excluded Items), and have been converted for purposes of comparability from U.S. GAAP to Swiss GAAP FER.

This information illustrates the effect of the Proposed Acquisition as if it had occurred on January 1, 2005, in the case of income statement data, and December 31, 2005, in the case of balance sheet data. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not reflect actual results of operations or financial position. The unaudited pro forma financial information does not purport to represent what our consolidated results of operations and financial position would have been if the Proposed Acquisition had in fact occurred on the dates indicated, nor does it purport to project the results of operations or our financial position for any future period or as of any date.

The acquired assets and liabilities have been presented at their carrying amounts as of December 31, 2005, and the existing goodwill of the business and operations of GEIS that we propose to acquire (namely, the GEIS Business) has been eliminated. The application of purchase accounting will result in different carrying values of certain acquired assets and liabilities, and resulting goodwill. Our financial statements could be materially different once the purchase accounting adjustments have been applied at the closing date of the acquisition.

The pro forma adjustments are based on preliminary estimates and currently available information. These adjustments and certain assumptions are described in the notes accompanying the pro forma information. The pro forma financial information does not reflect any adjustments for synergies that we expect to realise from the consummation of the Proposed Acquisition or any costs that we may incur to achieve such synergies.

We have included a translation of the pro forma financial information for the year ended December 31, 2005 from Swiss francs into U.S. dollars, solely for your convenience. This translation is at the rate of CHF 1.3148 = $1.00, the Bloomberg Rate on December 30, 2005. On May 3, 2006, the Bloomberg Rate was CHF 1.2351 = $1.00. See "Exchange Rate Information." These are not the rates we or GEIS used in the preparation of our respective consolidated financial statements.

You should read the unaudited pro forma financial information presented below, including the notes thereto, in conjunction with our historical consolidated financial statements (which are included in this Offering Memorandum beginning on page F-2) and the historical consolidated financial statements of GEIS (which are included in this Offering Memorandum beginning on page F-65), including the notes related to each of those financial statements.

Unaudited pro forma income statement for the year ended December 31, 2005

	Swiss Re Historical[(1)]	Adjustments: GEIS Business[(2)]	Adjustments: Acquisition and Financing Adjustments[(4)]	Pro Forma	Pro Forma
		(CHF in millions)			(USD in millions)
Revenues					
Premiums earned	27,779	7,358		35,137	26,724
Net investment income	5,352	1,295		6,647	5,056
Net realised investment gains	1,249	308		1,557	1,184
Trading revenues	343			343	261
Other revenues	286	147		433	329
Total revenues	**35,009**	**9,108**		**44,117**	**33,554**
Expenses					
Claims and claim adjustment expenses	(14,178)	(8,746)[(3)]		(22,924)	(17,435)
Life and health benefits	(9,521)	(1,293)		(10,814)	(8,225)
Acquisition costs	(5,938)	(1,537)		(7,475)	(5,685)
Amortisation of goodwill	(274)	(184)	(76)[(5)]	(534)	(406)
Other operating costs and expenses	(3,125)	(961)	(331)[(6)]	(4,417)	(3,359)
Total expenses	**(33,036)**	**(12,721)**	**(407)**	**(46,164)**	**(35,110)**
Income/(loss) before income tax expense	**1,973**	**(3,613)**	**(407)**	**(2,047)**	**(1,556)**
Income tax benefit/(expense)	(522)	1,581	99[(6)]	1,158	881
Net income/(loss)	**1,451**	**(2,032)**	**(308)**	**(889)**	**(675)**

Notes:

(1) Extracted without material adjustment from our audited consolidated financial statements.

(2) GEIS' historical income statement for the year ended December 31, 2005 has been adjusted to exclude the Excluded Items, including the Excluded Operations. The adjustments made for the Excluded Operations do not necessarily reflect the results of operations of the Excluded Operations and the GEIS Business had they been operated on a stand-alone basis during 2005. As GEIS' historical income statements have been prepared in accordance with U.S. GAAP, its historical income statement for the year ended December 31, 2005 has also been adjusted and presented in accordance with Swiss GAAP FER for purposes of preparing the unaudited pro forma income statement. GEIS' historical income statement has been translated to Swiss francs using an exchange rate of CHF 1.2437 = $1.00 (the rate used in the preparation of our 2005 income statement).

The following are historical income statement data of GEIS for the year ended December 31, 2005, which have been extracted without material adjustment from GEIS' historical financial statements that have been audited by KPMG LLP and are included beginning on page F-65 of this Offering Memorandum, and a reconciliation of GEIS' historical income statement for the year ended December 31, 2005 to the GEIS Business' income statement under Swiss GAAP FER:

U.S. GAAP historical income statement data for the year ended December 31, 2005	(USD in millions)
Revenues	
Net premiums earned	7,136
Net investment income	1,303
Net realized gains on investments	210
Gain on disposition of subsidiary	92
Other revenues	147
Total revenues	8,888
Costs and Expenses	
Claims, claim expenses and policy benefits	(9,612)
Insurance acquisition costs	(1,407)
Amortization of intangibles	(50)
Interest expense	(124)
Loss on disposition of subsidiary	—
Other operating costs and expenses	(738)
Total costs and expenses	(11,931)
Loss before income tax expense	(3,043)
Income tax benefit	1,568
Net (loss)	(1,475)

Reconciliation of GEIS' U.S. GAAP historical income statement to the GEIS Business' income statement under Swiss GAAP FER

For the year ended December 31, 2005

	GEIS Historical(a)	GEIS' U.S. life and health operations(b)	Other excluded items(c)	GEIS Business under U.S. GAAP	Swiss GAAP adjustments(d)	GEIS Business under Swiss GAAP FER	GEIS Business under Swiss GAAP FER
			(USD in millions)				(CHF in millions)
Revenues							
Premiums earned	7,136	1,220		5,916		5,916	7,358
Net investment income	1,303	262		1,041		1,041	1,295
Net realised investment gains	302	54		248		248	308
Trading revenues							
Other revenues	147	29		118		118	147
Total revenues	8,888	1,565		7,323		7,323	9,108
Claims and claim adjustment expenses	(7,479)	(233)		(7,246)	214	(7,032)	(8,746)
Life and health benefits	(2,133)	(1,093)		(1,040)		(1,040)	(1,293)
Acquisition costs	(1,423)	(187)		(1,236)		(1,236)	(1,537)
Amortisation of goodwill					(148)	(148)	(184)
Other operating costs and expenses	(896)	(115)	(8)	(773)		(773)	(961)
Total expenses	(11,931)	(1,628)	(8)	(10,295)	66	(10,229)	(12,721)
Income/(loss) before income tax expense	(3,043)	(63)	(8)	(2,972)	66	(2,906)	(3,613)
Income tax benefit/(expense)	1,568	(31)	264	1,335	(64)	1,271	1,581
Net income/(loss)	(1,475)	(94)	256	(1,637)	2	(1,635)	(2,032)

(a) Certain revenues and expenses have been reclassified for consistency of presentation in the pro forma income statement. The reclassifications do not impact total revenues, total expenses, loss before income tax expense, or net loss as reported in GEIS' audited income statement for the year ended December 31, 2005.

(b) Extracted without material adjustment from GEIS' historical income statement for the year ended December 31, 2005, but certain revenues and expenses have been reclassified for consistency of presentation in the pro forma income statement. These items are based on the accounting records of entities not being acquired by us.

(c) Includes the impact of (i) net intercompany indebtedness between the GEIS Business and General Electric to be forgiven prior to closing (of $8 million), and (ii) certain deferred tax benefits arising on the pre-closing reserve strengthening undertaken by General Electric. The income tax benefit of $264 million reflects $3 million attributable to interest expense and $261 million attributable to the pre-close reserve strengthening. These items are based on General Electric's accounting records.

(d) The nature and impact of the Swiss GAAP adjustments are provided in the following table:

	(USD in millions)
GEIS' historical net loss for the year ended December 31, 2005	**(1,475)**
Less: net loss from the Excluded Operations	(94)
Less: net income in respect of other excluded items	256
Net loss of the GEIS Business under U.S. GAAP	**(1,637)**
Amortisation of goodwill (i)	(148)
Claims and claim adjustment expenses: change in equalisation reserves (ii)	110
Claims and claim adjustment expenses: discounting adjustment (iii)	104
Income tax expense (iv)	(64)
Net loss of the GEIS Business under Swiss GAAP FER	**(1,635)**

(i) Under U.S. GAAP, goodwill is not amortised. Under Swiss GAAP FER and Swiss Re's accounting policies, the GEIS Business' goodwill is amortised using the straight-line method over periods that correspond to the benefits expected to be derived from the related acquisitions.
(ii) Under U.S. GAAP, equalisation reserves are not recognised. Under Swiss GAAP FER, reserves prescribed by local regulatory authorities for future claims fluctuations and for large and catastrophic losses are established and included in the unpaid claims and claim adjustment expenses liability.
(iii) Certain liabilities for workers' compensation claims are accounted for on an undiscounted basis in GEIS' financial statements. GEIS' financial statements have been adjusted to reflect the discounting of those liabilities consistent with Swiss Re's accounting policies.
(iv) Represents the effect on income tax expense of the above adjustments.

(3) Includes the impact of the 2005 reserve strengthening of approximately $3.8 billion (which caused a substantial increase in claims and claim adjustment expenses), the release of equalisation reserves of $110 million and a discounting credit of $104 million.
(4) Intra-group items between Swiss Re and the GEIS Business have not been eliminated.
(5) Reflects the reversal of amortisation of the GEIS Business' existing goodwill and amortisation of goodwill arising in respect of the Proposed Acquisition (based on an assumed estimated useful life of 10 years for the goodwill of CHF 2,596 million as calculated in note 4(a) to the pro forma balance sheet below), as follows:

	(CHF in millions)	(USD in millions)
Reversal of amortisation of the GEIS Business' existing goodwill	184	148
Amortisation of goodwill arising in respect of the Proposed Acquisition	(260)	(209)
Total adjustment to goodwill amortisation	**(76)**	**(61)**

(6) Represents interest expense associated with the financing of the Proposed Acquisition based on securities that we have issued or intend to issue, calculated as follows, assuming for this purpose that the consideration for the Proposed Acquisition is as set forth in note (5) to the pro forma balance sheet:

	Principal amount[a] (CHF)	Principal amount[a] (USD)	Interest Rate	Interest Expense
	(in millions)			(CHF in millions)
Mandatory convertible instruments or equivalent instruments to be issued to General Electric (estimated)	659	500	7.20%	47[b]
Mandatory convertible securities issued in December 2005	1,000	759	6.00%	60[c]
Perpetual securities	2,544	1,930	5.87%	149[d]
Notes to be issued to General Electric (estimated)	1,516	1,150	4.97%	75[e]
Total adjustment to interest expense				**331**
Tax benefit related to interest expense [e]				**99**

(a) The principal amount for securities to be issued to General Electric will be determined later and the amounts above represent estimates based on assumptions similar to those provided in note (4) to the pro forma balance sheet below. See "Proposed Acquisition."

(b) The interest rate used for the mandatory convertible or equivalent instruments to be issued to General Electric will be defined in accordance with the Transaction Agreement. The interest rate used is based on the advice of an internationally recognized investment bank, which reflects evaluation of current market dynamics, as well as current market conditions for such instruments in general and expectations in respect of our future share price performance, US dollar/Swiss franc forward rates and general interest rate levels. The resulting range is between 6.9% and 7.5%. In the event the actual rate of interest were to be higher or lower by 100 basis points, annual interest expense would be approximately CHF 7 million higher or lower. There is no assurance that the actual rate of interest will not be higher or lower.

(c) The interest rate for the mandatory convertible securities already issued is the actual interest rate.

(d) Based on the actual interest rates.

(e) The interest rate on the notes to be delivered to General Electric will be defined in accordance with the Transaction Agreement, under which we can issue one, two and three-year notes on a pre-agreed LIBOR-basis (three-months) and agreed upon credit spreads, allocated pro rata among the tranches. The resulting range is between 4.8% and 5.2%. In the event the actual rate of interest were to be higher or lower by 100 basis points, annual interest expense would be approximately CHF 15 million higher or lower. There is no assurance that the actual rate of interest will not be higher or lower.

Unaudited pro forma balance sheet as of December 31, 2005

		Adjustments			
	Swiss Re Historical(1)	GEIS Business(2)	Acquisition and Financing Adjustments(3)	Pro Forma	Pro Forma
		(CHF in millions)			(USD in millions)
ASSETS					
Total investments	129,571	29,095	(1,000)(7)	157,666	119,916
Cash and cash equivalents	8,126	1,770	66(8)	9,962	7,577
Accrued investment income	1,323	523		1,846	1,404
Premiums and other receivables	10,748	3,661		14,409	10,959
Reinsurance recoverable on unpaid claims and policy benefits	12,099	11,234		23,333	17,746
Funds held by ceding companies	14,311	1,288		15,599	11,864
Deferred acquisition costs	5,378	1,744		7,122	5,417
Acquired present value of future profits	6,797	113		6,910	5,256
Goodwill	2,475	345	2,251(4)	5,071	3,857
Financial services assets	23,498	2,185		25,683	19,534
All other assets	4,821	3,047		7,868	5,984
Total assets	**219,147**	**55,005**	**1,317**	**275,469**	**209,514**

	Swiss Re Historical(1)	Adjustments: GEIS Business(2)	Adjustments: Acquisition and Financing Adjustments(3)	Pro Forma	Pro Forma
		(CHF in millions)			(USD in millions)
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Unpaid claims and claim adjustment expenses	71,272	33,024		104,296	79,325
Liabilities for life and health policy benefits	49,579	2,525		52,104	39,629
Provisions for linked liabilities	14,692			14,692	11,174
Unearned premiums	6,491	3,151		9,642	7,333
Funds held under reinsurance treaties	11,829	3,035		14,864	11,305
Reinsurance balances payable	4,237	2,965		7,202	5,478
Financial services liabilities	23,487	2,185		25,672	19,525
Short-term debt	1,015			1,015	772
Long-term debt	5,852		4,719(5)	10,571	8,040
All other liabilities	7,764	237		8,001	6,085
Total liabilities	**196,218**	**47,122**	**4,719**	**248,059**	**188,666**
Total shareholders' equity	**22,929**	**7,883**	**(3,402)(6)**	**27,410**	**20,848**
Total liabilities and shareholders' equity	**219,147**	**55,005**	**1,317**	**275,469**	**209,514**

Notes:

(1) Extracted without material adjustment from our audited consolidated financial statements.

(2) GEIS' historical balance sheet at December 31, 2005 has been adjusted for the Excluded Items, including the Excluded Operations. The adjustments made for the Excluded Operations do not necessarily reflect the financial position of the Excluded Operations and the GEIS Business had they been operated on a stand-alone basis during 2005. As GEIS' historical balance sheets were prepared in accordance with U.S. GAAP, its balance sheet at December 31, 2005 has also been adjusted and presented in accordance with Swiss GAAP FER for purposes of preparing the unaudited pro forma financial information. GEIS' historical balance sheet has been translated to Swiss francs using an exchange rate of CHF 1.31795 = $1.00 (the rate used in the preparation of our 2005 balance sheet).

The following are historical balance sheet data of GEIS as of December 31, 2005, which have been extracted without material adjustment from GEIS' historical financial statements that have been audited by KPMG LLP and are included beginning on page F-65 of this Offering Memorandum, and a reconciliation of GEIS' historical balance sheet as of December 31, 2005 to the GEIS Business' total shareholders' equity under Swiss GAAP FER:

U.S. GAAP historical balance sheet data as of December 31, 2005	**(USD in millions)**
Assets	
Investments	28,274
Cash	3,397
Securities and indebtedness of related parties	23
Accrued investment income	450
Premiums receivable, net	3,105
Funds held by reinsured companies	540
Reinsurance recoverables, net	8,687
Deferred insurance acquisition costs	2,007
Intangible assets	1,869
Other assets	2,311
Total assets	50,663
Liabilities and equity	
Claims and claim expenses	26,689
Accumulated contract values	1,484
Future policy benefits for life and health contracts	4,284
Unearned premiums	2,428
Other reinsurance balances	4,533
Contract deposit liabilities	112
Other liabilities	997
Long-term borrowings	1,658
Indebtedness to related parties	227
Total liabilities	42,412
Total stockholders' equity	8,251
Total liabilities and equity	50,663

Reconciliation of GEIS' historical balance sheet to the GEIS Business' balance sheet under Swiss GAAP FER

As of December 31, 2005

	GEIS historical(a)	GEIS' U.S. life and health operations(b)	Other excluded items(c)	GEIS Business under U.S. GAAP	Swiss GAAP adjustments(d)	GEIS Business under Swiss GAAP FER	GEIS Business under Swiss GAAP FER
			(USD in millions)				(CHF in millions)
Total investments	26,659	4,478		22,181	(105)	22,076	29,095
Cash and cash equivalents	3,397	2,054		1,343		1,343	1,770
Accrued investment income	450	53		397		397	523
Premiums and other receivables	3,128	326	24	2,778		2,778	3,661
Reinsurance recoverables on unpaid claims and policy benefits	8,687	163		8,524		8,524	11,234
Funds held by ceding companies	1,015	38		977		977	1,288
Deferred acquisition costs	2,007	684		1,323		1,323	1,744
Acquired present value of future profits	275	189		86		86	113
Goodwill	1,513	20		1,493	(1,231)	262	345
Financial services assets	1,658			1,658		1,658	2,185
All other assets	1,874	107	(403)	2,170	142	2,312	3,047
Total Assets	**50,663**	**8,112**	**(379)**	**42,930**	**(1,194)**	**41,736**	**55,005**
Unpaid claims and claim adjustment expenses	26,689	1,832		24,857	200	25,057	33,024
Liabilities for life and health policy benefits	5,768	3,852		1,916		1,916	2,525
Provisions for linked liabilities							
Unearned premiums	2,428	37		2,391		2,391	3,151
Funds held under reinsurance treaties	2,303			2,303		2,303	3,035
Reinsurance balances payable	2,342	92		2,250		2,250	2,965
Financial services liabilities	1,658			1,658		1,658	2,185
Short-term debt	227		227				
Long-term debt							
All other liabilities	997	613	167	217	(37)	180	237
Total liabilities	**42,412**	**6,426**	**394**	**35,592**	**163**	**35,755**	**47,122**
Total shareholders' equity	**8,251**	**1,686**	**(773)**	**7,338**	**(1,357)**	**5,981**	**7,883**
Total liabilities and shareholders' equity	**50,663**	**8,112**	**(379)**	**42,930**	**(1,194)**	**41,736**	**55,005**

(a) Certain assets and liabilities have been reclassified for consistency of presentation in the pro forma balance sheet. The reclassifications do not impact total assets, total liabilities or total stockholders' equity as reported in GEIS' audited balance sheet as of December 31, 2005.

(b) Extracted without material adjustment from GEIS' historical balance sheet at December 31, 2005, but certain assets and liabilities have been reclassified for consistency of presentation in the pro forma balance sheet. These items are based on the accounting records of the entities not being acquired by us.

(c) Includes the impact of (i) net deferred tax liability to be assumed by General Electric (of $600 million), (ii) net intercompany indebtedness between the GEIS Business and General Electric to be forgiven prior to closing (of $411 million), (iii) accrued pension liability to be retained by General Electric (of $23 million), and (iv) certain deferred tax benefits arising on the pre-closing reserve strengthening undertaken by General Electric (of $261 million). Premiums and other receivables reflects $24 million of intercompany indebtedness to be forgiven; All other assets of $403 million reflects net deferred tax liabilities to be assumed by General Electric of $664 million net of certain deferred tax benefits arising on the pre-close reserve strengthening of $261 million; Short-term debt reflects $227 million of intercompany indebtedness to be forgiven; and All other liabilities of $167 million reflects $23 million of accrued pension liability to be retained by General Electric and $208 million of intercompany indebtedness to be forgiven less $64 million of net deferred tax assets to be retained by General Electric. These items are based on General Electric's accounting records.

(d) The nature and impact of the Swiss GAAP adjustments are provided in the following table:

	(USD in millions)
GEIS' historical total stockholders' equity as of December 31, 2005	**8,251**
Less: total stockholders' equity of the Excluded Operations	1,686
Less: total stockholders' equity in respect of the other excluded items	(773)
Total stockholders' equity of the GEIS Business under U.S. GAAP	**7,338**
Goodwill: adjustment to accumulated goodwill amortisation (i)	(1,231)
Unpaid claims and claim adjustment expenses: recognition of equalisation reserve (ii)	(610)
Unpaid claims and claim adjustment expenses: discounting adjustment (iii)	410
Total investments: reversal of net unrealised gains on available-for-sale securities (iv)	(105)
Tax effect of reconciling items (v)	179
Total shareholders' equity of the GEIS Business under Swiss GAAP FER	**5,981**

(i) Under U.S. GAAP, goodwill is not amortised. Under Swiss GAAP FER and Swiss Re's accounting policies, the GEIS Business' goodwill is amortised using the straight-line method over periods that correspond to the benefits expected to be derived from the related acquisitions.

(ii) Under U.S. GAAP, equalisation reserves are not recognised. Under Swiss GAAP FER, reserves prescribed by local regulatory authorities for future claims fluctuations and for large and catastrophic losses are established and included in the unpaid claims and claim adjustment expenses liability.

(iii) Certain liabilities for workers' compensation claims are accounted for on an undiscounted basis in GEIS' financial statements. GEIS' financial statements have been adjusted to reflect the discounting of those liabilities consistent with Swiss Re's accounting policies.

(iv) Under U.S. GAAP, available-for-sale fixed income securities are carried at fair value with changes in fair value recognised in shareholders' equity. Under Swiss GAAP FER and Swiss Re's accounting policies, the GEIS' Business' available-for-sale fixed income securities are carried at amortised cost.

(v) Represents the effect on income tax expense of the above adjustments.

(3) Intra-group items between Swiss Re and the GEIS Business have not been eliminated.

(4) Assumes that the total consideration for the Proposed Acquisition is $7,379 million, representing a base purchase price of $6.8 billion, plus $579 million of estimated purchase price adjustments (calculated as of December 31, 2005) which are detailed in the table below. The total consideration for the Proposed Acquisition is subject to adjustments that will be determined at the time of the closing of the Proposed Acquisition and certain adjustments will be determined post-closing. See "Proposed Acquisition" for a description of the purchase price adjustments.

Estimated purchase price adjustments as of December 31, 2005	**(USD in millions)**
Net deferred tax liability to be assumed by General Electric	600
Net inter-company indebtedness between the GEIS Business and General Electric to be forgiven prior to closing	192
Accrued pension liability to be retained by General Electric	23
Other	25
Reduction in deferred tax assets arising on the pre-closing reserve strengthening undertaken by General Electric	(261)
Total	**579**

The exact amount of the consideration for the Proposed Acquisition will be determined as provided in the Transaction Agreement at closing, and it could be higher or lower. For purposes of making these pro forma calculations, we have made certain assumptions as to (i) the mix of consideration as between cash and securities and (ii) the price of our shares for purposes of determining the number of shares issuable to General Electric. For a description of how (i) the mix of consideration is determined and (ii) how our shares are valued for purposes of consideration payable under the Transaction Agreement, see "Proposed Acquisition."

The actual mix of consideration at closing may differ. Hence the following breakdown, as well as the total amount, is indicative only.

	(CHF)	(USD)
	(in millions)	
Net proceeds from the Equity Offering (estimated)	1,318	1,000
Shares to be issued to General Electric (estimated)	3,163	2,400
Mandatory convertible instruments or equivalent instruments to be issued to General Electric	659	500
Mandatory convertible securities issued in December 2005	1,000	759
Perpetual securities	2,544	1,930
Existing cash and cash equivalents	1,041	790
Total consideration	**9,725**	**7,379**

The acquired net asset value of the GEIS Business is computed as follows:

	(CHF in millions)
Total shareholders' equity of the GEIS Business under Swiss GAAP FER	7,883
Elimination of the GEIS Business' existing goodwill	(345)
Capital Reimbursement [(a)]	(409)
Total shareholders' equity of the GEIS Business after pro forma adjustments	**7,129**

(a) In the fourth quarter of 2005, GEIS strengthened its reserves by $3.2 billion pre-tax. Under the Transaction Agreement, we have agreed that in the event General Electric (i) provides capital to the GEIS Business in response to a general increase in any rating agency's capital requirements for the insurance or reinsurance industry or a rating agency or governmental authority as a result of the net reserve increase referred to above or (ii) otherwise provides capital to the GEIS Business, we will pay General Electric an amount equal to such capital increase (the "Capital Reimbursement"). Between the date of the Transaction Agreement and December 31, 2005, GEIS received capital contributions amounting to $310 million (CHF 409 million).

The net adjustment to goodwill is computed as follows:

	(CHF in millions)
Total consideration	9,725
Net asset value of the GEIS Business after pro forma adjustments[(a)]	7,129
Goodwill	**2,596**
Less: GEIS Business' existing goodwill	345
Net adjustment to goodwill	**2,251**

(a) Total shareholders' equity of the GEIS Business after pro forma adjustments (see preceding table)

At the closing date, the cost of the business combination will be allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. The purchase price, fair value of acquired identifiable assets, liabilities and contingent liabilities, the estimated useful life of the acquired intangible assets and the resulting goodwill may be higher or lower than the corresponding amounts presented herein, and such differences may be material.

(5) Includes long-term debt issued after December 31, 2005 to finance the Proposed Acquisition, estimated as follows, assuming for this purpose that the consideration for the Proposed Acquisition is as set forth in note (4) above:

	(CHF)	(USD)
	(in millions)	
Mandatory convertible instruments or equivalent instruments to be issued to General Electric	659	500
Perpetual securities	2,544	1,930
Notes to be issued to General Electric (estimated)	1,516	1,150
Net adjustment to long-term debt	**4,719**	**3,580**

(6) The net adjustment to total shareholders' equity is computed as follows:

	(CHF in millions)
Net proceeds from the Equity Offering (estimated)	1,318
Shares to be issued to General Electric (estimated)	3,163
Less: total shareholders' equity of the GEIS Business under Swiss GAAP FER	7,883
Net adjustment to total shareholders' equity	**(3,402)**

(7) The adjustment to total investments represents the use of the proceeds from the mandatory convertible securities issued in December 2005 to settle a part of the total consideration.

(8) The net adjustment to cash and cash equivalents is computed as follows:

	(CHF in millions)
Capital Reimbursement [(a)]	(409)
Notes to be issued to General Electric (estimated) [(b)]	1,516
Use of existing cash and cash equivalents to settle a part of the total consideration	(1,041)
Net adjustments to cash and cash equivalents	**66**

(a) See note 4(a) above.

(b) We have agreed to pay to General Electric in cash or notes (or a combination of the two) an amount equal to the undistributed proceeds (the "Undistributed Proceeds") of the redemption of shares of common stock of a GEIS subsidiary. Following the Proposed Acquisition, we will indirectly hold the common stock of such subsidiary. Therefore, to the extent such proceeds remain undistributed, hence triggering such payment, we will be entitled to the Undistributed Proceeds.

OPERATING AND FINANCIAL REVIEW

You should read the following together with our consolidated financial statements and the notes to those consolidated financial statements. See "—Segment Results" for an explanation of our business groups and "—Segment Reconciliation to our Consolidated Financial Statements" for a reconciliation of business group results to our consolidated results appearing in our consolidated financial statements. Some of the statements in this section are "forward-looking statements." You should read the information under "Forward-Looking Statements" for special information about our presentation of forward-looking information.

Overview

We are one of the world's leading reinsurers and the world's largest life and health reinsurer. We operate through more than 70 offices in over 30 countries. We have been engaged in the reinsurance business since our founding in Zurich, Switzerland in 1863.

We offer a wide range of products to manage capital and risk, including reinsurance, insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Our traditional reinsurance products include a wide range of property and casualty covers, life and health covers and related services. Our insurance-based corporate finance solutions include securitization of insurance risks and run-off services. Our financial services operations include our proprietary investment activities in publicly traded securities, our minority holdings, our private equity investment and advisory activities, and our third-party asset management activities.

In September 2005, we re-aligned our management structure to more closely follow our strategic priorities, and thus bring the organization closer to our customers, deepen our focus on product skills and further enhance our financial returns and use of capital, including through risk securitization. We now operate through three business functions: Client Markets, Products and Financial Services, while corporate support functions are globalized to manage common resources. In addition, in 2005, our Risk Solutions unit was transferred from Financial Services to our Property & Casualty business. We present in the discussion below our results based on our then existing business groups: Life & Health, Property & Casualty and Financial Services, which is consistent with the segmentation in our financial statements covering the same period, but reclassified to reflect the shift of Risk Solutions.

We derive our revenues principally from reinsurance premiums and the return on our investments. A variety of market and other factors affect our results of operations. These factors include insurance and reinsurance industry conditions, exchange rate fluctuations relative to the Swiss franc, changes in interest rates, fluctuations in the equity markets and the general economic environment, which we highlight below. See "Our Business—Competition" for additional factors.

Proposed Acquisition of the GEIS Business

On November 18, 2005, we announced that we had agreed with General Electric to acquire the GEIS Business for $6.8 billion. The closing of the Proposed Acquisition is subject to various closing conditions, including receipt of regulatory approvals. The purchase price is subject to adjustments that will be determined at the time of the closing of the Proposed Acquisition, and certain adjustments will be determined post-closing. In addition, certain other payments to General Electric may be required in connection with the Proposed Acquisition and we will be assuming indebtedness and obligations in respect of letters of credit. The consideration to be paid to General Electric in the Proposed Acquisition will consist of cash, our shares, mandatory convertible or similar instruments and notes. For more information on the Proposed Acquisition, see "Proposed Acquisition" and for a brief description of the GEIS Business, see "Business of GE Insurance Solutions."

The GEIS Business has complementary strengths and further supports our franchise, while providing opportunities for cost reductions and optimization. The GEIS Business, in property and casualty reinsurance, has a strong U.S. regional and specialty presence with a focus on shorter tail and excess of loss business, and is a significant player in selected global lines, such as marine and aviation. In life and health reinsurance, the GEIS Business has a strong franchise across continental Europe (particularly Germany) and is a leading player in the critical illness market in the United Kingdom. In its primary commercial lines, the GEIS business has diversified positions in niche U.S. markets. We believe we are well-positioned to build on the strengths of its U.S. distribution network of over 100 direct underwriters and marketers in 11 offices and its broker network that complements our network, and to further optimize this network.

We expect to incur one-time restructuring costs in connection with the Proposed Acquisition of CHF 325 million over and above integration costs of approximately CHF 115 million that we expect will be incurred over a three-year period. Beginning with fiscal 2008, we expect to achieve estimated annual pre-tax synergies of $300 million.

Economic Conditions—Generally

Despite soaring energy prices, the global economy saw solid GDP growth in 2005, with capital markets stabilizing, yields remaining at moderate levels and the dollar strengthening. U.S. GDP grew about 3.6%, Western Europe about 1.5% and Japan about 2.5%, respectively. Emerging markets continued to see rapid expansion and grew by more than 6%, with the 9% growth of the Chinese economy contributing in particular to global expansion, although it also sparked shortages and price increases in many commodity markets. Rising oil prices additionally were driven by supply-side concerns in several oil-exporting countries, as well as by speculative activity.

After remaining reasonably stable for the first three quarters of 2004 compared to the falls in 2002 and 2003, the value of the U.S. dollar fell during the final months of 2004. However, the three-year slide in the value of the U.S. dollar reversed at the beginning of 2005 and it rose against all other major currencies during the first six months of the year – by 15% against the euro, Japanese yen and Swiss franc, and 11% against the British pound. This impacted the balance sheets and results of global firms by increasing U.S. dollar-denominated income and capital.

Industry Conditions—Property and Casualty Reinsurance

Demand for property and casualty reinsurance is influenced significantly by underwriting results and underwriting capacity of insurers, as well as by prevailing general economic conditions. The supply of reinsurance is primarily related to prevailing reinsurance rates, levels of insured claims, levels of reinsurance industry surplus and use of underwriting capacity, which, in turn, may fluctuate in response to changes in rates of return on investments earned in the reinsurance industry. As a result, the property and casualty reinsurance business historically has been a cyclical industry characterized by periods of excess underwriting capacity and strong price competition as well as periods of reduced underwriting capacity and favorable rates and premium levels. The frequency and severity of losses suffered by insurers can significantly affect these cycles. The absence of severe or frequent catastrophes and other loss events can result in declining premium rates in the global market. The effects of these underwriting cycles can be reduced if the reinsurer has a widely diversified global business.

Volatile and unpredictable developments, including natural catastrophes such as hurricanes, windstorms and earthquakes and man-made disasters such as explosions, fires and events arising from terrorist attacks, can also significantly affect the property and casualty reinsurance industry's profitability. The frequency and severity of such events are inherently unpredictable. Changes in the propensity of courts to expand insurance coverage and grant larger damage awards in product liability cases, trends in professional liability claims and plaintiff class actions, particularly in the United States, that have become more pronounced following the financial scandals of the past few years and have culminated in a series of large settlements by public reporting companies and financial institutions, fluctuations in interest rates and other changes in the economic environment that affect market prices and returns on investments, and inflationary pressures also affect the cyclicality and profitability of the property and casualty reinsurance business.

During the periods under review, property and casualty claims levels were impacted by natural catastrophes and man-made events, the principal examples of which were the following:

- ***2003:*** Catastrophes during 2003 included damage from wildfires in southern California, Canada and Australia; tornadoes in the U.S. Midwest (which resulted in industry losses of approximately CHF 4.0 billion); Hurricane Isabel, which hit the U.S. mid-Atlantic and Northeastern states (and resulted in industry losses of CHF approximately 2.1 billion); Typhoon Maemi, the largest recorded windstorm to strike South Korea, floods in south-central Italy and Hurricane Fabian over Bermuda. In addition, man-made losses included an explosion in a pharmaceutical plant in the United States and an explosion and fire at a gas plant in Australia.

- ***2004:*** Catastrophes during 2004 included an unusually high number of hurricanes, with the coast of Florida being hit by four severe hurricanes. Japan experienced a record-breaking year, with an unprecedented ten typhoons leading to more than approximately \$5 billion in industry claims. In addition, a major earthquake in Asia, the strongest in 40 years, triggered a tsunami that caused widespread death and significant damage to coastal areas around the Indian Ocean, with estimated industry losses of approximately \$2.1 billion.
- ***2005:*** Catastrophes during 2005 led to total estimated industry losses of approximately \$83 billion, of which natural catastrophes losses reached approximately \$78 billion—almost double the previous year's record—of which reinsurers, we estimate, will pay roughly half. As a result, 2005 was an uneven underwriting year for both insurers and reinsurers. An estimated \$45 billion of the industry losses stem from Hurricane Katrina, which devastated the New Orleans area as well as oil production facilities in the Gulf of Mexico. Hurricanes Rita and Wilma triggered estimated industry losses of \$10 billion each, and Hurricane Dennis triggered estimated industry losses of \$1 billion. Approximately 90% of the total claims for natural catastrophes in 2005 were caused by storms and floods, both from the North Atlantic hurricanes and also the heavy August rains that caused widespread flooding in Switzerland, Germany and Austria. In addition, the market experienced a number of significant man-made property losses, including a fire at an oil sands plant in Canada in January and an explosion at a U.K. fuel storage tank facility in December, which accelerated price increases in the energy sector.

Claims for natural catastrophes in 2005 were the highest ever recorded in a single year, and Hurricane Katrina was the largest single insured loss in history. Our 2005 results were impacted by large natural catastrophe claims of approximately CHF 3.0 billion, before release of CHF 613 million of equalization reserves, which exceeded the expected levels we modelled for 2005 of CHF 1.0 billion. (Our equalization reserves are reserves prescribed by local regulatory authorities for future claim fluctuations and for large and catastrophic losses that are established and included in unpaid claims and claim adjustment expenses that we report under Swiss GAAP FER.) This compared to claims of approximately CHF 1.1 billion in 2004, before release of CHF 241 million of equalization reserves, that were modelled to come in at around an expected CHF 900 million. These natural catastrophe claims had an approximate 8 percentage point negative impact on the combined ratio for our entire non-life business (encompassing the traditional business of property & casualty, Risk Solutions and the Credit Solutions unit of our Financial Services business).

In 2005, GEIS' results were similarly impacted by large natural catastrophes claims, including in respect of the 2005 hurricanes. Its gross and net (after retrocession) claims related to the 2005 Hurricanes were approximately \$2.3 billion and \$830 million, respectively.

Apart from the exceptionally high natural catastrophe losses, underwriting profitability developed favorably for 2005. Terrorism remained an important issue, yet the attacks in London in July were not a significant insurance event. In the United States, the Terrorism Risk Insurance Act was extended for a further two years. We support permanent market solutions based on a partnership between insurers, insureds, the capital markets and governments. In France, such an approach was enhanced when state participation was extended to include mid-sized and small risks, in addition to large industrial risks.

There have been recent positive developments in the U.S. legal landscape, including legislative changes and court rulings in respect of third party liability, products liability and professional indemnity cases with both the number and magnitude of securities class actions having significantly decreased in 2005 and with the 2005 level being below the 1996-2004 average. In Europe, compensation levels for bodily injury claims are still rising and European class action legislation is emerging, although neither is at U.S. levels. In emerging Asian markets, legal and social changes have increased liability awareness, leading we expect to a greater demand for liability insurance products.

Most of the primary insurance markets are expected to report combined ratios for 2005 of below 100% in many markets, as they were in 2004. The combined ratio for the U.S. primary market is anticipated to be about 102%, compared with 98% in 2004, despite unprecedented hurricane losses. However, the hurricanes took their toll on the reinsurance industry, particularly on those companies with a relatively large catastrophe risk exposure. The reinsurance industry is expected to post an overall combined ratio of between 110% and 115% for 2005. Without the extraordinary natural catastrophe losses, we believe the combined ratio would have been well below 100%.

Apart from the record claims for the insurance industry of more than approximately $78 billion from natural catastrophes, property and casualty underwriting profitability developed favorably in 2005, for both insurers and reinsurers. Although global casualty premium rates were under pressure compared to previous years, they remained at attractive levels in 2005. Liability rates overall were slightly weaker, with downward pressure exerted from those lines, such as directors and officers liability, that had experienced substantial increases in rates over the past few years. Property and casualty premium growth, which slowed to a moderate level in 2004, slowed further in 2005, for both insurers and reinsurers. Although the increase in general economic activity triggered a rise in insurance demand, rates remained relatively stable.

The combination of the 2005 claims and heightened demand has led to a significant increase in natural catastrophe pricing for 2006 for the exposures most at risk, including U.S. property exposures and marine offshore energy programs. Furthermore, the fuel explosions in Canada and the United Kingdom accelerated price increases in the energy sector. The corporate sector also saw stronger rates, terms and conditions, ending previous market softening, especially in North America.

Reinsurance capacity grew during the first half of 2005 as Bermuda reinsurers attempted to diversify into casualty lines. The last few months of 2005 saw a sharp increase in new Bermuda-based entrants tapping the capital markets through start-up and sidecar vehicles. Nevertheless, current business in most markets remains profitable due to strong underwriting discipline. However, some industry participants had to strengthen reserves for several liability classes written in previous underwriting years, especially pharmaceutical, medical malpractice, professional liability and directors' and officers' cover.

Industry Conditions—Life and Health Reinsurance

Life and health reinsurance business focuses mainly on providing financial support to insurers, and providing risk assessment and risk assumption for mortality and morbidity risks. Life and health reinsurance business tends to be less volatile than property and casualty reinsurance business because the claims rate is generally more predictable.

In the U.S. and U.K. markets, consolidation has continued as companies seek the capital and cost efficiencies of increased scale. Primary insurers have redesigned their products, often using reinsurance to reduce both earnings volatility and capital requirements. More established insurers, which have increasingly focused on distribution and asset management, have elected and will continue to elect to outsource their risk management requirements, looking to reinsurers for the underwriting and pricing capability needed in competitive risk markets. The extension of primary market distribution channels, especially through banks, creates new reinsurance opportunities as these institutions are generally less willing to retain significant underwriting risk.

The primary markets in India and China are growing at an increasing rate, spurred by the granting of new direct insurer licenses and the maturing of their regulatory environments. These countries represent two of the most important future growth markets in the world. Excluding Japan, Asia's life insurance business is expected to grow by close to 9% per annum in real terms over the next five years and there remains significant room for growth in life insurance business in this area. For example, despite China's real GDP growth of an impressive annual average of 9% over the past ten years, insurance penetration is still very low, with life and non-life combined totaling a mere 2.7% of GDP in 2005. Asia's strong economic growth, high savings rates, the region's favorable demographics and the success of the bancassurance model are fuelling this growth.

We expect the primary market's increased focus on capital management and cost control to provide more opportunities for us. Although there is evidence of a greater awareness of capital management within the European market, progress in this area is slow, but is anticipated to improve, especially in certain markets such as Eastern Europe.

The growth in the traditional life and health reinsurance market has been largely from investment rather than protection products. The ongoing gap between protection and investment (the so-called "protection gap") remains a significant issue in both established and new markets.

The mortality experience of the life and health business continued to develop positively in 2005, due both to underlying demographic trends and to higher underwriting and risk management standards in the primary business. In addition, demand for private and occupational pension products remained in the spotlight as governments, particularly in Europe, grappled with pension system reform. Further growth in this area has been anticipated by many market observers.

We expect that life and health reinsurance premium growth is likely to be in line with primary market growth. However, overall premium growth was marginally slower than 2004, particularly in the United States and United Kingdom, which account for around 70% of global life and health reinsurance volume and where life insurers have stabilized their cession rates as a result of increased reinsurance prices, with early indications that U.S. cession rates have fallen slightly. Competition in the market for the management of closed blocks of business, both in the United States and United Kingdom, increased somewhat, as new players entered the market. Sales of unit-linked business and variable annuity products in Europe benefited from strong equity markets performance in 2005.

Industry Conditions—Financial Services

The results of our Financial Services business are impacted not only by factors that affect the types of insurance underwritten by the group and factors that affect investing activities, but also by factors that affect the volumes of fee-generating services offered by the group. As a writer of coverage for credit risk, the results of our Financial Services business are also affected by the credit cycle. Financial market fluctuations impact not just the investment performance of the reinsurance written by the business group, but they also impact the amount of fee-generating services we offer, such as third-party asset management services, and the volume of risk-related financial market transactions we are able to undertake.

In 2005, there was a generally favorable environment in the financial services sector. The structured products and credit derivatives markets each grew in size and complexity during 2005. Hedge funds continued to attract capital and increased their activity in insurance markets both as significant investors in insurance-linked securities and through participating directly in the insurance and reinsurance markets. Generally, investors demonstrated continued confidence in the insurance-linked securities sector, which retained its liquidity in a year that experienced higher than average incidence of catastrophes.

Industry Conditions—Investments

Strong global economic growth, led by U.S. consumers and China, made 2005 a relatively good year for investments. Despite interruptions caused by successive hurricanes and higher oil prices, economic developments in 2005 were characterized by continued strength, mainly in Asia and also in the United States. However, the three largest economies in Europe gained little or no momentum.

Interest rates remained at historically low levels throughout 2005. U.S. government bond yields drifted upwards at the end of 2005, while yields of euro-denominated bonds fell slightly. Credit spreads between government and corporate bonds, which had narrowed significantly in 2003, remained narrow in 2004 and 2005. European and Japanese stock markets rose substantially during 2005, as did the U.S. markets, though to a lesser extent.

Increased Regulation and Disclosure in the Reinsurance Industry

Although the reinsurance industry managed the financial challenges between 2001 and 2003, outside observers still raised concerns about its financial stability. The reinsurers' capital base was materially affected by significant events, such as the bursting of the stock market bubble in 2000, the September 11, 2001 terrorist attacks and adverse claim developments in U.S. liability business written between 1997 and 2001.

These concerns led to a multitude of regulatory initiatives. At a variety of levels, the debate has focused on disclosure in the reinsurance sector and the need to maintain and build confidence in the financial stability of the sector. On the national and regional level, especially in Europe, the trend towards stricter reinsurance regulation has been accelerating. The European Union is introducing the so called "fast track" Reinsurance Directive which defines minimum regulatory standards for reinsurers in EU member states. The Swiss FISA, which became effective January 1, 2006, has also strengthened supervision in reinsurance. The insurance industry has expressed its support for these initiatives and emphasized that solvency requirements should reflect reinsurers' risk profiles. See "Regulation" for a description of the principal regulatory regimes that impact our operations.

In the wake of the corporate defaults and accounting scandals in the United States, corporate governance became a major focus for the entire business community. In order to comply with the Sarbanes-Oxley Act of 2002, U.S. companies and foreign companies listed on U.S. stock exchanges have been required to evaluate and enhance their internal control over financial reporting. Several European jurisdictions are also introducing regulation that specifically oversees and monitors risk management practices as a basis for capital solvency requirements. These trends directly impact the insurance and reinsurance industry. The challenge for companies lies in introducing consistent governance models and control processes that address insurance-specific risk management processes and the increased requirements for internal control over financial reporting.

The New York Attorney General, the SEC, State insurance commissioners in the United States, the FSA and other regulators have challenged certain practices in the insurance and reinsurance sectors, notably in relation to broker commissions and so-called non-traditional products. We received requests from regulatory authorities for information relating to so-called non-traditional products. We have responded fully to all such requests and will continue to do so. See "Risk Factors—Risks Related to Our Business—Regulatory actions may have an adverse impact on the industry in general and on us and our business, results of operations and financial condition."

Admin Re^SM Transactions

The acquisition of Life Re in 1998 added administrative reinsurance, or Admin Re^SM , to our product lines. Since our acquisition of Life Re, we have acquired more than 40 blocks of business, with over 5 million policies, and over CHF 33 billion of assets under management. We have invested over CHF 5.0 billion in Admin Re^SM transactions since 1998, with CHF 1.4 billion invested in 2004 alone. Admin Re^SM transactions involve the acceptance of in-force life and health insurance portfolios and can extend to the acquisition of an entire insurance company. Admin Re^SM transactions provide us with blocks of life and health business that we evaluate and price based on the historical financial performance of the business and expected future development. Because Admin Re^SM transactions involve closed blocks of business for which no new policies are being written and may have a higher proportion of savings contracts, these transactions can have a more significant impact on net investment income than premiums relative to our traditional life and health reinsurance business. Accordingly, with the growth in Admin Re^SM, we use operating revenues (premiums plus net investment income) and operating result (operating income excluding non-participating net realized investment gains) as the key measures when evaluating our Life & Health business results.

Admin Re^SM transactions during the periods under review include:

- In August 2004, we acquired Life Assurance Holding Corporation Ltd ("LAHC"), including its life insurance subsidiary Windsor Life Assurance Company Ltd, for GBP 333 million.
- In April 2004, we acquired CNA Financial's individual life insurance business for approximately $700 million. The acquisition added an additional one million policies and CHF 3.7 billion in assets to our balance sheet.
- In 2003, we undertook our first Admin Re^SM transaction in the United Kingdom. We acquired the closed book of business of Zurich Life Assurance Company, one of Zurich Financial Services U.K.-based life assurance businesses, for a cash payment of CHF 354 million. We completed another two Admin Re transactions in the United States during 2003, which added an additional CHF 1 billion in assets to our balance sheet.

In 2005, we completed the successful integration of our two large 2004 Admin Re^SM acquisitions of LAHC and the CNA individual life business. This included the consolidation of more than 2 million policies. We have integrated more than 40 individual deals since 1998 and have in excess of 5 million policies under management, a significant competitive advantage. Although we did not complete any major Admin Re^SM transactions in 2005, we expect that further consolidation in the global life industry will offer substantial future opportunities.

In January 2005, we securitized, through our Queensgate securitization transaction, the expected future profits from five blocks of life insurance business previously acquired by us through Admin Re^SM transactions. We issued $245 million of asset backed securities in this transaction. In December 2005, we completed our second securitization of insurance and investment risks from U.S. life portfolios. In the ALPS Capital transaction, through which we securitized the expected future profits from four blocks of Admin Re^SM business, we issued $370 million of securities, which brought our 2005 total for life-related insurance-linked securities issuances to $615 million. Through securitization, we expect to continue to convert risks from insurance and investment portfolios of life portfolios into tradable securities, thereby securitizing the present value of future profits, monetizing intangible assets and enabling us to more efficiently use our capital.

Exchange Rate Fluctuations

We publish our consolidated financial statements in Swiss francs. Because substantial portions of our revenues and expenses and of our assets and liabilities are denominated in currencies other than the Swiss franc, we are exposed to fluctuations in the values of those currencies against the Swiss franc and, in some of our operations, against other currencies as well. Our operations are transacted primarily in Swiss francs, U.S. dollars, euros, Japanese yen, British pounds, Australian dollars and Canadian dollars. All exchange rate fluctuations involving these or other currencies have an impact on our reported results of operations, cash flows and financial condition from year to year and are expected to continue to do so in the future. We seek to mitigate these effects by investing a portion of our portfolio in investments denominated in the same currency as the corresponding liabilities.

In preparing our consolidated financial statements, we use period-end exchange rates to translate balance sheet items not denominated in Swiss francs. The exchanges rates, expressed as the amount of Swiss francs per one hundred units of listed currency, used to translate the balance sheet items are:

	As of December 31,		
	2003	2004	2005
	(CHF per one hundred units of listed currency)		
Australian dollar	93.18	89.14	96.68
British pound	221.40	218.31	226.26
Canadian dollar	95.71	94.91	112.82
Euro	155.98	154.55	155.46
Japanese yen	1.15	1.11	1.12
U.S. dollar	123.68	113.71	131.80

We use the average exchange rate over the period reported to translate income statement items not denominated in Swiss francs. The exchange rates, expressed as the amount of Swiss francs per one hundred units of listed currency, used to translate the income statement items are:

	Year ended December 31,		
	2003	2004	2005
	(CHF per one hundred units of listed currency)		
Australian dollar	87.38	91.63	94.91
British pound	219.67	227.83	226.40
Canadian dollar	96.24	95.63	102.61
Euro	151.91	154.40	154.82
Japanese yen	1.16	1.15	1.13
U.S. dollar	134.95	124.71	124.37

During 2005, the Swiss franc remained relatively stable against the U.S. dollar, the euro and the British pound compared to 2004 average rates. As a result, the currency effect on income and expense comparisons is not material in contrast to previous years, though the impact on our balance sheet, and in particular on shareholders' equity was significant. See "—Shareholders' Equity."

Interest Rate and Equity Market Fluctuations

Movements in short-term and long-term interest rates, as well as fluctuations in the value of equity securities, affect the level and timing of recognition of gains and losses on securities we hold, causing changes in realized and unrealized gains and losses. Generally, our investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed-income securities are called, mature or are sold and the proceeds are reinvested at lower rates. However, declining interest rates result in unrealized gains in the value of fixed-income securities we continue to hold, as well as realized gains to the extent the relevant securities are sold. During periods of rising interest rates, prices of fixed-income securities tend to fall and realized gains upon their sale are reduced. Changes in interest rates also affect interest rate sensitive liabilities. Declining interest rates result in increased liabilities for some of our lines of business based on their accounting classification.

Our Performance Measures

We evaluate our operations by monitoring key measures of growth and profitability. Our key measures include:

- *Premiums earned*. Premiums earned are the portion of premiums written that is recognized for accounting purposes as income during a period.
- *Investment Result*. Investment result is the combination of net investment income and net realized investment gains.
- *Return on equity*. Return on equity is net income as a percentage of time-weighted shareholders' equity.
- *Return on investments*. Return on investments is our operating result as a percentage of invested assets. Invested assets include investments, funds held by ceding companies, net cash equivalents and net reinsurance assets. Average invested assets are calculated as opening balance plus one half of the net asset turnover. Return on investments is calculated using average foreign exchange rates during the period.

Property & Casualty

- *Claims ratio*. Claims ratio is the sum of claims paid, change in the provisions for unpaid claims and claims adjustment expenses in relation to premiums earned.
- *Acquisition cost ratio*. Acquisition cost ratio is that portion of premiums earned that represents the cost of obtaining the business: it includes intermediaries' commission, our sales expense and other related expenses, in relation to premiums earned.
- *Administration expense ratio*. The administration expense ratio is the sum of administration expenses, in relation to premiums earned.
- *Combined ratio*. The combined ratio is the combination of the claims ratio and the acquisition cost and administration expense ratios. We use our combined ratio (which we apply to our entire non-life business as well as to our traditional Property & Casualty business) in evaluating overall underwriting profitability. We believe the combined ratio is not a suitable measure for non-traditional business as the source of profits typically arises from a combination of investment performance and underwriting performance. A combined ratio under 100% indicates underwriting profitability, as the total of claims paid, change in the provisions for unpaid claims and claims adjustment expenses, acquisition costs and administration expenses are less than premiums earned on the business. With a combined ratio at or above 100%, our profitability depends on investment income.

Life & Health

- *Operating result.* The operating result represents operating income, less net realized investment gains.
- *Return on operating revenues*. The return on operating revenues represents annual Life & Health business operating income less non-participating net realized investment gains and losses divided by total annual Life & Health business operating revenues (which include premiums, net investment income and participating realized gains and losses).
- *Management expense ratio.* The management expense ratio represents annual Life & Health business other operating costs and expenses divided by total annual Life & Health business operating revenues (which include premiums, net investment income and realized gains on participating policies).

Financial Services

- *Premium business—Combined ratio, traditional business*. The combined ratio for our Credit Solutions business.

Critical Accounting Policies

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. We discuss below the accounting policies that our management considers are the most critical to our operations and require the most subjective judgments. This discussion should be read in conjunction with the notes to our consolidated financial statements.

Claims and Claim Adjustment Expenses and Life and Health Benefits

As discussed under "Our Business—Reserves for Claims," significant periods of time can elapse between our assumption of risk, the occurrence of a loss event, the reporting of the event to the ceding company, the subsequent reporting to us, and the ultimate payment by us. To recognize liabilities for unpaid claims, claim adjustment expenses and future policy benefits, we establish reserves, which are balance sheet liabilities representing estimates of future amounts needed to pay reported and not yet reported claims and related expenses arising from insured losses that have already occurred.

Reserves are estimates that involve actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. These estimates are based on facts and circumstances then known, predictions of future developments, estimates of future trends in claims frequency and severity and other variable factors such as inflation. The amount of time that elapses before a claim is reported to the cedant and then subsequently reported to the reinsurer is commonly referred to in the industry as the reporting tail. Lines of business for which claims are reported quickly are commonly referred to as short-tail lines; and lines of business for which a longer period of time elapses before claims are reported to the reinsurer are commonly referred to as long-tail lines. In general, for reinsurance, the time lags are longer than for primary business due to the delay that occurs between the cedant becoming aware of a loss and reporting the information to its reinsurers. The delay varies by reinsurance market, type of treaty, whether losses are paid by the cedant and the size of the loss. The delay could vary from a few weeks to a year or sometimes longer.

We typically establish case reserves under proportional treaties by taking into account standard reserving methodologies and practices. Generally, the ceding company establishes a case reserve for the estimated amount of the ultimate payment for a reported claim. This estimate is based on the reserving practices and experience and knowledge of the ceding company regarding the nature and value of the specific types of claims. We generally establish reserve levels using reports and individual case estimates received from ceding companies. We maintain claims and claim adjustment expense reserves to cover our estimated liability for both reported and unreported claims. Our internal actuaries review our reserving assumptions and our methodologies on a regular basis. Unpaid property and casualty claims provisions may only be discounted if the payment pattern and ultimate cost are fixed and reasonably determinable, including provisions that are allowed to be discounted under U.S. statutory accounting principles.

In the case of facultative and non-proportional business, we generally evaluate the ceding company's reserves taking into consideration coverage, liability, severity of injury or damage, jurisdiction, an assessment of the ceding company's ability to evaluate and handle the claims and the amount of reserves recommended by the ceding company. If we determine that the reserves established by the ceding company may be insufficient to cover the ultimate cost of particular claims, additional case reserves are established either per treaty or per facultative acceptance.

We also establish claims reserves for claims incurred but not reported ("IBNR") which provide for payments for incurred claims that have not yet been reported to us. In calculating our IBNR reserves, we generally use accepted actuarial reserving techniques that take into account quantitative loss experience data, together with, where appropriate, qualitative factors. IBNR reserves are based on claims experience and are grouped both by line of business and by accident year. IBNR reserves are also adjusted to take into account such factors as changes in the volume of business written, reinsurance contract terms and conditions, the mix of business, claims processing and inflation that can be expected to affect our liability for claims over time.

The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgements made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the claims reserves currently established.

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 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. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables commonly used in the industry.

Liabilities for policy benefits are increased if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. The liability for accident and health policy benefits consists of active life reserves and the estimated present value of the remaining ultimate net costs of incurred claims. The active life reserves include unearned premiums and additional reserves. The additional reserves are computed on the net level premium method using assumptions for future investment yield, mortality and morbidity experience. The assumptions are based on projections of past experience and include provisions for possible adverse deviation.

Determining the amount of risk transfer in a contract is a matter of judgment after evaluating all the facts, both qualitative and quantitative. Contracts which do not meet risk transfer requirements, defined as transferring a reasonable possibility of a significant loss to the reinsurer, are accounted for as deposit contracts. Deposit amounts are adjusted for payments received and made, as well as for amortisation or accretion of interest, and for reserve development, if applicable.

Premiums

Management must make judgments about the ultimate premiums written and earned by us. Reported premiums written and earned are based upon reports received from cedants, supplemented by our own estimates of premiums written for which ceding company reports have not been received. The determinations of estimates require a review of our experience with cedants, familiarity with each geographic market, a thorough understanding of the characteristics of each line of business written and ceded to us. Premium estimates are updated when new information is received. Differences between such estimates and actual amounts are recorded in the period in which estimates are changed or the actual amounts are determined.

Acquired Present Value of Future Profits

The acquired present value of future profits ("PVFP") of business in force is recorded in connection with the acquisition of life and/or health operations. The initial value is determined actuarially by discounting estimated future gross profits as a measure of the value of business acquired. The resulting asset is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortized 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 recognized in earnings during the period in which the determination of impairment is made.

Deferred Acquisition Costs

Acquisition costs, which vary with, and are primarily related to, the production of new business, are deferred to the extent they are deemed recoverable from future gross profits. Deferred acquisition costs consist principally of commissions. Deferred acquisition costs associated with property and casualty reinsurance business are amortised in proportion to the property and casualty premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs on property and casualty business. Deferred acquisition costs associated with life and health reinsurance business are amortised over the premium-paying period. For investment-type contracts, deferred acquisition costs are amortised in relation to the present value of estimated gross profits.

Goodwill

The excess of the cost of acquired businesses over the fair value of net assets acquired is recorded as goodwill (purchase method). The Group systematically amortizes goodwill over periods of up to 20 years depending on specific factors. The amount charged in any one year can vary due to foreign exchange and other factors. Despite this, goodwill is amortised within the originally determined periods. The carrying value of goodwill is reviewed periodically for indicators of impairment in value. Adjustments to reflect an impairment in value are recognized in earnings in the period in which the determination of impairment is made.

Financial Instruments

The Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The fair value of financial instruments for which exchange trading does not exist is estimated based on the quoted market prices of financial instruments with similar characteristics or on various valuation techniques. Because of the limited liquidity of some of these instruments, the recorded amounts may be different from the proceeds that might be realized if the financial instruments were sold at the balance sheet date.

An assessment of whether an other-than-temporary decline in the value of equity and fixed income securities available-for-sale has occurred is based on a case-by-case evaluation of the reasons for the decline in value. This evaluation includes: (a) an assessment of the duration and extent of the decline in value; (b) review of the financial performance and outlook for the economic environment and industry in which the issuer operates; (c) review of the financial performance and outlook for the issuer compared to industry peers; and (d) analysis of any other factors, including credit rating, that may adversely affect the ability of the security to recover in value in the short term. Other-than-temporary declines in the value of equity and fixed income securities available-for-sale are recognized as net realized investment gains/losses in the income statement.

Consolidated Results of Operations

The table below presents summary consolidated results of operations and the percentage of revenues that each item represents for the periods indicated. We have reclassified certain line items in our financial statements for 2003 and 2004 (as compared to the published financial statements for those prior periods) to reflect the transfer of Risk Solutions from Financial Services to Property & Casualty.

	Year Ended December 31,			
	2003	2004	2005	2005 to 2004 % Change
	(CHF in millions) (reclassified)			
Revenues:				
Premiums earned	30,740	29,439	27,779	(6)
Net investment income	4,606	4,857	5,352	10
Net realized investment gains	376	1,116	1,249	12
Trading revenues	472	438	343	(22)
Other revenues	236	243	286	18
Total revenues	36,430	36,093	35,009	(3)
Expenses:				
Claims and claim adjustment expenses	(14,898)	(13,853)	(14,178)	2
Life and health benefits	(9,085)	(9,331)	(9,521)	2
Acquisition costs	(6,854)	(6,325)	(5,938)	(6)
Amortisation of goodwill	(315)	(277)	(274)	(1)
Other operating costs and expenses	(2,942)	(2,940)	(3,125)	6
Total expenses	(34,094)	(32,726)	(33,036)	1
Income before income tax expenses	2,336	3,367	1,973	(41)
Income tax expenses	(634)	(892)	(522)	(41)
Net income	1,702	2,475	1,451	(41)

Year ended December 31, 2005 compared to year ended December 31, 2004

Revenues. Revenues decreased CHF 1.1 billion, or 3%, from CHF 36.1 billion in 2004 to CHF 35.0 billion in 2005. Premiums earned in 2005 decreased CHF 1.6 billion, or 6%, from CHF 29.4 billion in 2004 to CHF 27.8 billion in 2005.

Premiums earned in our Property & Casualty business decreased CHF 1.9 billion, or 10%, from CHF 18.3 billion in 2004 to CHF 16.4 billion in 2005. This decrease was mainly due to disciplined underwriting, especially in our liability business, leading to cancelled business, as well as lower demand for non-traditional products as clients' balance sheets improved.

Premiums earned in our Life & Health business increased CHF 0.3 billion, or 3%, from CHF 10.2 billion in 2004 to CHF 10.5 billion in 2005, mainly due to the full-year inclusion of two Admin Re℠ transactions completed during 2004, partially offset by the Queensgate securitization, which increased retrocession premiums. Without giving effect to the Queensgate transaction, the increase would have been 5%.

Premiums earned in the Credit Solutions unit of our Financial Services business remained relatively flat at CHF 0.9 million.

The total investment result increased by CHF 0.6 billion, or 11%, from CHF 6.0 billion in 2004 to CHF 6.6 billion in 2005. Net investment income increased by 0.5 billion, or 10%, from CHF 4.9 billion in 2004 to CHF 5.4 billion in 2005. This favorable development was due to a combination of the continuing attractive yields earned on our fixed income securities portfolio, as well as growth in invested assets reflecting strong operating cash flows. Net realized investment gains increased CHF 133 million, or 12%, from CHF 1.1 billion in 2004 to CHF 1.2 billion in 2005. This growth was due to active management of duration and credit exposure in the fixed income securities portfolio and capital gains on publicly traded and private equities.

Trading revenue decreased CHF 95 million, or 22%, from CHF 438 million in 2004 to CHF 343 million in 2005. This decrease was largely due to our reduced market risk exposure to structured and traded credit products.

Other revenue increased CHF 43 million, or 18%, from CHF 243 million in 2004 to CHF 286 million in 2005.

Expenses. Total expenses increased by CHF 310 million, or 1%, from CHF 32.7 billion in 2004 to CHF 33.0 billion in 2005. Taking the reclassification of our financial statements into account for the transfer of Risk Solutions to Property & Casualty, administration expense ratios in the Property & Casualty business remained stable at 5.3% for 2004 and 2005 (traditional business), and the management expense ratio increased in the Life & Health business from 5.2% to 5.6% from 2004 to 2005.

Claims and claim adjustment expenses and life and health benefits increased CHF 0.5 billion, or 2.2%, from CHF 23.2 billion in 2004 to CHF 23.7 million in 2005. The increase in claims and claim adjustment expenses reflected the impact of substantial natural catastrophe claims in our property and off-shore marine portfolios in 2005, and the increase in life and health benefits was attributable principally to the full-year inclusion of the two Admin Re℠ acquisitions completed in 2004. The net impact of the claims and claim adjustment expenses on our income statement was partially offset by a release of CHF 613 million of equalization reserves in 2005.

Acquisition costs decreased CHF 387 million, or 6%, from CHF 6.3 billion in 2004 to CHF 5.9 billion in 2005. This reduction reflected lower premiums in our Property & Casualty business, partially offset by the full-year inclusion in our Life & Health business of the two Admin Re℠ acquisitions completed in 2004. Our acquisition cost ratio for our traditional Property & Casualty business increased slightly from 19.2% in 2004 to 19.9% in 2005.

Amortisation of goodwill decreased CHF 3 million, or 1%, from CHF 277 million in 2004 to CHF 274 million in 2005, reflecting a lower balance of goodwill on the balance sheet.

Other operating costs and expenses increased CHF 185 million, or 6%, from CHF 2.9 billion in 2004 to CHF 3.1 million in 2005. This increase was mainly due to increases in our Life & Health business, reflecting the growth in Admin Re℠ business. Corporate center costs also increased due to our Group project activities relating to governance, treasury projects and organizational realignment, among other activities, and the globalization of some functions previously carried out in the business groups.

Income before income tax expenses. Income before income tax expenses decreased CHF 1.4 billion, or 41% from CHF 3.4 billion in 2004 to CHF 2.0 billion in 2005.

Income tax expense. Our tax expense decreased by CHF 370 million, or 41%, from CHF 892 million in 2004 to CHF 522 million in 2005 and represents an effective tax rate in 2005 of 26.5%, largely unchanged from 2004. Our tax rate is the result of current and deferred taxes in various jurisdictions.

Net income. Net income decreased CHF 1.0 billion, or 41%, from CHF 2.5 billion in 2004 to CHF 1.5 billion in 2005, principally reflecting the impact of the large natural catastrophes during the year. Earnings per share decreased to CHF 4.68 in 2005 from CHF 8.00 in 2004.

Year ended December 31, 2004 compared to year ended December 31, 2003

Revenues. Revenues decreased CHF 337 million, or 0.9%, from CHF 36,430 million in 2003 to CHF 36,093 million in 2004. Premiums earned in 2004 decreased CHF 1,301 million, or 4.2%, from CHF 30,740 million in 2003 to CHF 29,439 million in 2004. Excluding currency exchange effects, the decrease would have been 1%.

Net premiums in the Property & Casualty business decreased by CHF 1,319 million, or 6.7%, from CHF 19,655 million in 2003 to CHF 18,336 million in 2004. Excluding currency exchange effects, the decrease would have been 3.8%. Premiums in the Life & Health business decreased CHF 24 million, or 0.2%, from CHF 10,229 million in 2003 to CHF 10,205 million in 2004. Excluding currency exchange effects, premiums in the Life & Health business increased 4%, due to growth in Admin Re℠ business. Premiums in the Financial Services business increased CHF 42 million, or 5%, from CHF 856 million in 2003 to CHF 898 million in 2004.

Net investment income increased by CHF 251 million, or 5.4%, from CHF 4,606 million in 2003 to CHF 4,857 million in 2004. Excluding currency exchange effects, the increase would have been 10%. This increase was mainly driven by the combined effect on volumes of strong organic cash flows and large Admin Re℠ transactions.

Net realized investment gains increased CHF 740 million, or 196.8%, from CHF 376 million in 2003 to CHF 1,116 million in 2004. This growth was due to strong capital gains on publicly traded and private equities and a decrease in net impairment charges to CHF 82 million, which was primarily incurred in the first half of 2004 following the recovery in investment markets, compared to CHF 725 million net impairment charges in 2003.

Trading revenue decreased CHF 34 million, or 7.2%, from CHF 472 million in 2003 to CHF 438 million in 2004. The credit and asset backed and insurance-linked securities business contributed to strong revenue growth, which was offset by currency exchange effects and trading losses associated with reduced market volatility.

Other revenue increased CHF 7 million, or 3.0%, from CHF 236 million in 2003 to CHF 243 million in 2004.

Expenses. Total expenses decreased by CHF 1,368 million, or 4.0%, from CHF 34,094 million in 2003 to CHF 32,726 million in 2004. Expenses were relatively flat at historical exchange rates, but up 3% at constant exchange rates. This 3% increase was due to a combination of unchanged expenses, divided by a decreasing revenue base. The administration expense ratio for traditional business increased in the Property & Casualty business from 4.6% to 5.3% (after accounting for the shift of Risk Solutions to Property & Casualty) and in the Life & Health business the management expense ratio increased from 4.4% to 5.2%.

Claims and claim adjustment expenses and life and health benefits decreased CHF 799 million, or 3.3%, from CHF 23,983 million in 2003 to CHF 23,184 million in 2004. Excluding currency exchange effects, these expenses would have increased by 1%. The claims associated with the high level of windstorm activity and the Asian tsunami were estimated at CHF 1.1 billion, CHF 760 million more than large catastrophe claims in 2003. The net impact of the claims and claim adjustment expenses on our income statement was partially offset by a release of CHF 241 million of equalization reserves. The significant impact from natural catastrophes during the year, net of equalization, and continued adverse development in the liability business was offset by the improvement in the underlying profitability of current business. Life and health benefits increased mainly due to the impact of Admin Re℠ business.

Acquisition costs decreased CHF 529 million, or 7.7%, from CHF 6,854 million in 2003 to CHF 6,325 million in 2004. Excluding currency exchange effects, acquisition costs would have decreased 5%, which was primarily due to a reduction in premiums and the revised amortisation profile for the present value of future profits of acquired life business. Our acquisition cost ratio decreased from 22.3% in 2003 to 21.5% in 2004.

Amortisation of goodwill decreased CHF 38 million, or 12.1%, from CHF 315 million in 2003 to CHF 277 million in 2004. Excluding currency exchange effects, the decrease was 8%, reflecting a lower balance of goodwill on the balance sheet.

Other operating costs and expenses declined CHF 2 million, or 0.1%, from CHF 2,942 million in 2003 to CHF 2,940 million in 2004. Excluding currency exchange effects, our other operating costs would have increased by 3%. This increase was mainly due to the Admin Re℠ acquisitions, which was partially offset by a decrease in Corporate Center costs of CHF 60 million, or 14.9%, from CHF 403 million in 2003 to CHF 343 million in 2004.

Income before income tax expenses. Income before income tax expenses increased CHF 1,031 million, or 44.1% from CHF 2,336 million in 2003 to CHF 3,367 million in 2004.

Income tax expense. Our tax expense in 2004 increased by CHF 258 million, or 40.7%, from CHF 634 million in 2003 to CHF 892 million in 2004 and represents an effective tax rate in 2004 of 26.5%. Our tax rate is the result of current and deferred taxes in various jurisdictions.

Net Income. Net income increased CHF 773 million, or 45.4%, from CHF 1,702 million in 2003 to CHF 2,475 million in 2004.

Segment Results

In September 2005, we re-aligned our management structure to more closely follow our strategic priorities, and thus bring the organization closer to our customers, deepen our focus on product skills and further enhance our financial returns, including through risk securitization. We now operate through three business functions—Client Markets and Products (which encompass all of our business lines in Property & Casualty and Life & Health) and Financial Services. We present in the discussion below our results based on our then existing groupings of our lines of business: Life & Health, Property & Casualty and Financial Services, which is consistent with the segmentation in our financial statements covering the same period, but reclassifed in the case of 2003 and 2004 to reflect the transfer of our Risk Solutions unit from Financial Services to Property & Casualty.

To measure the operating results of these segments, we exclude taxes, net realized gains/losses on certain financial instruments, other income and expenses, goodwill amortisation and Corporate Center expenses. See "—Segment Reconciliation to our Consolidated Financial Statements" below for a reconciliation of segment income before income tax expenses to consolidated income before income tax expenses as set forth above and in our consolidated financial statements.

Property & Casualty Business

Our Property & Casualty business includes property, liability, motor, accident and specialty lines.

The table below presents summarized financial information for our Property & Casualty business for the periods indicated.

	Year Ended December 31,		
	2003	2004	2005
	(CHF in millions)		
Premiums earned	19,655	18,336	16,359
Net investment income	1,436	1,597	1,942
Trading, fees, commission and other revenues	36	28	99
Net realized investment gains	395	927	810
Claims and claim adjustment expenses	(14,491)	(13,408)	(13,851)
Acquisition costs	(4,051)	(3,834)	(3,414)
Other operating costs and expenses	(856)	(919)	(920)
Property & Casualty business operating income	2,124	2,727	1,025
Of which:			
Traditional business		2,682	871
Non-traditional business		45	154
For traditional business [(a)(b)]			
Claims ratio	74.6	72.7	85.1
Acquisition cost ratio	19.5	19.2	19.9
Administration expense ratio	4.6	5.3	5.3
Combined ratio	98.7	97.2	110.3

(a) We believe the combined ratio is not a suitable measure for our non-traditional business as the source of profits typically arises from a combination of investment performance and underwriting performance.

(b) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).

The following table presents our Property & Casualty premiums earned and combined ratios by line of business for the periods indicated.

Premiums Earned

	Year Ended December 31, 2003	2004	2005
	(CHF in millions)		
Property	5,084	4,660	4,649
Liability	4,068	3,930	3,492
Motor	2,345	2,284	2,072
Accident	860	679	812
Specialty lines	2,444	2,361	2,189
Risk Solutions	1,801	1,800	1,657
Non-traditional	3,053	2,622	1,488
Total	19,655	18,336	16,359

Combined Ratios for Traditional Business[(a)(b)]

	Year Ended December 31, 2003	2004	2005
	(percentages)		
Property	79.6	78.9	97.5
Liability	119.4	118.7	126.4
Motor	102.3	104.3	99.0
Accident	101.7	78.9	91.0
Specialty lines	101.3	99.2	102.6

(a) We believe the combined ratio is not a suitable measure for our non-traditional business as the source of profits typically arises from a combination of investment performance and underwriting performance.
(b) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).

The following tables present our Property & Casualty expenses and ratios by line of business including Risk Solutions:

	Year Ended December 31, 2003			2004			2005		
	(CHF in millions)								
	Claims and claims adjustment expenses	Acquisition costs	Other operating costs and expense	Claims and claims adjustment expenses	Acquisition costs	Other operating costs and expense	Claims and claims adjustment expenses	Acquisition costs	Other operating costs and expense
Property	2,847	939	262	2,516	898	264	3,350	926	256
Liability	3,733	911	212	3,612	876	176	3,516	765	132
Motor	1,922	423	54	1,872	410	101	1,532	401	119
Accident	665	169	41	355	145	36	525	172	42
Specialty lines	1,792	574	110	1,724	488	131	1,615	507	125
Risk Solutions	1,431	214	86	1,346	206	125	2,117	182	127
Non-traditional	2,101	821	91	1,983	811	86	1,196	461	119
Total	14,491	4,051	856	13,408	3,834	919	13,851	3,414	920

	Year Ended December 31,								
	2003			2004			2005		
	(percentages)								
	Claims Ratio[b]	Expense Ratio[b]	Combined Ratio[b]	Claims Ratio[b]	Expense Ratio[b]	Combined Ratio[b]	Claims Ratio[b]	Expense Ratio[b]	Combined Ratio[b]
Property	56.0	23.6	79.6	54.0	24.9	78.9	72.1	25.4	97.5
Liability	91.8	27.6	119.4	91.9	26.8	118.7	100.7	25.7	126.4
Motor	82.0	20.3	102.3	81.9	22.4	104.3	73.9	25.1	99.0
Accident	77.3	24.4	101.7	52.3	26.6	78.9	64.7	26.3	91.0
Specialty lines	73.3	28.0	101.3	73.0	26.2	99.2	73.8	28.8	102.6
Risk solutions	79.5	16.7	96.1	74.8	18.4	93.2	127.8	18.6	146.4
Total traditional[a]	74.6	24.1	98.7	72.7	24.5	97.2	85.1	25.2	110.3

(a) We believe the combined ratio is not a suitable measure for our non-traditional business as the source of profits typically arises from a combination of investment performance and underwriting performance.
(b) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).

Year ended December 31, 2005 compared to year ended December 31, 2004

Premiums earned. Premiums earned decreased CHF 1,977 million, or 11%, representing a reduction of 5% in traditional business (CHF 843 million) and a reduction of 43% in non-traditional business (CHF 1,134 million), from CHF 18,336 million in 2004 to CHF 16,359 million in 2005. The volume of traditional premiums reflected a 12% reduction in our facultative and direct corporate business (as we reduced our portfolio, particularly in liability and large property risks, in response to softening rates) and a 3% decline in traditional treaty business in line with indications at the time of the 2005 renewals. Our treaty renewals during the year were characterized by our actions to reduce liability business and by stable volume in property. The non-traditional portfolio was affected by the non-renewal of a few large proportional contracts and a general decrease in demand for non-traditional covers.

Premiums earned in 2005 by division were as follows: Europe: 43%, Americas: 34%, Risk Solutions: 12% and Asia: 11%. By type of business, our proportional business in Asia increased, while our facultative business in Europe declined, mostly in liability.

Property. The weighting of property business within the portfolio increased slightly to 28.4% of premiums earned in 2005 from 25.4% of premiums earned in 2004. Property premiums decreased 0.2% over 2004, principally due to the reduction in our facultative portfolio – as property rates weakened in the first half of 2005, fewer risks met our pricing criteria and were therefore declined, partially offset by a shift from liability to property in the 2005 treaty renewals. The large North American hurricane claims totalling CHF 1.1 billion led to an industry-wide re-evaluation of North American exposure, and prices in affected areas moved sharply upwards during the second half of the year. To a somewhat lesser extent this upward price pressure carried through to other peak natural catastrophe exposure, including windstorms in Europe. The large claims overwhelmed strong underlying 2005 performance and an attractive result from Asia, which benefited from a lighter burden of large claims in 2005 compared to 2004. There was less pressure on property rates for man-made risks, especially in Europe and Asia. Pricing in the large corporate markets firmed in the second half of 2005, even in unaffected lines. Contractual terms and conditions remained strong.

Liability. The weighting of liability in 2005 remained stable at 21% of premiums earned. Liability premiums decreased 11% in 2005 compared to 2004, reflecting our decision not to accept reductions in premium rates for more uncertain and volatile long tail lines, such as directors and officers liability and U.S. professional covers in general. We maintained our underwriting discipline and accordingly discontinued significant volumes of business written, particularly in the professional and pharmaceutical lines. Our strong stand on pharmaceutical terms and conditions also caused significant loss of premium volume as some companies were unwilling to purchase cover at 2005 rates and conditions, and thus decided not to purchase insurance in certain segments at all. Consistent with industry-wide experience, adverse development continued to drag down the performance of liability business. The effect of the negative development, primarily for years 1999 to 2001, was strongly reflected in the poor combined ratio (of 126.4%) in 2005 and further magnified by the 11% reduction in premiums in 2005. Reserve additions of CHF 1.0 billion for years 1999—2001 added 27 percentage points to the combined ratio. In contrast, pricing on the new business written was satisfactory.

Motor. The weighting of motor increased to 12.7% of premiums earned in 2005 from 12.5% of premiums earned in 2004. Pricing of our motor book remained stable and terms and conditions in general were unchanged. Motor premiums decreased 9% in 2005 compared to 2004 due largely to lower demand relative to our price level, which mainly affected our proportional motor business with reduced cessions in our proportional business in Italy, Germany and the United Kingdom, and an increase in client retentions. In some countries, such as France, where there was also an upward trend in bodily injury claims, we increased our rates in order to maintain price adequacy. As a result of our disciplined underwriting and increased rates to maintain our price adequacy, the quality of our motor book improved, leading to a lower combined ratio.

Accident. Accident increased its proportion from 3.7% of premiums earned in 2004 to 5% of premiums earned in 2005. Accident premiums increased 19.6% in 2005 compared to 2004. Conditions in the U.S. primary workers' compensation markets have improved and our premium growth was entirely due to one large workers' compensation contract. Stricter case management and legislative reform in important states led to reduced overall claims costs in the market. The combined ratio increased, reflecting the writing of a large, long-tail treaty. Pricing and coverage remained relatively unchanged for catastrophe workers' compensation products, which again produced satisfactory results. Personal accident primary rates remained stable in most markets, but in some markets, ceding companies increased their retentions, putting rates under pressure. Our market share declined in our major personal accident market (Europe) in the face of lower rates.

Specialty Lines. Specialty lines increased its weighting slightly from 12.9% of premiums in 2004 to 13.4% of premiums earned in 2005. Specialty premiums decreased 7% in 2005 compared to 2004 primarily due to a reduction in engineering premiums in Europe as a result of a non-recurring accounting premium adjustment in 2004 related to prior year business. Engineering showed positive results, due to a lack of major claims and continuing strong premium levels. Our marine results were severely affected by the CHF 299 million impact of the Atlantic hurricanes, particularly to the offshore energy portfolio, which had a 14 percentage point impact on the combined ratio.

Risk Solutions. Risk Solutions increased its weighting slightly from 9.8% of premiums in 2004 to 10.1% of premiums in 2005. Risk Solutions premiums decreased 8% in 2005 over 2004 due to less business meeting our minimum pricing requirements. This was a result of softer rates in the first half of the year that was not entirely offset by better terms that we experienced in property in the second half of 2005 following the hurricanes. In casualty, competitive pressures pushed rates down but a strict underwriting approach helped us secure sound economic terms for our portfolio. Aviation and Space rates were under pressure in the main airline and space markets, after a few years with few major events, but were more stable in the product manufacturers' and general aviation segments. Our Risk Solutions combined ratio (146.4% compared to 93.2% in 2004) was strongly impacted by hurricane claims of CHF 762 million, net of equalization reserve movements, or 46 percentage points on the combined ratio; excluding such claims, recent treaty years developed in line with expectations.

Non-traditional. Non-traditional lines decreased its weighting from 14.3% of premiums in 2004 to 9.1% of premiums earned in 2005. Non-traditional premiums decreased 43.2% in 2005 compared to 2004 due to the non-renewal of two large quota share agreements and the general reduction in demand referred to above. However, despite the lower premiums, profitability nevertheless improved following beneficial development with respect to a major contract and a large favorable commutation.

Net investment income. Net investment income increased CHF 345 million, or 22%, from CHF 1,597 million in 2004 to CHF 1,942 million in 2005 reflecting strong cash flows, rising interest rates and the extension of durations during the year.

Net realized investment gains. Net realized investment gains decreased CHF 117 million, or 13%, from CHF 927 million in 2004 to CHF 810 million in 2005.

Claims and claim adjustment expenses. Claims and claim adjustment expenses increased CHF 443 million, or 3%, from CHF 13,408 million in 2004 to CHF 13,851 million in 2005. This increase was primarily due to the impact of extraordinary claims arising from natural catastrophes.

Acquisition costs. Acquisition costs decreased CHF 420 million, or 11%, from CHF 3,834 million in 2004 to CHF 3,414 million in 2005, in line with reductions in premium volume.

Other operating costs and expenses. Other operating costs and expenses increased minimally CHF 1 million, or from CHF 919 million in 2004 to CHF 920 million in 2005.

Property & Casualty operating income. Operating income decreased CHF 1,702 million, or 62% from CHF 2,727 million in 2004 to CHF 1,025 million in 2005. The most important contributing factor to this significant decrease in operating income was the extraordinary level of natural catastrophe claims, which increased CHF 1.6 billion to CHF 2.5 billion in 2005 (after releases of CHF 613 million from the equalization reserve) and represented 15% of traditional premiums earned, compared to 5% in 2004.

Our combined ratio for traditional business increased from 97.2% in 2004 to 110.3% in 2005. This ratio combines the effects of the claims ratio, which increased by 12.4 percentage points; the acquisition cost ratio, which rose 0.7 percentage points and the administrative expense ratio, which was flat at 5.3%. This increase was almost entirely attributable to the exceptional level of natural catastrophe claims, which net of equalization reserves, reduced traditional income by CHF 1.4 billion, or 10 percentage points of traditional premiums earned.

Generally, we are still experiencing adverse development from prior years in our Property & Casualty business. In the first half of 2005 prior years generated adverse development of CHF 255 million. In the second half of 2005, prior years developed favorably with a small release of CH 31 million. Overall, prior years generated a modest loss from adverse development of CHF 224 million (as compared to CHF 748 million in 2004), representing under 0.5% of 2004 Property & Casualty reserves and 1.5% of 2005 premiums earned for traditional business. This adverse development in 2004 and 2005 is net of reserve strengthening of CHF 200 million in 2004 and CHF 150 million in 2005. For years 1998 and prior, the development was broadly neutral, while years 1999 to 2001 still experienced adverse development for U.S. liability lines, in particular directors and officers liability covers, which had an impact of approximately 7 percentage points on the combined ratio. Adverse development in liability was partially offset by positive developments in property, marine, aviation and engineering. We are encouraged by the positive developments emerging for years 2002 to 2004, which had a positive impact of approximately 5 percentage points on the combined ratio.

Year ended December 31, 2004 compared to year ended December 31, 2003

Premiums earned. Premiums earned decreased CHF 1,319 million, or 6.7%, from CHF 19,655 million in 2003 to CHF 18,336 million in 2004. Excluding currency exchange effects, premiums earned would have decreased 3.8%. Although we experienced underlying growth in the traditional portfolio, the growth was offset by late reported business from clients being much lower in 2004 compared to 2003. This resulted in a net reduction in traditional premiums earned of CHF 888 million or 5%. In addition, non-traditional premiums declined by CHF 431 million, or 14%, in 2004 due to treaty cancellations and cession reductions in some large treaties. As clients' balance sheets improve, demand for these large covers decreases.

The weighting of property business within the portfolio reduced slightly to 25.4% from 25.9% of premiums earned. The reduction in property premiums earned of 8.3% (6.6% in original currencies), was largely due to a significant impact from the lower level of prior year premiums. Liability increased its weight slightly to 21.4% from 20.7% of premiums earned. Liability premiums decreased CHF 138 million or 3.4%, but in original currencies increased by 1.2% due to premium rate increases offset by the effect of prior year premiums. Motor's share of the portfolio increased to 12.5% from 11.9%. Motor premiums decreased 2.6% due to the non-renewal of proportional treaties in Germany. Accident reduced its proportion from 4.4% to 3.7%. Accident premiums decreased 21.0% due to the cancellation of workers compensation business in the U.S. Specialty lines increased its proportion slightly to 12.9% from 12.4% of premiums earned. Specialty premiums decreased 3.4% due to the run-off of aviation and credit business which is now written within Risk Solutions. The weighting of Risk Solutions increased slightly to 9.8% from 9.2% of premiums earned with premiums remaining stable. Non-Traditional represented 14.3% of the portfolio compared to 15.5% in the prior year. The 14% reduction in non-traditional premiums was due to cancellations and cession reductions in some large treaties.

Net investment income. Net investment income increased CHF 161 million, or 11%, from CHF 1,436 million in 2003 to CHF 1,597 million in 2004, mainly as a result of organic growth of our investment portfolio.

Net realized investment gains. Net realized investment gains increased CHF 532 million, or 135%, from CHF 395 million in 2003 to CHF 927 million in 2004. This gain reflected the gains on equities and lower impairment charges in 2004.

Claims and claim adjustment expenses. Claims and claim adjustment expenses decreased CHF 1,083 million, or 7.5%, from CHF 14,491 million in 2003 to CHF 13,408 million in 2004. This decrease was primarily due to lower premiums and the improvement in the underlying profitability of current business, offset by increased natural catastrophe claims, which were exceptionally low in 2003.

Acquisition costs. Acquisition costs decreased CHF 217 million, or 5.4%, from CHF 4,051 million in 2003 to CHF 3,834 million in 2004.

Other operating costs and expenses. Other operating costs and expenses increased CHF 63 million, or 7.4%, from CHF 856 million in 2003 to CHF 919 million in 2004.

Property & Casualty operating income. Operating income increased CHF 603 million, or 28.4% from CHF 2,124 million in 2003 to CHF 2,727 million in 2004. Claims from natural catastrophes reduced the result by CHF 912 million after changes in the equalization reserve, or 5% of premium. In 2003 total natural catastrophe claims for the business group with an individual value in excess of CHF 20 million were CHF 347 million or less than 2% of premiums earned. U.S. liability showed considerable losses from the 1998—2001 underwriting years, with further claims being reported in excess of expectations. This was offset by positive development in other lines of business and regions and in the more recent underwriting years, such that overall the claims ratio for traditional business improved.

Our combined ratio for traditional business decreased from 98.7% to 97.2%. This ratio combines the effects of the traditional claims ratio, which decreased by 1.9 percentage points and the expense ratio, which increased slightly to 24.5%. Despite being affected by the abnormally high level of claims (offset in part by the release of equalization reserves of CHF 241 million), the claims ratio improved, reflecting the strong underlying performance and the impact of rate improvements over the last two years. No equalization reserves were released in 2003.

Life & Health Business

Our Life & Health business includes our life, disability and other health business. The table below presents summarized financial information for our Life & Health business for the years indicated.

	Year Ended December 31,		
	2003	2004	2005
	(CHF in millions)		
Premiums earned	10,229	10,205	10,512
Net investment income	3,085	3,178	3,251
Net realized investment gains (participating)	—	51	91
Operating Revenues	13,314	13,434	13,854
Net realized investment gains (non-participating)	55	82	310
Total revenues	13,369	13,516	14,164
Claim and Claim adjustment expenses; life and health benefits	(9,085)	(9,331)	(9,521)
Acquisition costs	(2,479)	(2,177)	(2,229)
Other operating costs and expenses	(587)	(704)	(771)
Total expenses	(12,151)	(12,212)	(12,521)
Life & Health business operating income	1,218	1,304	1,643
	(percentages)		
Management expense ratio(1)(2)	4.4	5.2	5.6
Return on operating revenues(2)(3)	8.7	9.1	9.6
	(CHF in millions)		
Operating result (excluding non-participating net realized investment gains)			
Traditional life	785	637	740
Traditional health	89	198	212
Admin Re[SM]	289	387	381
	1,163	1,222	1,333

(1) Represents annual Life & Health business other operating costs and expenses divided by total annual Life & Health business operating revenues (which include premiums, net investment income and realized gains on participating policies).
(2) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).
(3) Represents annual Life & Health business operating income less net realized investment gains on non-participating policies divided by total annual Life & Health business operating revenues (which include premiums and net investment income and realized gains on participating policies).

The table below presents the percentage of our Life & Health premiums earned by geographic region for the periods indicated.

	Year Ended December 31, 2003	2004	2005
	(percentages)		
North America	67.3	65.4	63.7
Europe	25.1	26.1	27.2
Rest of World	7.6	8.5	9.1
Total	100.0	100.0	100.0

Year ended December 31, 2005 compared to year ended December 31, 2004

Premiums earned. Premiums earned increased CHF 307 million, or 3%, from CHF 10,205 million in 2004 to CHF 10,512 million in 2005. Excluding the effect of the Queensgate securitization (which effectively reduced premiums by CHF 181 million and had the effect of a retrocession to the capital markets) the underlying premium growth was 5% for 2005. Traditional life premiums increased 3% to CHF 7 billion, reflecting the low levels of growth in the U.S. life reinsurance markets, offset by stronger growth in Asia, and traditional health premiums remained flat at CHF 1.6 billion, reflecting the growth in new group income protections offsetting the run-off of discontinued lines. Admin Re℠ premiums, after eliminating the effect of the Queensgate securitization, increased 17% to CHF 2.1 billion, reflecting the full year impact of the 2004 Admin Re℠ acquisitions.

Our main life and health market continues to be North America, which contributed 64% of total premiums in 2005, compared to 65% in 2004. Europe collectively represented 27% of total premiums in 2005, compared to 26% in 2004. The “rest of the world” collectively contributed 9% of total premiums in 2005, and includes both growing markets such as Asia and established businesses in South Africa and Australia. Growth in these traditional markets remained low due to the U.S. pricing review (our repricing initiative undertaken in 2004 restrained new business growth in the U.S. through 2005) and lower sales of protection business in the U.K. primary market.

Operating revenues. Operating revenues (premiums plus net investment income and realized gains on participating policies) increased CHF 420 million, or 3%, from CHF 13,434 million in 2004 to CHF 13,854 million in 2005. The following table shows a breakdown in operating revenues and return on operating revenues for traditional life, traditional health and Admin Re℠.

	Operating Revenues (CHF in millions)		Return on Operating Revenues [(a)] (percentages)	
	Year Ended December 31,		Year Ended December 31,	
	2004	2005	2004	2005
Traditional life	7,796	7,926	8.2	9.3
Traditional health	2,124	2,203	9.3	9.6
Admin Re℠	3,514	3,725	11.0	10.2
Total	13,434	13,854	9.1	9.6

(a) An unaudited ratio that represents annual Life & Health business operating income less net realized investment gains on non-participating policies divided by total annual Life & Health business operating revenues (which include premiums and net investment income and realized gains on participating policies).

Traditional life. Growth in our traditional life operating revenues was low due to the reduction in cession rates in the United States combined with the impact of our 2004 repricing initiative. This was partially offset by strong underlying growth in Asia, particularly in Japan and Australia. Our traditional life return on operating revenues in 2004 included a provision of CHF 58 million for the Asian tsunami. The return in 2005 of 9.3% reflected the release of the unused portion of this provision (of CHF 52 million). In addition, our traditional life business continued to benefit from good mortality experience in all markets.

Traditional health. Our traditional health business operating revenues grew by 4% with growth in new individual and group income protection, particularly in Europe and Asia, offsetting the run off of exited lines, largely in North America. Our traditional health business’ return on operating revenues increased to 9.6% following positive claims experience largely on continuing income protection lines in Europe. This was partially offset by reserve strengthening in discontinued lines in the United States.

Admin Re^SM^. The growth in Admin Re^SM^ operating revenues of 6% was due to the first full year impact of the 2004 acquisitions, partially offset by the impact of the Queensgate retrocession. Excluding the impact of this retrocession, growth would have been 14%. Our return on Admin Re^SM^ operating revenues in 2005 of 10.2% was impacted by the accelerated amortization of the present value of future profits of CHF 27 million, following realized gains in our Admin Re^SM^ portfolio of CHF 140 million.

Net investment income. Net investment income increased CHF 73 million, or 2% from CHF 3,178 million in 2004 to CHF 3,251 million in 2005. This increase was primarily due to the first full year of income on the 2004 Admin Re^SM^ acquisitions offset by the impact of the Queensgate securitization (which reduced the growth in operating revenues, as CHF 181 million of premiums and CHF 111 million of net investment income were retroceded to Queensgate). Excluding the impact of this retrocession, net investment income of the Life & Health business would have increased by 6%.

Net realized investment gains. Net realized investment gains increased CHF 268 million, or 202%, from CHF 133 million in 2004 to CHF 401 million in 2005, reflecting the sale of mostly BBB-rated corporate bonds in the first quarter when credit spreads were exceptionally tight.

Claims and benefits. Claims and benefits increased CHF 190 million, or 2%, from CHF 9,331 million in 2004 to CHF 9,521 million in 2005. Claims and benefits as a percentage of operating revenue decreased slightly from 69.5% in 2004 to 68.7% in 2005 reflecting positive mortality experience.

Acquisition costs. Acquisition costs increased CHF 52 million, or 2.4%, from CHF 2,177 million in 2004 to CHF 2,229 million in 2005. As a percentage of operating revenues, acquisition costs decreased slightly from 16.2% in 2004 to 16.1% in 2005.

Other operating costs and expenses. Other operating costs and expenses increased CHF 67 million, or 9.5%, from CHF 704 million in 2004 to CHF 771 million in 2005. The management expense ratio increased from 5.2% in 2004 to 5.6% in 2005, reflecting the increased share of Admin Re^SM^ business (CNA and LAHC for the full twelve months), which carries higher expenses associated with direct business, as well as system investments to improve the traditional business administration platforms.

Life & Health business operating income. Life & Health business operating income increased by CHF 339 million, or 26%, from CHF 1,304 million in 2004 to CHF 1,643 million in 2005. Excluding the effect of non-participating realized gains (2004: gain of CHF 82 million; 2005: gain of CHF 310 million), the Life & Health business operating result increased from CHF 1,222 million (life: CHF 637 million; health: CHF 198 million; Admin Re^SM^: CHF 387 million) in 2004 to CHF 1,333 million (life: CHF 740 million; health: CHF 212 million; Admin Re^SM^: CHF 381 million) in 2005, an increase of 9.1%. This increase represented, in the case of traditional life, the release of the unused portion of the tsunami provisions established in 2004 and the continuing positive mortality experience around the world. In the case of the increased traditional health result, adverse experience from discontinued lines in the United States was more than offset by positive claims experience from the income protection lines in Europe. These increases were partially offset by the accelerated amortisation of the present value of future profits of CHF 27 million in our Admin Re^SM^ portfolio, due to gains realized during the year and adverse claims experience in the closed disability income business.

Year ended December 31, 2004 compared to year ended December 31, 2003

Premiums earned. Premiums earned decreased CHF 24 million, or 0.2%, from CHF 10,229 million in 2003 to CHF 10,205 million in 2004. Excluding foreign exchange effects, premium growth was 4.1%, reflecting the acquisitions of CNA's individual life business in the United States and LAHC in the United Kingdom during the year. Excluding foreign exchange effects, life premiums increased 7.2% to CHF 8.4 billion and health premiums declined 8% to CHF 1.8 billion, reflecting the continuing run-off of exited lines in North America and the United Kingdom.

Our main life and health market continues to be North America, which contributed 65% of total premiums in 2004, compared to 67% in 2003. The United Kingdom remains the principal market in Europe, with 16.6% of total premiums in 2004. The "rest of the world" includes both growing markets such as Asia—which expanded by 11.6% in 2004—and established businesses in South Africa and Australia. Growth in these traditional markets remained low due to the U.S. pricing review and lower sales of protection business in the U.K. primary market.

Operating revenues (premiums plus net investment income) increased CHF 69 million, or 0.5%, from CHF 13,314 million in 2003 to CHF 13,383 million in 2004.

Net investment income. Net investment income increased CHF 93 million, or 3.0%, from CHF 3,085 million in 2003 to CHF 3,178 million in 2004. Excluding foreign currency effects, the increase would have been 9%. This increase was largely due to the Admin Re^{SM} acquisitions in 2004, which increased funds under management by more than CHF 16 billion, which was partially offset by continuing low investment yields.

Net realized investment gains. Net realized investment gains increased CHF 78 million, or 141.8%, from CHF 55 million in 2003 to CHF 133 million in 2004.

Claims and benefits. Claims and benefits increased CHF 246 million, or 2.7%, from CHF 9,085 million in 2003 to CHF 9,331 million in 2004. Claims and benefits as a percentage of operating revenue increased from 68% in 2003 to 70% in 2004, reflecting the provision for the tsunami claims.

Acquisition costs. Acquisition costs decreased CHF 302 million, or 12.2%, from CHF 2,479 million in 2003 to CHF 2,177 million in 2004. Excluding foreign exchange effects, acquisition costs declined by 9%, reflecting lower amortisation of the present value of future profits following adjustment of the future profit emergence profile corresponding to current experience. As a percentage of operating revenues, acquisition costs decreased slightly from 18.6% in 2003 to 16.2% in 2004.

Other operating costs and expenses. Other operating costs and expenses increased CHF 117 million, or 19.9%, from CHF 587 million in 2003 to CHF 704 million in 2004. As a percentage of operating revenues, other operating costs and expenses increased from 4.4% in 2003 to 5.2% in 2004, reflecting the increased volume of Admin Re^{SM} business and the absence of the one-off savings present in 2003. The expense ratio for Admin Re^{SM} business, which is fully priced in each transaction, is higher than for traditional reinsurance business, due to the maintenance costs of dealing with individual policyholder records and communications.

Life & Health business operating income. Life & Health business operating income increased by CHF 86 million, or 7.1%, from CHF 1,218 million in 2003 to CHF 1,304 million in 2004. Excluding the effect of non-participating realized gains (2003: gain of CHF 55 million; 2004: gain of CHF 82 million), Life & Health business operating result increased from CHF 1,163 million (life: CHF 1,099 million; health: CHF 64 million) in 2003 to CHF 1,222 million (life: CHF 1,049 million; health: CHF 173 million) in 2004, an increase of 5.1%.

The life operating result decreased slightly 4.5% from 2003 to CHF 1,049 million in 2004. This decline was due primarily to the decline in the dollar.

Embedded Value of Life & Health Operations for the Year Ended December 31, 2005

On April 11, 2006, we announced that our embedded value of our life and health business increased significantly to CHF 20.1 billion in 2005, up from CHF 17.1 billion in 2004. Operating profit from existing business grew 36% to CHF 1.5 billion from CHF 1.1 billion in 2004. Returns on new business increased to 31% compared to 12.5% in 2004 for total value added of CHF 283 million in 2005.

The increase of our embedded value to CHF 20.1 billion in 2005 reflects the value added by new business and strong operating profit from existing business of CHF 1.8 billion, large positive currency movements relative to the Swiss franc of CHF 1.9 billion as well as a small net negative impact from investment variances and economic assumption changes of CHF 82 million. The strong operating profit from existing business of CHF 1.5 billion in 2005, compared with CHF 1.1 billion in 2004, reflects our continuing positive mortality experience around the world in 2005.

Value added by new business was CHF 283 million, down from CHF 666 million in 2004, which had benefited from two large Admin Re^{SM} transactions. Profitability of the new business in 2005 increased to 13.1% from 12.5% in 2004 and return on capital invested increased to 31.7% following Swiss Re's actions to improve pricing for traditional life business in the United States.

We have attached as Annex A to this Offering Memorandum a copy of Swiss Re Group's Life and Health business embedded value and embedded value earnings for the year ended December 31, 2005 and PricewaterhouseCoopers LLP's independent report to the Directors of Swiss Reinsurance Company on the supplementary financial information, which we released on April 11, 2006.

Financial Services Business

Our Financial Services business includes our Credit Solutions, Capital Management and Advisory ("CMA") and Asset Management operations.

The table below presents summarized financial information for our Financial Services business for the periods indicated.

	Year Ended December 31,		
	2003	2004	2005
	(CHF in millions)		
Premiums earned	856	898	908
Net investment income	48	49	71
Net realized investment gains	15	30	20
Trading revenues, fees & commissions	859	765	695
Gross revenues	1,778	1,742	1,694
Claims and claim adjustment expenses	(454)	(445)	(327)
Acquisition costs	(304)	(314)	(295)
Gross Margin	1,020	983	1,072
Operating costs	(769)	(666)	(706)
Financial Services business operating income	251	317	366
Premium business combined ratio, traditional business [(a)]	91.8%	92.5%	81.1%
Fee business (excluding PAM return on total revenues [(a)]	14.7%	12.9%	9.1%

(a) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).

Year ended December 31, 2005 compared to year ended December 31, 2004

Revenues. The Financial Services business' total revenues declined CHF 48 million, or 3%, from CHF 1,742 million in 2004 to CHF 1,694 million in 2005. The decline in total revenues was due to lower revenues in CMA (CHF 445 million as compared to CHF 471 million in 2004), reflecting reduced trading revenues in the traded credit business, partially offset by fees from structuring insurance-linked securities. The decline in CMA offset increases in other Financial Services businesses.

Premiums earned. Premiums earned increased CHF 10 million, or 1%, from CHF 898 million in 2004 to CHF 908 million in 2005. Premiums increased slightly because of stringent underwriting standards in Credit Solutions and increased retention by some clients.

Net investment income. Net investment income increased CHF 22 million, or 45%, from CHF 49 million in 2004 to CHF 71 million in 2005.

Net realized investment gains. Net realized investment gains decreased CHF 10 million, or 33%, from CHF 30 million in 2004 to CHF 20 million in 2005.

Trading revenues, fees and commissions. Trading revenues, fees and commissions decreased CHF 70 million, or 9.2%, from CHF 765 million in 2004 to CHF 695 million in 2005. This decrease primarily reflected the continued challenging environment for CMA's corporate finance and equity units, and a reduced market risk exposure to structured and traded credit products. This decline was in contrast to increases in fees for third-party asset management (revenues of CHF 84 million compared to CHF 65 million in 2004), reflecting growth of assets under management at Conning Asset Management. Mark-to-market gains on portfolio credit default swaps boosted revenues, but were below 2004 levels.

We increased third-party assets managed under the Conning Asset Management brand to $61.3 billion (as of January 1, 2005), representing an annual compound growth rate of 24% per year since we acquired Conning Asset Management in July 2001.

Acquisition costs. Acquisition costs decreased CHF 19 million, or 6%, from CHF 314 million in 2004 to CHF 295 million in 2005.

Claims and claim adjustment expenses. Claims and claim adjustment expenses decreased CHF 118 million, or 27%, from CHF 445 million in 2004 to CHF 327 million in 2005, due both to a continued favorable market environment in Credit Solutions and a favorable claims settlement.

Operating costs. Operating costs increased CHF 40 million, or 6%, from CHF 666 million in 2004 to CHF 706 million in 2005.

Financial Services Business operating income. Operating income increased CHF 49 million, or 15%, from CHF 317 million in 2004 to CHF 366 million in 2005. This increase was driven by the performance of Credit Solutions and further improvements in the profitability of our third-party asset management business.

Credit Solutions' combined ratio for traditional business of 81.1% in 2005 was lower than the 92.5% ratio in 2004, due both to a continued favorable environment in Credit Solutions' traditional trade credit and surety reinsurance business and to a favorable claims settlement agreement reached earlier in the year. Our margin on fee business declined primarily due to the challenging conditions in our corporate finance and equities units (which we have now sold); our operating income on our fee business dropped from CHF 87 million to CHF 60 million.

Year ended December 31, 2004 compared to year ended December 31, 2003

Revenues. The Financial Services business' total revenues decreased CHF 36 million, or 2%, from CHF 1,778 million in 2003 to CHF 1,742 million in 2004.

Premiums earned. Premiums earned increased CHF 42 million, or 5%, from CHF 856 million in 2003 to CHF 898 million in 2004. This increase was primarily due to cautious growth in credit and surety.

Net investment income. Net investment income increased CHF 1 million, or 2%, from CHF 48 million in 2003 to CHF 49 million in 2004.

Net realized investment gains. Net realized investment gains doubled from CHF 15 million in 2003 to CHF 30 million in 2004. This increase was primarily due to realized gains on equities.

Trading revenues, fees and commissions. Trading revenues, fees and commissions decreased CHF 94 million, or 11%, from CHF 859 million in 2003 to CHF 765 million in 2004. This was primarily due to lower market volatility and lower activity in certain equity brokerage and corporate finance markets, offset by a rise in mark-to-market valuation from the portfolio credit default swap book as spreads tightened.

We increased third-party assets under management from CHF 57.5 billion to CHF 58.6 billion. Growth was partially offset by the disposal of non-core asset management operations in 2003.

Acquisition costs. Acquisition costs increased CHF 10 million, or 3%, from CHF 304 million in 2003 to CHF 314 million in 2004. The increase was mainly due to premium growth and higher profit commissions reflecting the improved profitability of the business.

Claims and claim adjustment expenses. Claims and claim adjustment expenses decreased CHF 9 million, or 2%, from CHF 454 million in 2003 to CHF 445 million in 2004. Claims experience continued to be favorable for Credit Solutions.

Operating costs. Operating costs decreased CHF 103 million, or 13%, from CHF 769 million in 2003 to CHF 666 million in 2004. This was primarily attributable to lower variable cost in CMA and cost savings in proprietary asset management.

Financial Services business operating income. Operating income increased CHF 66 million, or 26%, from CHF 251 million in 2003 to CHF 317 million in 2004. Both Credit Solutions and the fee business contributed to this growth, despite the impact of a weaker dollar on operating income. This increase was due to the continuation of a strong underwriting record and favorable credit environment in the credit business and a return on revenues (excluding Proprietary Asset Management ("PAM")) of 12.9% in the fee business.

Segment Reconciliation to our Consolidated Financial Statements

Our Corporate Center, which includes the Group level activities of Finance, Risk & Knowledge, Information Technology and Communications and Human Resources, set our overall strategic direction for our group. The table below presents a reconciliation of operating income presented in our business group results to income before income tax expenses presented under "—Consolidated Results of Operations" above and in our consolidated financial statements for the periods indicated.

	Year Ended December 31,		
	2003	2004	2005
	(CHF in millions)		
Segment group operating income:			
Property & Casualty	2,124	2,727	1,025
Life & Health	1,218	1,304	1,643
Financial Services	251	317	366
Total operating income	3,593	4,348	3,034
Corporate Center expenses	(403)	(343)	(401)
Items excluded from the segments:			
Net realized gains (1)	(89)	26	18
Amortisation of goodwill	(315)	(277)	(274)
Other expenses (2)	(450)	(387)	(404)
Net income before tax	2,336	3,367	1,973

(1) Net realized gains is in respect of certain financial instruments including own shares.
(2) Other expenses include items such as indirect taxes, capital taxes and interest charges.

Year ended December 31, 2005 compared to year ended December 31, 2004

Amortisation of goodwill decreased CHF 3 million, or 1%, from CHF 277 million in 2004 to CHF 274 million in 2005, reflecting a lower balance of goodwill on the balance sheet.

Net realized investment gains decreased CHF 9 million from a gain of CHF 26 million in 2004 to a gain of CHF 18 million in 2005.

Other income/expenses (including indirect taxes, capital taxes, interest charges, restructuring costs and certain other income and expense items) increased CHF 17 million, or 4.4% from CHF 387 million in 2004 to CHF 404 million in 2005.

Corporate Center expenses increased by CHF 58 million, or 16.9%, from CHF 343 million in 2004 to CHF 401 million in 2005, reflecting Group project activities and the globalization of certain functions previously carried out within the business functions.

Year ended December 31, 2004 compared to year ended December 31, 2003

Amortisation of goodwill decreased CHF 38 million, or 12.1%, from CHF 315 million in 2003 to CHF 277 million, in 2004, reflecting a lower balance of goodwill on the balance sheet.

Net realized investment gains increased CHF 115 million from a loss of CHF 89 million in 2003 to a gain of CHF 26 million in 2004.

Other income/expenses (including indirect taxes, capital taxes, interest charges, restructuring costs and certain other income and expense items) decreased CHF 63 million, or 14.0% from CHF 450 million in 2003 to CHF 387 million in 2004.

Corporate Center expenses decreased by CHF 60 million, or 14.9%, from CHF 403 million in 2003 to CHF 343 million in 2004 as a result of active cost management.

Our Investment Portfolio

We generate substantial cash flows which are invested in a diversified portfolio of bonds, stocks, real estate, alternative assets and cash. The diversification of the portfolio is designed in such a way that adverse movements in one market may be mitigated by favorable movements in other markets to reduce the overall risk of the portfolio. Within the overall policy of diversification, we actively manage our portfolio and take into account significant trends in the different investment markets.

Our overall investment strategy is a combination of meeting our insurance obligations by replicating insurance liability and achieving an attractive risk-adjusted return. As a consequence of the former, we mainly match our insurance obligations with fixed income securities, actively managing the duration and credit exposure taking into account the differing requirements of the liabilities. We also manage funds not used to support insurance obligations to generate a positive absolute risk-adjusted return through a variety of investment vehicles. We measure and monitor investment risk in relation to the minimum risk portfolio, which represents the liability profile of the business, and also as a function of our overall capital adequacy. We believe that our asset-liability management approach is capital efficient without sacrificing the opportunity to achieve excess returns.

In conjunction with our recent restructuring and our continued emphasis on corporate governance, we recently implemented a new investment governance framework. The new framework is intended to improve the efficiency and effectiveness of our investment decision framework, eliminate redundant tasks in various investment committees, streamline processes, better align our investment decision framework with our organizational structure and addresses applicable regulatory and corporate governance requirements. Swiss Re Asset Management ("SRAM") is responsible for implementing our investment policies.

Under our investment governance framework, our investment oversight is allocated between our Board of Directors and our Finance and Risk Committee. Our Board of Directors approves any investment plan and major investment decisions as part of the overall group plan, the risk framework and limits delegated to SRAM and any major investment decisions exceeding pre-established plan limits. In addition, our Board of Directors reviews the investment performance and the benchmark given to SRAM, as well as the usage of risk limits and significant changes to our organizational structure or investment guidelines. Effective for 2006, our Board of Directors receives monthly reviews of investment performance that include a discussion of market outlook and tactics for the following period.

Our Finance and Risk Committee approves the performance benchmark given to SRAM, as well as the risk framework and risk limits, within which SRAM may deviate from the established benchmark.

This structure is replicated at the level of our Executive Committee and our Group Capital and Capacity Committee. Our Executive Committee receives monthly reports on investment performance together with interim updates on market conditions and tactics, as well as changes in usage of risk. Our Group Capital and Capacity Committee approves the benchmark given to SRAM, as well as our risk framework and risk limits.

SRAM has two new committees: an Investment Committee and a Risk Management Committee. The SRAM Investment Committee discusses investment strategy and tactics, evaluates investment recommendations from the asset classes, and approves those recommendations which exceed the asset class investment decision limits, and reviews risk exposure and investment results. The SRAM Risk Management Committee is responsible for reviewing SRAM's risk limits and discusses modifications to our risk methodology and system. It also approves all new investment products. These committees meet on alternate weeks and its proceedings are formally documented.

In addition, we have three regional finance units. In order to capture the local dimensions (tax, legal, accounting, regulatory) of investment decisions these regional finance units are supported by Regional Finance and Risk Committees that meet on a quarterly basis. The Regional Finance and Risk Committees are responsible for approving local legal entity benchmarks for SRAM, for identifying any local legal entity constraints on investment activity that need to be considered (tax, legal, accounting, regulatory) and ultimately for setting a risk framework and limits for each legal entity.

Within each asset class, there are separate investment committees that approve asset class-specific investment decisions within risk limits set by the SRAM Investment Committee, which in turn will be consistent with the risk limits delegated to SRAM by the Group Capital and Capacity Committee.

Our investment strategy is to remain diversified. The Investment Committee may reduce our exposure through hedging transactions if deemed appropriate and more efficient than establishing offsetting portfolio positions with respect to foreign exchange risk, market risk and interest rate risk. Our diversified investment strategy is designed to earn a spread over the interest-bearing liabilities relating to the life and health business and optimize total returns on the rest of the portfolio. This is done within closely monitored risk limits that combine Value at Risk ("VaR"), shortfall, stress testing and exposure limits. This strategy and prudent risk management ensured strong results in 2004 and 2005, while financial market risk was maintained within established ranges.

The table below presents our consolidated investment portfolio by category of investment based on estimated fair value, except in the case of fixed-income securities, which is based on amortised cost or cost, and investment real estate, which is based on depreciated cost or cost, as of December 31, 2003, 2004 and 2005.

	As of December 31,					
	2003		2004		2005	
	CHF millions	% of Total	CHF millions	% of Total	CHF millions	% of Total
Fixed-income securities	64,262	76.6	77,464	71.7	90,757	70.1
Equity securities	6,751	8.1	5,261	4.9	8,444	6.5
Mortgage and other loans	6,133	7.3	6,361	5.9	7,305	5.6
Investment real estate	1,646	2.0	1,699	1.6	1,557	1.2
Short-term investments	517	0.6	2,412	2.2	4,041	3.1
Other invested assets	2,074	2.5	2,207	2.0	2,811	2.2
Assets held for linked liabilities	2,448	2.9	12,619	11.7	14,656	11.3
Total investments	83,831	100.0	108,023	100.0	129,571	100.0

Our investment portfolio grew by 20% from CHF 108.0 billion at December 31, 2004 to CHF 129.6 billion at December 31, 2005 (CHF 95.4 billion at December 31, 2004 to CHF 114.9 billion at December 31, 2005 excluding assets held for linked liabilities), mostly due to currency movements and strong operating and investment cash flows.

Our overall investment result, including net realized gains, rose by CHF 0.6 billion or 11% to CHF 6.6 billion in 2005 compared to CHF 6.0 billion in 2004. Net investment income increased by 10% from CHF 4.9 billion in 2004 to CHF 5.4 billion in 2005, reflecting the attractive yields we earned on our large fixed income portfolio. Net realized gains rose by 12% from CHF 1.1 billion in 2004 to CHF 1.2 billion in 2005, due to our active investment approach over duration and credit exposure in our fixed income portfolio, and significant gains we earned by moving equity holdings systematically from overvalued stocks, sectors or regions to more undervalued ones. Our return on investments (measured using average foreign exchange rates) increased from 5.5% in 2004 to 5.7% in 2005 (using year-end foreign exchange rates, the return would have been 5.8% in 2004 and 5.4% in 2005), reflecting active portfolio management and favorable market conditions.

The share of the portfolio in fixed income (including fixed income securities, mortgage and other loans and short-term investments) and equity securities, excluding assets held for linked liabilities, was 89% and 7%, respectively, of total investments at the end of 2005 compared to 90% and 6%, respectively, at the end of 2004. Other investments, excluding assets held for linked liabilities, mainly real estate and private equity holdings, remained stable at 4%, collectively.

During 2005, the U.S. Federal Reserve Bank continued to tighten monetary policy by raising short term interest rates in regular incremental steps. In the fourth quarter of 2005, the European Central Bank made a first step in the same direction, while the Bank of England lowered its base rate slightly. At the same time, yield curves continued to flatten in all major currencies. We successfully navigated this environment by actively managing yield curve and interest rate risks while simultaneously protecting our portfolio against the risk of rapid rate rises. Our average return in investments was 5.6% in 2005, as compared to 5.5% in 2004. We were able to maintain a stable rate in the face of flattened yield curves through active portfolio management, which allowed us to take advantage of increasing interest rates and positive market conditions.

In 2005, we enjoyed strong returns from publicly traded equities. Stock markets posted strong gains, with Europe and Asia, in particular, outpacing the United States. As an active, diversified investor, we had reduced our equity exposure to CHF 5.3 billion shortly before the end of 2004, in anticipation of a short-term market correction. We maintained a cautious stance early in 2005, but began rebuilding our exposure to equities late in the second quarter. Although we continued to favour European and Asian markets, especially Japan, we increased our U.S. exposure, especially in health care and technology stocks. At December 31, 2005, our equity portfolio was CHF 8.4 billion.

Fixed-income Securities

We make fixed-income investments in government, agency, corporate debt and mortgage and asset-backed securities that meet our liquidity and credit quality standards. To enhance total return, we lengthen or shorten the duration for most of our non-life fixed income accounts as needed. In 2005, we extended durations for most of our non-life fixed income accounts, and increased our aggregate portfolio duration from 4.7 years at the end of

2004 to 5.7 years at the end of 2005 as mid-term yields in the United States rose from 3.6% at the end of 2004 to 4.4% at the end of 2005. At the same time we successfully adjusted duration throughout the year as interest rates moved within their trading range.

Total fixed-income securities classified as available-for-sale increased from CHF 75,273 million at December 31, 2004 to CHF 88,207 million at December 31, 2005. Of the total fixed-income portfolio, CHF 2,191 million and CHF 2,550 million of securities were classified as trading securities as of December 31, 2004 and 2005.

The table below presents the composition of our fixed-income securities portfolio classified as available-for-sale based on amortised cost or cost as of December 31, 2003, 2004 and 2005.

	As of December 31,					
	2003		2004		2005	
	CHF millions	% of Total	CHF millions	% of Total	CHF millions	% of Total
Debt securities issued by governments and government agencies:						
United States	15,426	24.4	19,388	25.8	24,983	28.3
Germany	6,133	9.7	6,082	8.1	6,387	7.2
United Kingdom	6,144	9.8	6,672	8.9	6,239	7.1
Canada	3,737	5.9	4,204	5.5	4,553	5.2
France	5,143	8.2	4,026	5.3	2,803	3.2
Other	7,450	11.8	9,300	12.4	10,425	11.8
Total	44,033		49,672		55,390	
Corporate debt securities	13,970	22.1	18,082	24.0	19,953	22.6
Mortgage and asset-backed securities	5,128	8.1	7,519	10.0	12,864	14.6
Total fixed-income securities	63,131	100.0	75,273	100.0	88,207	100.0

The following table summarizes the maturity of the securities in our fixed-income portfolio classified as available-for-sale based on amortised cost. Fixed-maturity investments are assumed not to be called for redemption prior to their stated maturity date. As of December 31, 2003, 2004 and 2005, CHF 2,242 million, CHF 2,048 million and CHF 2,250 million, respectively, of our fixed-income securities were callable or had call options in the instruments' structure.

	As of December 31,					
	2003		2004		2005	
	CHF millions	% of Total	CHF millions	% of Total	CHF millions	% of Total
Time to Maturity						
One year or less	1,534	2.4	3,187	4.2	6,503	7.4
More than one year up to five years	26,167	41.5	34,356	45.6	26,973	30.6
More than five years up to ten years	17,284	27.4	12,614	16.7	19,165	21.7
More than ten years	13,657	21.6	17,668	23.5	22,702	25.7
Mortgage and asset-backed securities with no fixed maturity	4,489	7.1	7,448	10.0	12,864	14.6
Total fixed-income securities	63,131	100.0	75,273	100.0	88,207	100.0

Our fixed income portfolio (which includes fixed income securities, mortgages and other loans, and other short term) increased to CHF 102 billion in 2005, compared to CHF 86 billion in 2004. Net investment income on the fixed income portfolio grew by 11% at constant exchange rates, reflecting growth in the portfolio. Net realized gains were CHF 481 million in the year ended December 31, 2005 compared to CHF 227 million in the period ended December 31, 2004, reflecting the active duration management of the non-life portfolios and the repositioning of credit exposure in the life and health portfolios.

Overall credit quality in our portfolio remained high with 93% of corporate bonds in the fixed income portfolio rated investment grade. The majority of the fixed-income portfolio is rated by Standard & Poor's, Moody's or similar rating agencies. Government and government agency bonds, which accounted for more than 60% of our fixed-income investments at the end of 2005, in general, hold the highest credit rating (AAA or equivalent). Our corporate debt securities, with few exceptions, are invested in investment grade securities (BBB or better). During 2005, we took a proactive approach to the managing of credit exposures in specific sectors.

Towards the end of the first quarter, when credit spreads remained exceptionally tight, we sold $1 billion of mostly BBB-rated corporate bonds in North America, largely from the life and health portfolios. We invested most of the proceeds in higher-rated fixed income investments, including AAA—rated structured investments, mortgages, commercial/mortgage-backed securities and U.S. government instruments.

Equity Securities

Our portfolio of equity securities increased from CHF 5.3 billion at December 31, 2004 to CHF 8.4 billion at December 31, 2005. Shortly before the end of 2004, we had reduced our exposure to equities, in anticipation of a short-term market correction. We maintained a cautious stance in early 2005, but began increasing our exposure to equities late in the second quarter of 2005. Our net realized gains decreased to CHF 568 million in the year ended December 31, 2005 from CHF 667 million in the year ended December 31, 2004, while net unrealized gains on and off balance sheet were CHF 1.1 billion, up from CHF 0.4 billion at the end of 2004.

Short-Term Investments

We have revised the classification between cash and cash equivalents and short term investments in 2005, which resulted in reclassifications in 2003 and 2004. Treasury bills with a remaining maturity of three months of less (when acquired) and certain short-term investments in money market funds were reclassified from short-term investments to cash and cash equivalents. Under our new classifications, short-term investments accounted for CHF 2,412 million and CHF 4,041 million as of December 31, 2004 and 2005, respectively.

Mortgages and Other Loans

Mortgages and other loans accounted for CHF 6,361 million and CHF 7,305 million as of December 31, 2004 and 2005, respectively. Substantially all mortgages and other loans receivable are secured by buildings, land or the underlying policies.

Investment Real Estate

Investment in real estate accounted for CHF 1,699 million and CHF 1,557 million as of December 31, 2004 and 2005, respectively.

Other Invested Assets

Other invested assets, which include affiliated companies, derivative financial instruments and private equity investments, amounted to CHF 2,207 million and CHF 2,811 million as of December 31, 2004 and 2005, respectively.

Liquidity and Capital Resources

The principal sources of funds for our operations are reinsurance premiums, net investment income and net realized investment gains. We also enter into long- and short term debt arrangements to obtain funds for general corporate use, as well as for specific transaction financing. The principal uses of these funds are to pay claims, benefits and related expenses, and other operating costs. Our operations generate cash flow as a result of the receipt of premiums in advance of the time when claim payments are required. Operating cash flow, together with other available sources of liquidity, has historically enabled us to meet our short-term and long-term liquidity requirements and we expect that they will continue to do so.

As additional resources to meet our short-term liquidity requirements, we also access the commercial paper and EMTN markets. Currently, we have a $1.5 billion U.S. commercial paper program in place and expect to increase the size of our EMTN program from $5.0 to $10.0 billion in the second quarter of 2006. Moreover, we have back-up credit lines available through several major banks which may be drawn in any major currency. We also have in place a $2.0 billion syndicated letter of credit facility and a $4.0 billion syndicated facility, $2.5 billion of which is available under a letter of credit facility and $1.5 billion of which is available under a revolving credit facility. At December 31, 2005, outstanding debt under our EMTN program had an aggregate book value of $2.0 billion, and as of April 2006, we had $1.9 billion outstanding.

During 2005, among the principal changes to our capital resources, we issued under our EMTN program:

- in March, GBP 30 million of notes with an a floating interest rate of three-month sterling LIBOR + 1 basis point, due in March 2007, and CZK (Czech Republic Crowns) 300 million of notes with a fixed interest rate of 2.875%, due in March 2010;

- in April, CHF 600 million of notes with a five-year maturity and a coupon of 2%;
- in May, CHF 25 million of notes with a five-year maturity and a coupon of 1.765%;
- in June, GBP 90 million of notes with a three-year maturity and a coupon of three-month LIBOR + 5 basis points, and JPY (Japanese Yen) 3,000 million of notes with a four-year maturity and a coupon of 0.41%;
- in August, JPY 8,100 million of notes with a three-year maturity and a coupon of three-month LIBOR, and CHF 300 million of notes with a four-year maturity and a coupon of 1.25%;
- in September, $150 million of notes with a three-year maturity and a coupon of 4.125%; and
- in October, CHF 250 million of notes with a two-year maturity and a coupon of three-month LIBOR plus 0.5 basis point.

In December 2005, we issued mandatory convertible securities totalling CHF 1.0 billion with an interest rate of 6% due in 2008, which will automatically convert into our shares in December 2008. The net proceeds are available to fund the Proposed Acquisition or for general corporate purposes.

In connection with the Proposed Acquisition, we will be assuming $1.7 billion of GEIS indebtedness that includes the following:

- $600 million of 7.00% notes due 2026 (non-callable)
- $400 million of 6.45% notes due 2019 (callable at a Treasury plus 25 basis points make-whole premium)
- $350 million of 7.50% notes due 2010 (callable at a Treasury plus 10 basis points make-whole premium)
- $350 million of 7.75% notes due 2030 (callable at a Treasury plus 25 basis points make-whole premium)

We have agreed under the Transaction Agreement to arrange for substitute letters of credit, guarantees and similar obligations to replace existing letters of credit, guarantees and similar obligations of the GEIS Business or to assume obligations under such instruments. Therefore, we expect that we will need to provide additional letters of credit facilities to cover reinsurance collateral requirements in connection with certain of the reinsurance operations of the GEIS Business. We understand that the GEIS Business has approximately $1.5 billion in letter of credit facilities (approximately $1.1 billion of which are collateralized). Certain of these letters of credit benefit U.S. regulated carriers and support retrocession agreements offshore and others are used principally by European carriers to collateralize U.S. third party business.

Our cash and collateral policies are designed to provide us with a global view of cash and available collateral and the means by which collateral can be converted to cash and cash equivalents and to provide us with the flexibility to optimize the application and movement of cash and cash equivalents throughout the Group. Our treasury policy focuses on the components of our capital structure to retain financial flexibility while keeping our weighted average cost of capital low. To optimize our capital structure, we use the full range of instruments, including long- and short-term debt arrangements, senior and subordinated debt, equity and equity-linked instruments (convertible and exchangeable securities).

We classify debt having a maturity greater than one year at December 31, as long-term. At December 31, 2005, we had CHF 2,794 million (2004: CHF 2,064 million) of senior long-term financial debt outstanding and CHF 3,058 million (2004: CHF 3,232 million) of subordinated long-term financial debt outstanding. In addition, we had CHF 4,389 million (2004: CHF 3,372 million) of senior operational debt outstanding (which we use for our funded business). Funded business is structured with the intention of creating assets and liabilities that generate offsetting market risks (foreign exchange, interest rate, equity and credit risks). We exclude operational debt from our financial leverage calculations.

The following tables set forth the components of our senior and subordinated long-term debt at December 31, 2005. None of our long-term debt is secured. None of our debt is guaranteed by third parties; however, except in the case of Trups referred to below, all of the debt has been guaranteed either directly, or indirectly through blanket corporate guarantees that we have issued in favor of various of our financing subsidiaries, by Swiss Reinsurance Company.

Senior Long-Term Debt as of December 31, 2005

Maturity	Instrument	Issued in	Currency	Nominal Amount	Interest Rate	Book Value
				(in millions)		(CHF in millions)
2007	Trust-preferred Stock (Trups)[(1)]	1997	USD	42	8.72%	65
2007	Insurance-linked Placement	2003	USD	4	6.99	5
2007	Straight Bond	1997	CHF	500	3.75%	500
2007	Mandatory Convertible Bond[(2)]	2004	EUR	672	6.13%	1,011
2007	EMTN	2005	GBP	30	3M LIBOR + 1bp	68
2007	EMTN	2005	CHF	250	3M LIBOR + 0.5bp	250
2008	Mandatory Convertible Bond[(3)]	2005	CHF	1,000	6.00%	1,107
2008	Private Placement (step-up)	2001	CHF	100	3.60%	100
2008	EMTN	2005	GBP	90	3M LIBOR + 5bp	204
2008	EMTN	2005	JPY	8,100	3M LIBOR	90
2008	EMTN	2005	USD	150	4.13%	197
2009	EMTN (Index-linked Notes)	2002	EUR	10	Index	16
2009	3 EMTN	2004	EUR	20	Various	31
2009	EMTN	2004	JPY	5,000	0.81%	56
2009	EMTN	2005	JPY	3,000	0.41%	34
2009	3 EMTN (Zero coupon Notes)	2004	USD	53	Various	69
2009	EMTN	2005	CHF	300	1.25%	298
2010	EMTN (Amortising Bond)	2003	GBP	50	4.38%	113
2010	EMTN	2005	CZK	300	2.88%	16
2010	2 EMTN	2005	CHF	625	Various	625
2013	EMTN (Index-linked Notes)	2001	USD	10	Index	13
2015	EMTN (Straight Bond)	2001	CHF	150	4.00%	150
2017	Credit-linked Note	2000	USD	9	Various	11
Various CAD Cash Collateral		2004	CAD	560	Various	635
Various Payment Undertaking Agreements		2000	USD	145	Various	231
Various Payment Undertaking Agreements		2001	USD	100	Various	164
Various Payment Undertaking Agreements		2002	USD	541	Various	790
Various Payment Undertaking Agreements		2003	USD	181	Various	271
Various Payment Undertaking Agreements		2004	USD	46	Various	63
Total senior debt as of December 31, 2005						**7,183**

(1) Assumed in the acquisition of Life Re Corporation.

(2) Convertible into our shares based on a minimum conversion price of CHF 80.414 and a maximum conversion price of CHF 96.4968, with a fixed exchange rate applicable on conversion of €1.00 = CHF 1.5243.

(3) Convertible into our shares based on a minimum conversion price of CHF 95.60 and a maximum conversion price of CHF 114.72.

Total senior debt as reported above is comprised of the following components:

	As of December 31, 2004	As of December 31, 2005
	(CHF in millions)	
Senior financial debt	2,064	**2,794**[(1)]
Senior operational debt	3,372	**4,389**
Total	5,436	**7,183**

(1) Includes our two series of mandatory convertible bonds totalling CHF 2,118 million aggregate book value as of December 31, 2005, which received 100% rating agency equity credit.

Subordinated Long-Term Debt as of December 31, 2005

Maturity	Instrument	Issued in	Currency	Nominal Amount	Interest Rate	To first reset in	Book Value
				(in millions)			(CHF in millions)
2021	Convertible Bond[(1)]	2001	USD	1,150	3.25%	2011	1,493
—	Subordinated Perpetual Loan	1998	DEM	340	6M LIBOR+40bp	2008	270
—	Subordinated Perpetual Loan	1998	DEM	400	5.71%	2008	318
—	Subordinated Perpetual Loan	1998	CHF	300	6M LIBOR+37.5bp	2008	300
—	Subordinated Perpetual Loan	1998	DEM	110	6M LIBOR+45bp	2010	87
—	Subordinated Perpetual Bond (SUPERBs)	1999	CHF	600	3.75%	2011	590
Total subordinated financial debt as of December 31, 2005							**3,058**
Total subordinated financial debt as of December 31, 2004							**3,232**

(1) Convertible into our shares at a conversion price of CHF 207.19, with a fixed exchange rate applicable on conversion of $1.00 = CHF 1.6641.

Total financial debt reported in the financial statements as long-term debt is comprised of the following components:

	As of December 31, 2004	As of December 31, 2005
	(CHF in millions)	
Senior financial debt	2,064	2,794[(1)]
Subordinated financial debt	3,232	3,058
Total	5,296	5,852

(1) Includes our two series of mandatory convertible bonds totalling CHF 2,118 million aggregate book value as of December 31, 2005, which received 100% rating agency equity credit.

Cash Flow

Net cash flow provided by operating activities

Net cash flow provided by operating activities was CHF 6,566 million in 2004, while net cash flow provided by operating activities was CHF 4,536 million in 2005. The change in operating cash flow was attributable to lower premium volumes and increased claim payments due to the large natural catastrophes. Net cash flow provided by operating activities was CHF 4,811 million in 2003. The change in operating cash flow from 2003 to 2004 was due to strong reinsurance cash flows.

Net cash flow used in investing activities

Net cash flow used in investing activities was CHF 8,484 million in 2004, while net cash flow used in investing activities was CHF 6,566 million in 2005. In 2005, we revised the allocation between cash and cash equivalents and short-term investments and adjusted the comparative balance sheet positions accordingly. Net cash flow used in investing activities was CHF 1,723 million in 2003.

Net cash flow used by financing activities

Net cash flow used by financing activities was CHF 409 million in 2004, while net cash flows used by financing activities was CHF 54 million in 2005. Net cash flow used by financing activities was CHF 1,340 million in 2003. The change from 2004 to 2005 principally reflected the repayment of more short-term debt, net, in 2005 compared to 2004. The change from 2003 to 2004 principally reflected the issuance of EUR 672 million mandatory convertible securities in July 2004.

Cash and cash equivalents

Our balance of cash and cash equivalents was CHF 9,504 million (6,402 million prior to the reallocation) at December 31, 2004 and CHF 8,126 million at December 31, 2005. Our balance of cash and cash equivalents was CHF 5,429 million at December 31, 2003 and CHF 6,402 million prior to the reallocation at December 31, 2004.

Commitments and Contingencies

Guarantees. As of December 31, 2005, we had outstanding CHF 18,024 million in guarantees. Of the guarantees outstanding at December 31, 2005, CHF 16,681 million related to obligations under sale and repurchase agreements and securities lending agreements, and CHF 1,343 million related to guarantees issued to third parties in respect of obligations of subsidiaries.

As of December 31, 2004 we had outstanding CHF 13,650 million in guarantees (2003: CHF 11,696 million). Of the guarantees outstanding as of the end of 2004, CHF 12,242 million related to obligations under sale and repurchase agreements and securities lending agreements, and CHF 1,408 million related to guarantees issued to third parties in respect of obligations of subsidiaries. In addition, as a participant in investment partnerships, we have capital commitments for periods of up to ten years. Total uncalled commitments as of December 31, 2005 and 2004 were CHF 869 million and CHF 586 million (2003: CHF 835 million). As part of our business, we also make capital available to clients contingent upon the occurrence of defined events.

Lease Commitments. As part of our ordinary course operations, we enter into lease agreements. Over the next five years and thereafter, total lease obligations (which we classify as operating leases) amount to CHF 326 million. Lease payments totaled CHF 48 million in 2004 and CHF 53 million in 2005.

Legal Proceedings. In the normal course of business, we are involved in claims, legal proceedings and regulatory matters. Except as discussed under "Our Business—Governmental, Legal and Arbitration Proceedings," the disposition of these matters is not expected to have a material adverse effect on our business, consolidated financial position or results of operations.

Shareholders' Equity

In spite of the large natural catastrophe claims, shareholders' equity increased 20% from CHF 19,177 million at December 31, 2004 to CHF 22,929 million at December 31, 2005. The principal reason for the increase was due to currency exchange effects (of approximately CHF 2.2 billion) generated by the recovery of the U.S. dollar year-end rate versus the Swiss franc, 2005 earnings (of CHF 1.5 billion as compared to CHF 2.5 billion in 2004) and a positive contribution of unrealized gains on equity securities (CHF 654 million compared to unrealized losses of CHF 24 million in 2004). Return on equity decreased to 6.7% in 2005 from 13.6% in 2004, reflecting both lower net income and higher shareholders' equity. We paid CHF 497 million in dividends in 2005, up 46% from the CHF 341 million paid in 2004.

Risk Management

Overview

As we are exposed to multiple risks, we must assess the entirety of risks including their possible correlation in our portfolio to determine which of them may accumulate and which contribute to diversification. This assessment is carried out on the basis of our proprietary integrated risk model, which we have developed over the course of more than a decade.

Through risk management we monitor the capital required to support our risk-taking activities. Our risk management organization and processes are designed to ensure a disciplined approach to strategic risk selection, prompt implementation of strategy, monitoring of the current risk profile and clearly defined responses to changing situations. Good corporate governance dictates the need for a clear separation of responsibilities between risk-taking and risk and performance measurement. Our approach to risk management is based on four guiding principles: controlled risk-taking based on clearly defined overall limits; clear accountability for delegated authority to our business units; an independent risk management function; and risk transparency.

Risk management organization and governance

The ultimate responsibility for our risk management principles and policies lies with the Board of Directors, which is also responsible for approving our overall risk tolerance. The Board committees that deal with risk management issues include the Finance and Risk Committee and the Audit Committee. The Executive Committee is responsible for implementing the risk management framework through the following committees:

- The Group Capital and Capacity Allocation Committee ("GCAC") is responsible for allocating capital and capacity (including individual credit counterparty limits), approving the risk limits for individual investment asset classes and any changes to the internal risk and capital methodology.

- The Group Products and Limits Committee determines our product policy and standards, grants reinsurance risk limits and decides on large or non-standard transactions.

Within the Executive Committee, the Chief Financial Officer is responsible for the business planning process and defining asset management benchmarks. Responsibility for implementing the risk management framework across the Swiss Re Group lies with the Chief Risk Officer. The Chief Risk Officer leads the group-wide risk management function, which include:

- dedicated risk management departments for credit and financial market risk; life and health risk; property and casualty risk; and operational risk. Each department is entrusted with Group-wide responsibility for identifying, assessing and controlling their allocated risks;
- a Corporate Integrated Risk Management Department responsible for establishing overall risk transparency and assessing the combined impact of all risks;
- a Sustainability and Emerging Risks Unit, which scans the environment for emerging risks that may become significant for us and coordinates our efforts regarding sustainability; and
- a Corporate Actuarial Department, which assesses life and non-life insurance liabilities from accounting, statutory and economic perspectives.

None of these departments executes business, but rather they set risk management guidelines and standards based on best practice that the business units implement and provide oversight in respect of risk-taking activities.

In addition to the committees at Executive Board level, the Group Risk Management Committee is the platform through which the Chief Risk Officer coordinates risk management activities Group-wide.

Group Internal Audit monitors the execution of risk management processes within the group. Group Internal Audit provides our Board of Directors and Executive Committee with an independent, objective assurance and consulting activity designed to assess the adequacy and effectiveness of its system of internal control, adding value through improving the Group's operations and is part of our integrated assurance framework. Organizationally independent of management, the Head of Group Internal Audit reports directly to the Chairman of our Board of Directors and regularly reports to the Audit Committee. Group Internal Audit focuses its activities primarily on those areas identified as possessing the highest operating and control risks within the Group. Group Internal Audit maintains a regular dialogue with the external auditor to share reports and risk issues arising from their respective audits and to coordinate their activities. The Head of Group Internal Audit and two senior representatives of the external auditors regularly participate in Audit Committee meetings.

Risk landscape

We distinguish three types of risk: core, operational and other risks. Core risks are split into three broad categories:

- ***Insurance risk*** is the risk of incurring a financial loss as a result of a property, casualty, life or health insurance event.
- ***Financial market risk*** is the risk of assets and/or liabilities being negatively impacted by changes in financial market risk factors, such as equity market prices, interest rates, credit spreads, foreign exchange rates or real estate prices.
- ***Credit risk*** is the risk of incurring a financial loss due to diminished creditworthiness (i.e., ratings migration and ultimately counterparty default) among counterparties of ours and/or third parties.

We are also subject to operational risks and other risks, which are ancillary and arise as a consequence of undertaking business.

- ***Operational risk*** is the risk of incurring a direct or indirect loss due to inadequate or failed internal processes, people, systems, external events or non-compliance with regulation resulting in regulatory penalties or a total or partial inability to operate properly. Management of operational risk is designed to mitigate risk as there is no financial return for carrying operational risk.

- ***Other risks include*:**

- *Funding and liquidity risk* is the risk that we are unable to meet our short-term financial obligations or to raise funds in the markets to finance our commitments at a reasonable cost. This risk may result from larger than expected cash outflows or smaller than expected cash inflows and a restricted ability to raise short-term funds. In addition, sudden liquidity requirements may arise if covenants are triggered under specific adverse circumstances, requiring the collateralization of debt obligations and third party guarantees with assets of a specified quality

- *Reputational risk* is the risk that a particular event or behavior will affect us and negatively impact stakeholders' perception of the Group, thus impairing our ability to operate effectively.

Modelling of Risk

We have developed our own internal integrated risk model to determine the capital required to support the risks on our books and to allocate risk-taking capacity to lines of business. The model is continuously updated to reflect prevailing best practice. The model is based on two important principles. First, it uses an Asset Liability Management (see "—Quantitative and Qualitative Disclosures about Financial Market Risk—Our Approach to Asset Liability Management") approach to measure the net impact of risk on the economic value of both assets and liabilities. Second, it adopts an integrated risk perspective, taking into account that a single risk factor can impact different sub-portfolios and different risk factors can exhibit dependencies. As industry conditions change we integrate new conditions into our integrated model. For example, we are currently in the process of implementing the changes that have been made to the pricing models in the industry, due to the Atlantic hurricanes. These changes include a more appropriate reflection of dependencies with storm surge and enhanced approaches to frequency increases of windstorm events in our integrated risk model.

The model generates a probability distribution for the Group's annual economic profit and loss, specifying the likelihood that profit or loss will fall within any given range. From this distribution a *base capital requirement* is derived that captures the potential for severe, but rare, aggregate losses over a one-year time horizon. The base capital requirement is then compared with *available capital* to determine the adequacy of our capitalization.

Various statistical measures can be used to summarize the risk distribution and define the base capital requirement. One widely used measure is the 99% Value at Risk (VaR): a maximum loss that will be exceeded in only one year out of a hundred. In addition to the overall Group 99% VaR, the table below gives the standalone 99% VaR for property and casualty, life and health, financial market, credit, and funding and liquidity risks. This shows the diversification effect within our Group: the base capital requirement for the entire portfolio is smaller than the sum of the base capital requirements for the individual sub-portfolios.

Base capital requirement using one year 99% VaR:

	Mid-2004	Mid-2005	% change
	(CHF in billions)		
Property and casualty	5.5	5.5	0
Life and health	1.7	1.8	8
Financial market	4.9	5.7	17
Credit	1.7	1.5	(12)
Funding and liquidity	0.7	0.1	(84)
Simple sum	14.5	14.6	
Diversification effect	4.3	4.7	
Swiss Re Group	10.2	9.9	(3)

Our overall risk exposure remained stable between mid-2004 and mid-2005. The increase in life and health risk was mainly due to currency movements. This increase also included the acquisition of Life Assurance Holding Corporation Ltd in the United Kingdom in August 2004, and was moderated by the effect of the issue of the second mortality index-linked Vita life catastrophe security completed in April 2005, which provides coverage of $362 million for extreme mortality events, bringing our total coverage, against such significant loss events, through such notes to $762 million.

Our exposure to market risk increased by 17%. The change in market risk was, among other factors, due to temporarily increased net exposure to interest rates, which derived in part from a change in the structure of our liabilities.

Our exposure to credit, and funding and liquidity risk decreased between mid-2004 and mid-2005. This was mainly due to an improved outlook for credit markets, particularly the more favorable rating trends. The funding and liquidity risk reflected risks arising from our use of letter of credit facilities. This risk arises from collateralization obligations linked to our net asset value falling below a predefined threshold. This risk has decreased as our financial strength substantially improved between mid-2004 and mid-2005 and the risk remained stable.

In addition to the 99% VaR, we consider other statistical measures. One such measure is a 99% expected shortfall. While 99% VaR measures the maximum loss that will be exceeded in only one year out of one hundred, 99% expected shortfall measures the average of losses that occur with a frequency of less than once in one hundred years. The 99% expected shortfall is a more conservative risk capital measure than 99% VaR. Based on mid-2005 exposure data, our 99% expected shortfall amounted to CHF 15.6 billion, and remained essentially unchanged compared to mid-2004 (CHF 15.5 billion).

We note that we are well-prepared to meet emerging requirements flowing from the EU's Solvency II project, which was initiated to modernize the existing EU solvency system, and from Switzerland's similar approach to risk-based solvency control—the Swiss Solvency Test. Solvency II will take as its starting point in a three-pillar structure inspired by the Basle II Capital Requirements Directive: quantitative requirements (Pillar 1), supervisory activities (Pillar 2) and supervisory reporting and public disclosure (Pillar 3). Two solvency control levels will be established: a minimum capital requirement reflecting a level of capital below which prompt and severe sanctions would be triggered and a higher solvency capital requirement level below which the actions would be widely left to the judgment of the supervisor.

We welcome these developments as they will establish risk-based solvency frameworks based on an economic valuation of both assets and liabilities and encourage sound risk management as well as proper governance structures. We believe that the use of internal models—validated by the supervisor—for calculating the solvency capital requirements will support a better understanding of the risk landscapes of insurance companies. We also believe that an important aspect of risk-based approaches is the recognition of the fundamental economic principle of diversification. For more than a decade, we have embraced these principles internally. See "Regulation."

Core Risk Categories

Management of Insurance Risk

Property and Casualty. Property and casualty risk arises predominantly from our property, casualty (including motor), marine and aviation lines. Limits to prevent excessive exposure to any individual risk or to the same underlying risk are monitored Group-wide and supported, where necessary, by a Group-wide clearing and reporting system. In addition, each underwriter is given a defined limit per treaty program and single risk. To obtain exceptions, there are well defined escalation procedures at various levels up to the Group Product and Limits Committee. These procedures and limits define the underwriting process and are set forth in the Group Underwriting Guidelines, which are approved by the Group Products and Limits Committee.

Property and Casualty Risk Management is responsible for the Group-wide reporting and monitoring of property and casualty risks. The various underwriting systems across the Group permit timely reporting on risks assumed and regular monitoring of capacity usage. The Global Products function plays a major role in actively managing property and casualty risks by proposing the annual renewal strategy and closely monitoring renewal business. Where appropriate, we also use insurance-linked securities, retrocession and risk swaps as a means of balancing our portfolio.

Last year was dominated by the North Atlantic tropical cyclone season. Hurricane Katrina was the most expensive catastrophe ever for the global insurance and reinsurance industry with an estimated market loss of $45 billion. The unusually large amount of flood and storm surge losses came as a surprise for the entire industry. We responded with an array of measures, the most prominent one being a "probabilistic" U.S. flood rating model for the 2006 renewals, the first of its kind. In 2004 and 2005, the insurance industry saw above average hurricane activity. There is mounting evidence that there is a cyclical period of higher hurricane activity that is expected to last up to another 10-20 years. We have adjusted our models to reflect this assessment. Scientific findings suggest that, in addition to this natural climate variability, human-induced global warming will affect the severity of hurricanes.

Natural catastrophe stress tests Estimated economic impact of each single event	December 31, 2005
	(CHF in billions)
Atlantic Hurricane (200 year return period)	(3.3)
European windstorm (200 year return period)	(3.0)
Japanese earthquake (200 year return period)	(1.7)
California earthquake (200 year return)	(1.5)

Based on internal models (unaudited)

Life and Health. Life and health risk is assumed through underwriting activities focusing on mortality and morbidity covers and acquired life run-off business (Admin Re℠ business). Local business units can accept business within agreed limits which include per life retention limits for individual business, maximum market exposures for life and health catastrophe business and occupational scheme aggregation limits. Any business that falls outside the specified limits must be approved by the head of Life & Health Products.

The principal procedures and limits are laid out by Life and Health Risk Management in the Group Life & Health Reinsurance Guidelines that also include Pricing Framework Guidelines and Product Best Practice Guidance Notes. These give detailed guidance on pricing methodology and minimum return targets; they also provide critical success factors for product design carried out at business unit level.

Life & Health risk management is responsible for the Group-wide reporting and monitoring of life and health risks. The Global Products function also plays a major role in actively managing life and health risks by supporting and closely monitoring new product development. Where appropriate, we also use insurance-linked securities as a means of reducing peak exposures. The Vita index-linked securitizations, for example, through which we transferred a total of $762 million of risk to the capital markets through securitization transactions, were arranged to provide protection against extreme mortality events, including a global pandemic.

The estimated pre-tax claims for our life and health scenario are based on the average sum at risk. For some area of the world, such as the United States, the number of excess deaths from one cause such as the influenza pandemic may be greater than the upper end of estimate scenarios. However, as the scenarios are based on an average sum which does not allow for the typically lower mortality experienced among the insured population, we believe that the test produces an estimate that is conservative.

Life insurance stress test

Estimated economic impact of each single loss event	December 31, 2005
	(CHF in billions)
Mortality (300,000) excess deaths in the U.S. spread proportionally to base mortality of age groups across the population	(0.5)
Mortality (300,000) excess deaths in the U.S. evenly spread across the population	(2.1)

Based on internal models (unaudited)

Management of Financial Market Risk

Financial market risk arises primarily from our PAM unit, the interest rate sensitivity of the present value of liabilities and the capital markets trading activities of CMA. The overall risk limits framework is defined by the GCAC, which sets the risk limits for individual investment asset classes for the PAM portfolio. CMA also has its own benchmarks and risk limits. The framework includes a combination of VaR, shortfall, stress testing and exposure limits for specific asset classes.

CMA and PAM then translate this limits framework for their own activities, generally incorporating a more granular set of risk limits to their business. For example, CMA uses a 10-day 99% VaR (meaning that assuming a static portfolio over 10 days, there is a 1% chance that losses will exceed VaR) to limit and monitor its financial market risk on a daily basis. Minimum standards for the management of financial market risk are specified in the Market Risk Guidelines.

Financial market risk is identified using a risk inventory of the various risk factors that each business unit is exposed to. Each business area is responsible for measuring the financial market risk arising from their own activities; the results are captured in the Market Risk Aggregation & Reporting System (“MARS”), which is also used for risk modelling and risk reporting at Group level. The asset-liability management report summarizes financial market risks at Group level. Risk reporting in PAM is done on a weekly basis, while a combination of daily and weekly risk reporting is done in CMA.

Limits are monitored independently by the Credit & Financial Market risk management function. The limits are reported to the head of the business unit, who is also ultimately responsible for risk steering. The business unit heads seek to optimize their respective portfolios within their limits including the use of cash and derivative instruments.

Management of Credit Risk

Credit risk exposure within the Group arises directly from our investment activities and the portfolio of assets and liabilities underwritten directly by the various business units. We distinguish three types of exposure: the risk of issuer default from instruments in which we invest or trade (*e.g.*, corporate bonds); counterparty exposure in a direct contractual relationship (*e.g.*, retrocession or OTC derivatives); and portfolio exposure from risk transferred to us with no direct contractual relationship (*e.g.*, trade credit and surety reinsurance business). All contribute to an overall credit risk portfolio governed by Group Credit Risk Guidelines that are approved by the GCAC.

The guidelines include a framework of limits based on the nature of the exposure and a detailed assessment of the counterparty's financial strength, the prevailing economic environment, industry position and qualitative factors. This assessment generates an internal counterparty specific rating in one of 20 categories. We constantly monitor counterparty credit quality and exposures, compiling "watch lists" of those cases that merit particularly close attention.

In 2005, we maintained an active monitoring of credit quality and exposures and benefited from a favorable environment and from our active monitoring of counterparty credit quality. Due to the growth in structured products and credit derivatives markets in size and complexity, we expanded our capabilities in these areas, by investing in people and technical resources in order to offer structuring, trading and risk underwriting capabilities both internally and to third-party clients going forward.

Quantitative and Qualitative Disclosures about Financial Market Risk

Our asset composition and the liabilities we hold are subject to market risk. This risk is inherent in all financial instruments and encompasses the risk of loss from changes in the fair value or income of financial instruments due to fluctuations in interest rates, currency exchange rates, equity prices, credit ratings and spreads or other factors that relate to the volatility of the rate, index, or price underlying the financial instrument.

Our trading assets are immaterial relative to our overall investment portfolio and, therefore, we are not exposed to significant risk from trading activities. Generally we are not exposed to commodity price risk.

Derivatives play an increasing role in managing our exposure to changes in foreign exchange rates, interest rates and equity prices. We use derivative instruments primarily to reduce the current exposure to market risks, when appropriate, that may affect our investments, currencies or securities.

Our Approach to Asset Liability Management

Asset liability management ("ALM") is an integral part of how we monitor and manage financial market risk. It involves splitting our economic balance sheet into two virtual balance sheets: one exposed to insurance risk and the other to financial market risk. Our insurance risk balance sheet shows the market-consistent value of insurance liabilities and capital on the liability side and a "minimum risk portfolio" on the asset side. This notional portfolio represents investments—typically cash and fixed income instruments replicating the risk characteristics of future liabilities—that minimizes financial market risk relative to the liabilities. Our market risk balance sheet shows the Group's actual investments on the asset side and the minimum risk portfolio as a liability, which is then used as the basis for setting our asset management benchmark. The combination of both balance sheets reproduces our full Group balance sheet. Our ALM team regularly monitors the net impact on the market risk balance sheet from changes in interest rates, credit spreads, equity markets, real estate prices and currencies. We then assess financial market risk sensitivity and scenario analysis and quantify it in terms of VaR and expected shortfall at various confidence levels.

Equity Price Risk

We are exposed to changes in the level or volatility of equity prices that affect the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. When investing, we seek to achieve long-term competitive returns with capital appreciation by investing in enterprises with attractive growth and profitability characteristics. We attempt to reduce the inherent risk of loss from equity price movements by diversifying our investment portfolio across geographic regions and industries. We use derivative instruments such as futures, options and forward contracts on a limited basis to reduce exposure to adverse price movements of all financial instruments that we hold.

Foreign Exchange Risk

As a global reinsurer, we have liabilities in various currencies. We face foreign exchange risk mainly from investments in financial instruments, investments in group companies or equity participations and from the imperfect matching of foreign currency reinsurance liabilities and assets. Our investment strategy is designed to have a currency match between liabilities and the assets that back them. The exceptions are currencies in which investment opportunities are not available or in which the amounts to be covered are immaterial. In addition, we invest our capital in the various currencies in a way that reflects our exposures to risks denominated in the respective currencies. Foreign exchange risk arises due to the possibility that changes in foreign exchange rates will impact the value of such instruments, investments or participations or impact the imperfect matching of liabilities and assets.

Foreign exchange risk potentially affects our balance sheet and income statement when we buy or sell a foreign currency or financial instrument denominated in a currency other than the Swiss franc. Our transactions are primarily denominated in Swiss francs, U.S. dollars, euros, Japanese yen, British pounds, Australian dollars and Canadian dollars.

To the extent that we use derivative instruments such as futures, forward contracts, options and swaps, we do so to reduce exposure to positions that are not effectively matched. Foreign exchange forward contracts are entered into to reduce foreign exchange risks on anticipated or planned investments and acquisitions. We use such instruments to offset the impact of changes in foreign exchange rates pending the completion of the transaction. We also enter into derivative transactions to reduce foreign currency risk resulting from investments in our subsidiaries.

Interest Rate Risk

Interest rate risk arises from exposure due to holding interest sensitive financial instruments (assets and liabilities). Changes in the level or volatility of interest rates can potentially affect the market value of our investments. This is, however, partly offset by the corresponding changes in value on the liability side. Our fixed-income securities portfolio is primarily comprised of debt securities of governments and government agencies and, to a lesser extent, corporate debt securities and mortgage and asset-backed securities. Our portfolio of fixed-income securities available-for-sale at December 31, 2004 had a value of CHF 75,273 million at amortised cost, and at December 31, 2005 had a value of CHF 88,207 million at amortised cost.

We are exposed to interest rate risk through changes in the yield curve and interest rate spreads. These may affect the fair value of debt securities and other investments as well as the fair value of our liabilities. Our fixed-income securities may have a different duration than the estimated duration of the covered liabilities. In general we aim to have a close match of asset and liability durations to reduce interest rate risks. Fixed-income securities that cover technical reserves are maintained in the form of highly liquid instruments.

In addition, we seek to mitigate interest rate risk by entering from time to time into derivative transactions such as interest rate swaps, interest rate futures and forward rate agreements.

Stress tests

Market scenarios

Estimated economic impact of each single scenario on Swiss Re	December 31, 2005
	(CHF in billions)
30% fall in global equity markets	(2.5)
100 bp increase in global yield curves	0.4
15% fall in global real estate markets	(0.7)

Based on internal models (unaudited)

The market scenarios show the pre-tax impact on our available economic capital. The equity scenario includes traded equities, private equities, equity derivatives, Guaranteed Minimum Death Benefit products and funding obligations arising from equity holdings in our pension funds. The interest rate scenario shows the net impact on assets and liabilities from a rise in interest rates. Real estate exposure includes investments in real estate and own-use property.

Credit scenarios

Estimated economic impact of each single scenario on the Group[(a)]	December 31, 2005
	(CHF in billions)
Rating migration comparable to experience of 2001	(0.3)
Default rate increase comparable to experience of 2001	(0.5)
Deterioration of recovery levels comparable to experience of 2001	(0.2)
Combined effect	(1.0)

Based on internal models (unaudited)

The credit scenarios above report the estimated pre-tax impact on our available economic capital of Swiss Re Group. For instance the default scenario shows estimated additional (unexpected) losses due to adverse default rate changes. The modelled scenarios are based on a credit environment development similar to 2001, which was the worst credit experience of the past ten years. This period also reflects the changes in credit markets due to the increased use of credit derivatives.

Outlook

General

We believe that primary insurance premium volumes in industrialized countries will grow along with the expected long-term nominal GDP trend (between 3% and 4% per year). In emerging markets, premium increases should outpace overall economic growth of more than 5% in real terms. We believe that demand for risk transfer will continue to rise, particularly the private and occupational pension products in the life and health segment and the covers related to health care, third-party liability and pecuniary losses in the property and casualty segment. Reinsurers will continue to benefit from these underlying growth fundamentals. Overall underwriting conditions were very attractive for most of the European business despite higher claims expectancy in natural catastrophes and casualty, higher client retentions and a shift towards higher layers.

We also expect that as a result of the continuing low interest-rate environment, investment returns will remain low. The insurance industry will continue to focus on cost efficiency and disciplined underwriting. Underwriting conditions in property and casualty, as well as in life and health, are expected to remain attractive. Catastrophe related covers will be revised upwards following costly events like Katrina and other windstorms in 2005.

Increased client focus was one of the main drivers for the organizational realignment completed during 2005 and is already bearing fruit with clients reacting positively to our combined marketing activities for our Property & Casualty and Life & Health businesses. Our new organization places strong emphasis on underwriting quality, product development and knowledge. The separation of Products and Client Markets, and the resulting product focus, position us well to continually improve underwriting quality standards.

Our Property & Casualty Business

The January 2006 renewals of our non-life reinsurance portfolio showed improvement in economic profit of approximately 7% and a premium volume increase of 1% to CHF 9.3 billion. In the January renewals for traditional treaty business, which are dominated by the European portfolio, overall premium volume remained constant at CHF 8.0 billion, Our focus on optimizing profitability led to a shift in the mix of business with property and specialty lines growing 6% while motor and liability were cut 10%. Premium volume for European treaty business remained unchanged while the U.S. business declined 13% due to reductions in liability business. We had solid growth of 23% in Asia, predominately in the emerging markets. Total premiums written for large corporate risks and credit and surety business reached CHF 1.3 billion, representing a 14% and 12% increase, respectively.

General underwriting conditions were very attractive for most of the European business renewed in January. Property rates reflected the impact of natural catastrophe losses and rose from already high levels. Liability rates, while generally stable, did not increase as expected and we were highly selective in underwriting profitable business.

Offshore gulf energy and U.S. hurricane accounts will renew later in the year, and we anticipate pricing for these catastrophe-exposed risks to be very favorable. Other property and specialty markets are likely to remain generally stable with local market specific variations. For example, January renewals in Asia achieved excellent 23% growth with about half the treaty book renewing in January from predominantly emerging Asian markets. As the balance of business to be renewed is from more mature markets, Asian growth in the remainder of the year is expected to be lower. Overall, we expect to maintain a preferred position in an attractive market and to secure terms and conditions that outperform the market average. We will seek to maintain a strong global market position, with a continued focus on economic profit and strict pricing discipline.

Provided that large claims are within expected levels, we anticipate our combined ratio from January 2006 renewals to be below 95%.

Our Life & Health Business

The primary markets show increasing policyholder demand for a wide range of living and survival benefits, and we are working to develop new products for clients within an appropriate risk sharing and risk management structure. We are re-examining our product offerings with a view to more widely support clients' needs for reinsurance. New products being reviewed include a wider range of health products, possible longevity solutions and alternative solutions in the United States to address regulatory reserving requirements and associated collateral needs for guaranteed term assurance products.

In the more developed U.S. and European markets for this industry, modest growth is expected to continue to reflect the low growth in the primary protection market. Growth in the emerging markets in Asia is expected to be higher, and we will make the most of this growth by expanding our product offerings. We will continue to work with clients to provide support to address their capital management needs, including alternative structured reinsurance solutions and Admin Re^{SM}. We expect the anticipated consolidation of the life insurance market to provide opportunities for further Admin Re^{SM} transactions in the future.

Our Financial Services Business

The outlook for Financial Services remains positive. In the January 2006 renewals, we grew our premiums in Credit Solutions by 12%. We also expect our fee business to return to growth and increase its profitability in 2006. Our third party asset management business should continue to expand its client base and provide increased fee-based earnings for us under the Conning Asset Management brand. With the expansion to new markets and product lines in early 2006, the insurance-linked securities market is expected to continue its positive development with increased liquidity, new issuers and a more diversified investor base.

Current Trading and Prospects of Swiss Re

Trading at Swiss Re to the date of this Offering Memorandum has been in line with the expectation of our management since the publication of its results for the year ended December 31, 2005 and our management is confident of the underlying financial and trading prospects of the Group for the current financial year.

OVERVIEW OF REINSURANCE

General

Reinsurance is an arrangement in which an insurance company, the reinsurer, agrees to assume from another insurance company, the ceding company, all or a portion of the insurance risks that the ceding company has underwritten under one or more insurance contracts. In return, the reinsurer receives a premium for the insured risks that it assumes from the ceding company. Reinsurance, however, does not discharge the ceding company from its ultimate liability to policyholders should the reinsurer fail to meet its obligations. Reinsurance can provide a ceding company with several benefits, including a reduction in net liability on individual risks, catastrophe protection from large or multiple losses and assistance in maintaining acceptable financial ratios. Reinsurance also provides a ceding company with additional underwriting capacity by permitting it to accept larger risks and write more business than would be possible without an accompanying increase in capital and surplus. Reinsurance companies often also provide consultative underwriting and risk management services. During the period between the time premiums are received by the reinsurer and the time that the reinsurer must pay claims and claim adjustment expenses, the reinsurer has an opportunity to invest the funds received as premiums, less expenses. This investment activity can make a significant contribution to a reinsurer's profitability.

We estimate that in 2005, insurance companies ceded approximately $170 billion in premiums to reinsurance companies worldwide.

Types of Reinsurance

Non-life Reinsurance and Life and Health Reinsurance

Non-life reinsurance includes property and casualty reinsurance. Property insurance protects an insured against financial loss arising out of the loss or damage of property caused by an insured peril. Casualty insurance protects an insured against financial loss arising out of loss or damage to persons other than the insured or property. Property reinsurance involves a high degree of volatility but claims are generally reported soon after the event giving rise to the claim. Casualty risks are more unpredictable because there tends to be a greater time lag between the occurrence, the reporting and the payment of claims. Non-life reinsurance is generally written along the same lines of business as non-life insurance.

Demand for non-life reinsurance is influenced significantly by underwriting results and by underwriting capacity of insurers and prevailing general economic conditions. The supply of reinsurance is primarily related to prevailing reinsurance premiums, levels of insured claims, levels of reinsurance industry surplus and the use of underwriting capacity which, in turn, may fluctuate in response to changes in rates of return on investments earned in the reinsurance industry. As a result, the non-life reinsurance business historically has been a cyclical industry characterized by periods of price competition due to excessive underwriting capacity as well as periods of strong pricing due to shortages of underwriting capacity. The frequency and severity of losses suffered by insurers can significantly affect these cycles. The absence of severe or frequent catastrophe and other loss events can result in declining premium rates in the global market. The effects of these underwriting cycles can be reduced if the reinsurer has a widely diversified global business.

Life and health reinsurance provides cover to insurers for life products, including individual and group life, annuity and retirement-related products. It also provides cover to insurers for health products, including disability, medical expense and critical illness products. Reinsurance of these risks typically provides ceding companies with coverage against death claims, known as mortality risk, and claims relating to the incidence of illness, known as morbidity risk. Reinsurers can also provide coverage against investment-related risks in the case of certain interest-sensitive life and annuity products. Life insurers may also seek reinsurance as a means of financing a portion of the up-front costs of obtaining new business such as commissions and overhead expenses and the cost of setting up reserves for future policy benefits. A reinsurer can assume a portion of the ceding company's risk portfolio and reimburse the ceding company for a portion of its cost of generating the new business.

Life and health reinsurance treaties generally reflect the terms and conditions of the underlying insurance policies that they cover. Life and health reinsurance is generally written on either a risk premium basis (also referred to in the U.S. reinsurance market as yearly renewable term) or an original terms basis (also called coinsurance). Under a risk premium reinsurance arrangement, the ceding company and the reinsurer negotiate a separate premium for the risk borne by the reinsurer, rather than ceding to the reinsurer a portion of the premiums the ceding company receives on the underlying policies. The premiums payable to the reinsurer under a risk premium arrangement may be reviewable. Under an original terms reinsurance arrangement, because the reinsurer receives a portion of the premiums paid to the ceding company on the policies, the reinsurance premiums will normally have the same premium arrangement as the original policies, which may extend over several years. In each case reinsurance would typically cover the mortality or morbidity risk related to the underlying policies although it may also cover investment risk. The reinsurer also assumes "lapse risk," which is the risk that the policies may lapse prior to the end of their term.

Life and health reinsurance treaties may be written on either a quota share or a surplus basis. Under a quota share arrangement, the reinsurer assumes an agreed upon portion of the risk and premiums for each insurance policy covered by the treaty. Under a surplus arrangement, the ceding company cedes all or a portion of the risks above a specified retention level for each person for each insurance policy covered by the treaty that has an insured value in excess of the retention level. In a limited number of cases, reinsurance is also written on an aggregate stop-loss basis to protect the ceding company's total portfolio from extraordinary losses resulting from the aggregation of individual risks.

In certain markets, including North America and Japan, life and health reinsurance agreements frequently provide for rights of recapture as an accommodation to ceding companies. These rights permit the ceding company to increase the amount of liability it retains on the reinsured policies after the policies have remained in force for a designated period of time (typically 10 years) if the ceding company has increased its retention limits. The provision of recapture rights to the ceding company is typically reflected in reinsurance pricing.

The life and health reinsurance business tends to be less volatile than non-life reinsurance business because the claims experience is generally more predictable.

Treaty and Facultative Reinsurance

Both non-life reinsurance and life and health reinsurance can be written through either treaty or facultative arrangements. In treaty reinsurance, the ceding company cedes, and the reinsurer assumes, a specified portion of a type or category of risks insured by the ceding company. Treaty reinsurers do not separately evaluate each of the individual risks assumed under their treaties and depend largely on the original risk underwriting decisions made by the ceding company's underwriters. This dependence subjects reinsurers to the possibility that the ceding company has not adequately evaluated the risks to be reinsured and, therefore, that the premiums ceded to the reinsurer may not adequately compensate the reinsurer for the risk assumed. Accordingly, the reinsurer's evaluation of the ceding company's risk management and underwriting practices, as well as claims settlement practices and procedures, will usually impact the pricing of the treaty.

In facultative reinsurance, the ceding company cedes, and the reinsurer assumes, all or part of a specific risk or risks. Facultative reinsurance normally is purchased by ceding companies for risks not covered by their reinsurance treaties, for amounts in excess of the monetary limits of their reinsurance treaties and for unusual and complex risks. Underwriting expenses and, in particular, personnel costs, for facultative business can be high relative to premiums because each risk is individually underwritten and administered. The ability to separately evaluate each risk reinsured, however, increases the probability that the reinsurance underwriter can price the contract to more accurately reflect the risks involved. Because of the transactional nature of the business and the greater risks generally involved, margins on non-life facultative business are usually higher than on treaty business.

Proportional and Non-Proportional Reinsurance

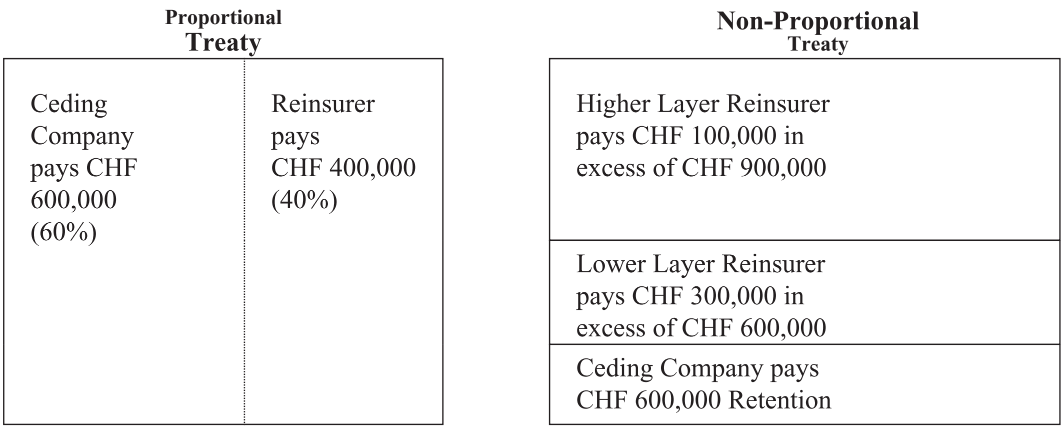
Both treaty and facultative reinsurance can be written on either a proportional basis or a non-proportional basis. Proportional reinsurance is also known as pro rata reinsurance. Quota share reinsurance and surplus share reinsurance are types of proportional reinsurance. Non-proportional reinsurance is also referred to as excess, or excess of loss, reinsurance. In the case of proportional reinsurance, the reinsurer assumes a predetermined portion of the ceding company's risks under the covered insurance contract or contracts. In the case of non-proportional reinsurance, the reinsurer assumes all or a specified portion of the ceding company's risk of loss in excess of a specified amount, known as the ceding company's retention or the reinsurer's attachment point, subject to a negotiated reinsurance contract limit.

Premiums that the ceding company pays to a reinsurer for proportional reinsurance are a predetermined portion of the premiums that the ceding company receives from its insured, consistent with the proportional sharing of risk. In addition, in proportional reinsurance, the reinsurer generally pays the ceding company a ceding commission. The ceding commission is usually based on the ceding company's cost of generating the business being reinsured, including commissions, premium taxes, assessments and miscellaneous administrative expense, and also is affected by competitive factors. The ceding commission may also include a profit participation for originating the business, the amount of which is often based on the claims experience. Premiums that the ceding company pays to a reinsurer for non-proportional reinsurance are not directly proportional to the premiums that the ceding company receives. This is because the reinsurer does not assume a proportional risk. The frequency of claims under a proportional reinsurance contract is usually greater than under a non-proportional contract, and therefore the claims experience is generally more predictable and less volatile. There is usually no ceding commission on non-proportional reinsurance.

Non-proportional non-life reinsurance is often written in layers. One or a group of reinsurers accepts the risk of loss just above the ceding company's retention up to a specified amount, at which point another reinsurer or a group of reinsurers accepts the excess liability up to an additional specified limit or the excess liability reverts to the ceding company. The reinsurer taking on the risk of loss just above the ceding company's retention is typically said to write lower layer excess reinsurance. A claim that reaches just beyond the ceding company's retention will create a claims payment for the lower layer reinsurer, but not for the reinsurers of any higher layers. Claims activity in lower layer reinsurance tends to be more predictable than that in higher layers due to greater frequency and availability of historical data, and therefore, like proportional reinsurance, better enables underwriters and actuaries to more accurately price the underlying risks.

The following diagrams illustrate the allocation of claims between a ceding company and reinsurers under hypothetical proportional and non-proportional treaties. The diagrams assume claims of CHF 1,000,000 to be paid under each treaty.

Hypothetical Claims of CHF 1,000,000



- *Proportional Treaty*. In the hypothetical proportional treaty, the ceding company retains 60% of the premium it received from the insured and receives a commission from the reinsurer. The reinsurer receives a premium equal to 40% of the premium that the ceding company received from the insured less the commission the reinsurer paid to the ceding company. In return, 60% of each claim is paid by the ceding company and 40% of each claim is paid by the reinsurer.

- *Non-Proportional Treaty. In* the hypothetical non-proportional treaty, the total coverage is written in three layers: the ceding company's retention, a lower layer, and a higher layer. The ceding company negotiates reinsurance treaties with each of the lower layer reinsurer and the higher layer reinsurer in which the premiums paid by the ceding company to the reinsurers reflect the likelihood and timing of claims. In this example, the ceding company pays the first CHF 600,000 of claims, the lower layer reinsurer assumes the risk of claims in excess of CHF 600,000 up to CHF 900,000 and the higher layer reinsurer assumes the risk of claims in excess of CHF 900,000 up to CHF 1,000,000. The responsibility for claims in excess of the higher layer remains with the ceding company.

Alternative Risk Transfer

"Alternative risk transfer" refers to integrated risk management solutions that combine traditional insurance products, non-traditional insurance products (in the sense of insurance of risks that traditional insurance providers are unable or unwilling to accept), financing techniques and capital markets solutions. These reinsurance products include forms of self-insurance such as risk retention and the use of captive insurers, as well as products such as finite or financial reinsurance, insurance derivatives, risk securitization and run-off management.

Large global corporations sometimes seek to manage their risks by operating in-house insurance companies or "captives." Captives often use reinsurance to manage their exposure on specific risks or to provide a cap on their maximum exposure to losses. Reinsurance also provides captives with access to risk analysis expertise from a reinsurer with more diversified experience than the captive.

Risk securitization uses the capital markets as a means of creating risk-bearing capacity. Capacity is created using special purpose vehicles financed through the issuance of securities in the capital markets. One example of risk securitization is a catastrophe, or CAT, bond which funds a reinsurance vehicle established to reinsure a specific catastrophe. The principal and/or interest of these bonds secures the reinsurance obligation and is then at risk of loss, depending on the occurrence and severity of the specified catastrophe. The interest rate on the bonds compensates the investor for the risk that principal and/or interest may be lost.

Run-off management is the handling of claims from past insurance and reinsurance policies, typically where the claims experience has been adverse or where the insurer or reinsurer is no longer involved in the line of business. Run-off management can be combined with the assumption of risk through reinsurance or other means.

Retrocession

Reinsurers typically purchase reinsurance to cover their own risk exposure or to increase their capacity. Reinsurance of a reinsurer's business is called a retrocession. Reinsurance companies cede risks under retrocessional agreements to other reinsurers, known as retrocessionnaires, for reasons similar to those that cause insurers to purchase reinsurance. These reasons include reducing liability on individual risks, protecting against catastrophic losses, stabilizing financial ratios and obtaining additional underwriting capacity.

Broker vs. Direct Reinsurance

Reinsurance can be written through reinsurance brokers or directly with ceding companies. From a ceding company's perspective, both the broker market and the direct market have advantages and disadvantages. A ceding company's selection of one market over the other will be influenced by its perception of these advantages and disadvantages relative to the reinsurance coverage being placed. For example, broker market coverages usually involve a number of participating reinsurers that have been assembled by a broker, each assuming a specified portion of the risk being reinsured. A ceding company may find it easier to arrange a broker market coverage in a difficult underwriting environment where risk capacity is constrained and reinsurers are seeking to limit their risk exposure. On the other hand, direct reinsurance relationships generally lead to the sharing of technical expertise between the reinsurer and the ceding company and, especially in Europe and Japan, often continue as partnerships over many years.

OUR BUSINESS

Overview

We are one of the world's leading reinsurers and the world's largest life and health reinsurer, and upon acquiring the GEIS Business, we will be the world's largest reinsurer, as measured by premiums written. We operate through more than 70 offices in over 30 countries. We have been engaged in the reinsurance business since our founding in Zurich, Switzerland in 1863. We are recognized as a leading authority in managing capital and risk, based on our core competencies of:

- risk transfer, for which our objective is to identify, evaluate, underwrite and diversify risk to minimize the capital cost of carrying the risk;
- risk finance, for which we employ a range of products to finance risk retention; and
- asset management, which combines analysis of insurance liabilities, reinsurance products and asset management skills to optimize total return on financial assets.

We offer a wide range of products to manage capital and risk, including traditional reinsurance, insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Our traditional reinsurance products include a wide range of property and casualty covers, life and health covers and related services. Our insurance-based corporate finance solutions include, for example, securitization of insurance risks, run-off services and contingent capital commitments. Our asset management and financial services operations include our proprietary investment activities in publicly traded securities, our minority holdings, our private equity investment and advisory activities, and our third-party asset management activities. Our global reach enables us to offer our expertise to, and to service, clients throughout the world.

In September 2005, we re-aligned our management structure to more closely follow our strategic priorities, and thus bring the organization closer to our customers, deepen our focus on product skills and further enhance our financial returns, including through risk securitization. We now operate through the following business functions (with corporate support functions globalized to manage common resources):

- ***Client markets***, with its four divisions: Americas, Europe, Asia and Global & Large Risks (which includes our global clients, our corporate risk underwriting function, aviation & space and large project engineering risks), focuses across all lines of Life & Health and Property & Casualty business on meeting client needs, evaluating and analyzing market trends and developing product solutions across distribution channels at the point of sale;
- ***Products***, with its three units: Property & Specialty (property, man-made, natural catastrophe and large risk underwritings, as well as engineering and marine), Casualty (liability and motor) and Life & Health, covers all of our reinsurance products; and
- ***Financial Services***, with three units: Credit Solutions, Capital Management and Advisory (CMA) and Asset Management (both proprietary (PAM) and third party (TPAM)), focuses on asset portfolio and financial market activities, complemented by a newly formed, dedicated Insurance Risk Transformation group, through which we seek to transfer reinsurance risks through securitization transactions to the capital markets.

We use a variety of distribution channels depending on local market characteristics and customer needs. Our European Property & Casualty business is primarily written directly, however, a significant portion of business written in the London Market is written through brokers. In the United States, we have established Direct and Broker business units to broaden the distribution of our products. Our Life and Health business is generally written directly with clients, with an emphasis on building long-term relationships.

Our operating divisions and their local offices are supported by our Corporate Center in Zurich, which is our centralized source of shared expertise in capital and risk management, underwriting analysis and economic research. Our Corporate Center is comprised of four divisions, Finance, Risk & Knowledge, Information Technology and Communications & Human Resources. The Corporate Center is also responsible for monitoring and evaluating the use of capital and acceptance of risk throughout our group under the direction of our Chief Risk Officer.

At and for the year ended December 31, 2005, we reported:

- gross premiums written of CHF 30.5 billion;
- premiums earned of CHF 27.8 billion;
- total assets of CHF 219.1 billion;
- shareholders' equity of CHF 22.9 billion; and
- investments of CHF 129.6 billion.

Of our premiums earned in 2005, CHF 16.4 billion, or 59%, represented Property & Casualty premiums earned, CHF 10.5 billion, or 38%, represented Life & Health premiums earned and CHF 0.9 billion, or 3%, represented Financial Services premiums earned.

We currently have financial strength ratings of (i) from Standard & Poor's: long-term counterparty credit, financial strength and senior unsecured debt ratings of "AA (CreditWatch negative)", and a short-term counterparty credit rating of "A-1+", (ii) from Moody's: insurance financial strength and senior debt ratings of "Aa2" (on review for possible downgrade), and a short-term rating of "P-1" and (iii) from A.M. Best: a financial strength rating of "A+" (superior) and a long-term debt rating of "aa" (under review with negative implications). Subsequent to the announcement of the Proposed Acquisition, our ratings were placed on CreditWatch with negative implications. See "Risk Factors – Risks Related to Our Business – A decline in the financial strength and credit ratings assigned to us and our businesses by various rating agencies could materially adversely affect our potential to write business and could increase our costs of borrowing." Standard & Poor's, Moody's and A.M. Best's financial strength ratings are opinions regarding the ability of a reinsurance company to meet its policyholders' obligations and claims. These ratings are not a measure of protection afforded investors and do not address the merits of, or risks inherent in, an investment in our debt. Each of these rating agencies reviews its rating on an ongoing basis. However, there can be no assurance that ratings assigned to Swiss Reinsurance Company or any of the other companies in our group will be maintained in the future. These ratings may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

The Proposed Acquisition

On November 18, 2005, we announced that we had agreed with General Electric to acquire the GEIS Business for $6.8 billion. The closing of the Proposed Acquisition is subject to various closing conditions, including receipt of regulatory approvals. The purchase price is subject to adjustments that will be determined at the time of the closing of the Proposed Acquisition, and certain adjustments will be determined post-closing. In addition, certain other payments to General Electric may be required in connection with the Proposed Acquisition and we will be assuming indebtedness and obligations in respect of letters of credit. See "Proposed Acquisition." GEIS is the world's fifth largest reinsurer, as measured by premiums written, and this acquisition will be our largest acquisition to date. The GEIS Business will provide us with a complementary product range and the addition of its operations will diversify our portfolio, provide benefits of scale and add new talent to our global workforce.

The GEIS Business has complementary strengths and further supports our franchise, while providing opportunities for cost reductions and optimization. The GEIS Business, in property and casualty reinsurance, has a strong U.S. regional and specialty presence (which complements our strength in national and global accounts) with a focus on shorter tail and excess of loss business, and is a significant player in selected global lines, such as marine and aviation. In life and health reinsurance, the GEIS Business has a strong franchise across continental Europe (particularly Germany) and is a leading player in the critical illness market in the United Kingdom. In its primary commercial lines, the GEIS Business has diversified positions in niche U.S. markets. We are well-positioned to build on the strengths of its U.S. distribution network of over 100 direct underwriters and marketers in 11 offices and its broker network that complements our network, and to further optimize this network.

On a Swiss GAAP FER basis, GEIS reported net premiums earned of CHF 7.4 billion and total assets of CHF 55.0 billion for the year ended December 31, 2005, and on a pro forma basis, the combined operations would have had net premiums earned of CHF 35.1 billion and total assets of CHF 275.5 billion, for the year ended and as of December 31, 2005. See "Unaudited Pro Forma Financial Information."

Post-closing we expect to implement our strict underwriting standards for the GEIS Business. Beginning with fiscal 2008, we expect to achieve estimated pre-tax annual cost synergies of $300 million, and we expect to incur one-time restructuring costs of CHF 325 million over and above integration costs of approximately CHF 115 million that we expect will be incurred over a three-year period.

For more information on the Proposed Acquisition, see "Proposed Acquisition" and for a brief description of the GEIS Business, see "Business of GE Insurance Solutions."

Business Strategy

We intend to focus on profit growth and enhancing the quality of our earnings. The realignment of our management structure brings us closer to our clients and sharpens our focus on underwriting quality, product development and risk transformation. The Proposed Acquisition will give us access to a wider client base, new product lines and an additional pool of talent. We will invest in areas where we can best anticipate and manage risks and intend to expand our reach to clients and markets via innovative products. To implement our strategy, we will:

- ***Actively manage the cycle for profits.*** As a global company with a wide product range and geographical reach, we allocate capital by balancing opportunities on a risk-adjusted basis to generate sustainable earnings and growth over the long-term. To facilitate this strategy, we have, in recent years, re-engineered the way business is managed and capital allocated to our various market segments. In addition, we have established our Client Markets function in order to ensure we focus across more Life & Health and Property & Casualty opportunities to deliver profitable solutions to our clients. In our Property & Casualty business, the instruments used to measure the dynamics of the cycle have improved and now include a centralized pricing process based on risk-adjusted return targets, global renewal guidelines and leading cycle-phase indicators gathered through quarterly surveys of underwriters around the world. In our Life & Health business, we closely monitor the pricing assumptions and assess the returns available over time across geographies and products. We remain focused on active cycle management for profits through strict underwriting and risk selection. In 2005, this had the effect of reducing our premiums in our non-life treaty and facultative business. We remain willing to accept further reductions in volume where economic returns do not match our reference points.
- ***Optimize organic and transactional growth.*** We have been able to grow at an average annual rate of 11% over the last ten years, outperforming the global reinsurance market, which grew at an average rate of 6%. This has been achieved through building market share, developing new areas of business and complementing organic growth with a targeted series of acquisitions. We will continue to apply our full range of skills and encourage innovation in order to expand our business and drive organic growth while seizing attractive acquisition opportunities. We will use our ability to underwrite closed portfolios of risk in our Admin Re℠ business to supplement organic growth. Although we did not complete any major Admin Re℠ transactions in 2005, we expect that further consolidation in the global life and health industry will offer substantial future opportunities to grow this business in the United States, the United Kingdom and possibly elsewhere.
- ***Extend leadership position in Asia.*** We have already built a leading position in Asia and have branches in mainland China, Hong Kong, Japan, Korea, Malaysia, Singapore and Taiwan, as well as representation in India and other locations in the region. We are also a market leader in Australia. We will seek to build on this competitive advantage through further investment in the skills of local people while capitalising on our brand and product range to realize the potential for profitable growth in these insurance markets. One challenge to overcome will be the extent to which local regulators will be prepared to align local underwriting and investment regulations with international best practice. We will encourage liberalization of local regulation, particularly those in India limiting the establishment of wholly foreign-owned branches.
- ***Increase capacity and accelerate the balance sheet through risk securitization.*** Since 1997, we have been securitizing peak risks in our natural catastrophe and mortality business to optimize the structure of our balance sheet. The size of our risk portfolio becomes less dependent on our own capital base, because we are able to pass on a proportion of our risk to the capital markets. Through two transactions, for example, we transferred a significant portion of extreme mortality risk ($762 million) to the capital markets, thus limiting our exposure to peak life insurance risks such as a global pandemic. We have recently also focused on transforming insurance risk into a tradeable security and turning assets (the present value of future profits) into cash on an accelerated basis. Recent transactions demonstrate our ability to combine risk management and investment banking capabilities, thereby increasing capital efficiency (as funds are released to generate future business growth) and our profit margin. In

January 2005, for example, we transferred insurance and investment risks from five blocks of Admin Re℠ business to the capital markets, and by the end of 2005 had issued a total of $615 million in life-related insurance-linked securities through two transactions. This past year our total securitizations amounted to CHF 1.3 billion, with an additional CHF 600 million in January 2006.

- ***Build on the GEIS Business Platform.*** We will seek to take advantage of the GEIS Business' strong regional presence in the United States, its strong direct U.S. distribution network and its broker network (especially in the Midwest and on the East Coast), and further optimize the U.S. distribution platform. We will seek to capitalize on new products and client relationships in its continental Europe property and casualty portfolio and its strong German life and health client franchise. We will seek to apply our cycle management expertise (including our pricing tools), to capitalize on new talent and to achieve our underwriting standards across the combined group.

Our Business

We write all major lines of reinsurance with clients throughout the world. Our business is thus diversified as to lines and geography as well as to type of reinsurance. Of our 2005 treaty year premiums for traditional business, 45% was proportional business, 31% was non-proportional and 24% was facultative.

The table below presents the distribution of our 2003, 2004 and 2005 consolidated gross premiums written by geographic region, based on the locations of the ceding companies.

	Year Ended December 31,					
	2003		2004		2005	
	CHF millions	% of Total	CHF millions	% of Total	CHF millions	% of Total
United States	15,191	45.6	15,172	47.8	13,622	44.7
United Kingdom	3,728	11.2	2,616	8.2	2,744	9.0
Germany	2,324	7.0	2,015	6.4	1,866	6.1
Italy	1,022	3.0	1,158	3.6	908	3.0
France	1,087	3.3	1,128	3.6	1,221	4.0
Canada	924	2.8	992	3.1	968	3.2
Switzerland	1,080	3.2	945	3.0	1,202	3.9
Australia	870	2.6	936	2.9	845	2.8
The Netherlands	697	2.1	717	2.3	666	2.2
Other	6,415	19.2	6,053	19.1	6,413	21.1
Total	33,338	100.0	31,732	100.0	30,455	100.0

The table below presents the distribution of our 2003, 2004 and 2005 consolidated gross premiums written by lines of business.

	Year Ended December 31,					
	2003		2004		2005	
	CHF millions	% of Total	CHF millions	% of Total	CHF millions	% of Total
Property	6,782	20.3	6,263	19.7	6,282	20.6
Liability	5,940	17.8	6,136	19.3	4,294	14.1
Motor	3,220	9.7	2,668	8.4	2,350	7.7
Engineering	1,207	3.6	1,131	3.6	1,239	4.1
Accident	991	3.0	807	2.5	1,134	3.7
Credit/surety	1,158	3.5	1,019	3.2	1,052	3.5
Marine	1,171	3.5	976	3.1	1,027	3.4
Aviation and space	831	2.5	555	1.7	549	1.8
Other Lines	369	1.1	456	1.4	409	1.3
Total non-life	21,669		20,011		18,336	
Life	9,501	28.5	9,798	31.0	10,207	33.5
Health	2,168	6.5	1,923	6.1	1,912	6.3
Total life/health	11,669		11,721		12,119	
Total	33,338	100.0	31,732	100.0	30,455	100.0

Property & Casualty

General

Property & Casualty operations had consolidated net premiums earned of CHF 16.4 billion in 2005, representing 59% of the total consolidated net premiums earned. In 2004, Property & Casualty operations had consolidated net premiums earned of CHF 18.3 billion, representing 62.2% of the total consolidated net premiums earned. Our Property & Casualty business includes the following principal lines:

Property. The collective term for reinsurance of fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines, such as floods, windstorms, hail and earthquakes.

Liability. The reinsurance of industrial, commercial, employers', product, professional or private liability to third parties.

Motor. The reinsurance of accident and liability, as well as accidental collision damage in connection with motor vehicles.

Accident. The reinsurance of individuals or groups against economic risks in the event of death or temporary or permanent disability by accident.

Other Lines include:

- *Marine.* The reinsurance against damage or loss of ships and cargos; also includes offshore drilling platforms.
- *Engineering.* The reinsurance of construction and erection of objects during the construction or erection period and the insurance of machinery in operating plants.
- *Nuclear Energy.* The reinsurance for property damage, liability and accident in connection with the operation of nuclear energy facilities.
- *Special Risks.* The reinsurance of a range of risks such as theft, fidelity, fraud, burglary, robbery for financial institutions and commercial risks, event cancellation and risks relating to art and antiques.
- *Agricultural.* The reinsurance of risks relating to crops and other agricultural products.

We write proportional and non-proportional treaty and facultative business. In treaty underwriting, we cover a client's portfolio of risks. To that end, we assess the client's underwriting strategy and capabilities, market positioning, claims handling, etc. We obtain information such as past claims experience, geographical spread of exposures and type and size of risks and agree on the scope of coverage, reinsurance price, terms and conditions for the whole portfolio under consideration. We believe that we have a stable and well-established treaty client base. In facultative underwriting, the focus is on individual policies. Factors such as risk management and mitigation and scope of coverage determine the pricing and terms of coverage of that risk. Treaty and facultative reinsurance clients are often the same.

To enable management to anticipate trends and developments, we analyze our portfolio and monitor exposures and accumulations, the development of price and coverage. We have developed our own modelling, pricing tools and methodologies, which are constantly reviewed and adapted to the market conditions and to incorporate new knowledge. While business responsibility is delegated to the local business units, global guidelines are designed to ensure underwriting consistency throughout the group. Mandatory escalation business cases were defined at all levels of the organization. The underwriting initiatives we introduced in 2002 and 2003 were designed specifically to strengthen our ability to steer underwriting through the various phases of the market cycle. Common processes across the group allow us to set targets, create pricing transparency and measure performance in line with our goals. These processes have significantly enhanced our ability to measure pricing adequacy early in the renewal process and take immediate corrective action. This is best illustrated by our development of Underwriting Steering Values (USV), which compare current prices with required risk adjusted profit margins and average price levels over the whole insurance cycle. The use of USV by all underwriters allows us to steer capital towards the most attractive market opportunities and helps underwriters to maintain objectivity at a time when prices may come under pressure. Despite the extraordinary number and size of natural catastrophes claims in 2005, USV continued to support a disciplined underwriting approach. This approach led to a decrease in renewed business in January 2006 for certain casualty lines, as continued pressure on rates meant some casualty business was marginal at best.

Individual business trends were in line with trends seen in recent years and the industry events that occurred throughout 2005. Natural catastrophes continued to require a significant portion of underwriters' attention. An unprecedented number of natural catastrophe claims demonstrated the volatility inherent in these exposures, and also reinforced increased demand for coverage from these risks. Market claims for natural catastrophes were the highest ever recorded in a single year, and Hurricane Katrina became the largest single insured loss in history. However, with respect to casualty lines, Hurricane Katrina losses did not move the liability market upwards as initially expected.

Risk Solutions

In connection with our 2005 realignment, Risk Solutions was transferred from our Financial Services business to our Property & Casualty business. The Risk Solutions unit includes Corporate Risk Underwriting and Capital Solutions. Corporate Risk Underwriting, the unit's larger component, applies conventional (re)insurance techniques to offer mainly facultative reinsurance products to large corporate clients, financial institutions and the aviation market in the high-severity/low-frequency risk segment. Capital Solutions is our center of competence for reinsurance- and insurance-based structured solutions for our insurance and corporate clients. The covered risks include traditional lines of business, such as property and casualty, as well as other risks traditionally not covered by reinsurance. The key element to all such structured solutions is a direct link to an insurable event or the use of the core competencies of a reinsurer, such as actuarial costing techniques. Typical structures include prospective (*e.g.*, multi-year and multi-line covers) and retroactive solutions, contingent capital commitments and other specific solutions structuring one or a combination of risks, which is either considered difficult to insure or is not traded in capital markets.

Europe

We have operated throughout Europe since our founding in 1863. We conduct our Property & Casualty business in Europe directly through Swiss Reinsurance Company and its subsidiaries and branches.

We maintain a strong presence in our traditional markets in Austria, France, Germany, Ireland, Italy, The Netherlands, Switzerland and the United Kingdom. We have leading positions in the majority of these markets. In recent years, we have also developed a strong position in Central and Eastern Europe, particularly in Poland and the Czech Republic. We market our traditional reinsurance business to our European clients through offices in London, Madrid, Milan, Munich, Paris, Rome and Zurich. Our Europe Division also manages our operations in Africa, which we conduct principally out of offices in Johannesburg.

In our traditional business, several of our clients in Europe have been ceding business to us for over 100 years. We write business with all types of insurers, and currently serve over 2,500 clients, with five insurance groups accounting for over 22% of our European business. During the past few years, the European insurance market, which we believe represents almost 40% of the worldwide Property & Casualty insurance market, has further consolidated. In the continuing low interest rate environment, we believe premium rates have peaked and are now showing signs of softening from the high levels of recent years.

We seek to respond to these developments in Europe by offering an integrated value proposition ranging from traditional commodity products to more complex, tailor-made programs. In our traditional lines, we respond to premium rate pressure by focusing on efficiency in our distribution channels (including developing internet-based initiatives) and in increasing administrative efficiency. We have been altering our business mix, placing greater emphasis on non-proportional treaty and facultative business, though more than half of our business (based on gross premiums written) remains proportional treaty business. We also have been successfully seeking to establish relationships with new clients, especially in Central and Eastern European markets.

Most of our traditional Property & Casualty business in Europe is written directly. However, a substantial portion of our business written in the London Market is obtained through reinsurance brokers. The "London Market" consists of UK and non-UK ceding companies placing business in London with reinsurers both in the United Kingdom and abroad. The London Market is particularly recognized as a worldwide center for specialized risk underwriting. We write a significant volume of gross premiums annually in the London Market.

Our European Property & Casualty operations compete principally with Munich Re, General Re and its subsidiary Cologne Re, Hannover Re, SCOR, PartnerRe and Employers Re and its subsidiary Frankona Re (which we will be acquiring as part of the Proposed Acquisition). We also compete in Europe with Bermuda-based reinsurers and Lloyd's of London.

Our African clients range from large multi-line insurers to small niche companies. Our relationships with ceding companies in the region are long-standing but reinsurance brokers have recently become more important. In the South African market there are nine registered reinsurers, of which Swiss Re Africa Limited, our South African subsidiary, is the largest in terms of 2004 premium volume. The South African reinsurance and insurance markets are highly competitive.

Americas

North America. Swiss Re America, our subsidiary based in Armonk, New York, has conducted reinsurance operations in the United States since 1910. For many years prior to that, reinsurance business in the United States was written through Swiss Reinsurance Company from Zurich. Swiss Re Canada, our Toronto-based subsidiary, has conducted reinsurance operations in Canada since 1953.

We have a coast-to-coast North American network of offices that provide facultative covers to our clients on a regional basis in Atlanta, Boston, Chicago, Dallas, New York, Philadelphia, San Francisco, Montreal, and Toronto. Our U.S. broker business is organized around our office in Calabasas, California. We also write special lines business out of Manchester, New Hampshire. We have centralized our divisional underwriting function in Armonk, New York, Calabasas, California and Toronto, Canada to better coordinate with marketing and control our underwriting activity.

In the United States we provide reinsurance products through two principal business units—Direct and Broker. The Direct unit located in Armonk addresses the needs of regional companies as well as large U.S. and multinational insurance companies, serving clients regardless of the type of risk or location. The Broker unit consists principally of Swiss Re Underwriters Agency, formerly Underwriters Re, an underwriting agency that concentrates on products sold through the broker market channel. Canadian business is written through Swiss Re Canada in Toronto.

We write Property & Casualty business in the United States and Canada with all types of insurers. We maintain relationships with several hundred clients in North America and focus on providing these clients with access to all the resources of our group. Our approach is to create client-focused teams designed to provide value-added products and services, such as claims and accounting operational reviews, client underwriting reviews and technology assessments. We believe there is competitive advantage in providing these services in support of reinsurance programs, rather than performing them on a fee-for-service basis. We also offer risk financing products as well as tailor-made products to meet our clients' needs.

A substantial portion of Swiss Re America's business is sold directly to clients. However, following the acquisition of Underwriters Re, a growing portion of our U.S. business is sold through the broker market. A significant portion of Swiss Re Canada's treaty business comes to us through brokers.

As a direct reinsurer, we compete in North America principally with General Re, Employers Re (which we will be acquiring as part of the Proposed Acquisition) and American Re, a subsidiary of Munich Re. In the broker market, our principal competitors are Transatlantic Re, Everest Re, XL Re, Partner Re and Munich Re, as well as the newer Bermuda-based reinsurers.

Latin America. We began writing business in Latin America in 1911. We write business primarily in Mexico, Puerto Rico, Colombia, Brazil and Chile and, to a lesser extent, Argentina, Venezuela and Uruguay. Although the Brazilian market remains monopolized by a state-owned firm, privatization and deregulation are still expected. In anticipation of these changes, we maintain an office in São Paulo.

Deregulation of the insurance industry, economic growth due to market reforms and lower inflation have all increased the attractiveness of the Latin American insurance market to foreign insurance and reinsurance companies. This has resulted in overcapacity in the market. We are focusing our Latin American activities on building leading positions in principal markets by strengthening our resources through our local offices, supported by a centralized underwriting office in Armonk, New York.

Our main competitors in Latin America are other global reinsurance companies such as Munich Re, Hannover Re, Partner Re, Transatlantic Re and Everest Re.

Asia

We have been one of the market leaders in Asia since 1914. Since early 2002, the headquarters of our Property & Casualty Asia division has been located in Hong Kong. We maintain local offices in the region, comprising subsidiary, branch, service company or representative office in Australia, China (Hong Kong, Beijing and Shanghai), Singapore, Malaysia, Taiwan, the Philippines, Japan, South Korea and India. We also maintain a Zurich-based operation from which we serve the Middle Eastern and Turkish markets. We continue to work with regulators in the region to obtain national reinsurance licenses in principal markets, as well as the most appropriate legal structures from which to deliver our capabilities to our local clients.

Our strategy in the region is to position ourselves as the reinsurer of choice to both mature and developing markets in Asia. Overall insurance and reinsurance growth in the region, excluding Japan and Australia, is expected, in percentage terms, to exceed that of the North American or European markets over the next several years. In the mature markets, such as Australia, New Zealand and Japan, we will continue to build on our strong market position and increasingly focus on shifting and expanding our underwriting production to non-proportional treaty and facultative business. We focus on the rapidly growing emerging markets in the region, particularly China and India. We are particularly active in emerging Asian markets where legal and societal changes have increased liability awareness, creating greater demand for liability insurance products. We believe that in these markets our worldwide experience and financial capabilities can be brought to bear, as Asia's emerging markets move closer to world regulatory best-practices, stronger economic co-operation and greater asset growth. All of our lines of business will continue to be deployed in Asia, and from a growth perspective we anticipate further expansion of our position in property and certain casualty lines, as investment, infrastructure and building commitments increase in the region.

Our competitors in the region include Munich Re, General Re, ERC Frankona (which we will be acquiring as part of the Proposed Acquisition), the London Market and all principal reinsurers operating globally.

Life & Health

General

Our Life & Health business had consolidated net premiums earned of CHF 10.5 billion in 2005, representing 38% of our total consolidated net premiums earned. In 2004, our Life & Health business had consolidated net premiums earned of CHF 10.2 billion, or 35% of our total consolidated net premiums earned. Our Life & Health business is comprised of the following principal lines:

Life reinsurance—which typically provides protection against risk exposures, principally mortality risk, on individual lives on an excess or quota share basis and is written predominantly through treaty arrangements, and to a lesser extent, on a facultative basis.

Health reinsurance—which reinsures the following coverages:

- *Disability*—insurance against the incapacity to exercise a profession as a result of sickness or other infirmity.
- *Critical illness*—which provides a lump sum payment to policyholders who are diagnosed as having specified serious ailments, such as heart attacks, strokes or cancer, or who suffer a total disability.

The acquisition of Life Re in 1998 added Admin Re^{SM} to our product lines. Admin Re^{SM} is a core offering of ours. It involves the acceptance of closed blocks of in-force life and health insurance business, either through acquisition or reinsurance, with us usually assuming responsibility for administering the underlying policies. Admin Re^{SM} can therefore include both the acquisition of individual blocks of business and the acquisition of an entire life insurance company. The administration of the business is generally managed together with a third-party administrator.

Admin Re^{SM} allows insurers to free their capital and gain access to future cash flows from non-core portfolios. It also increases operational efficiency by removing the need for life insurers to maintain legacy IT systems for non-core lines. With more than 40 transactions successfully completed since 1998, we have developed significant experience in the complexities of policy conversion, regulatory approval and effective management of in-force books of business for the continuing benefit of policyholders. We draw on our extensive experience gained through our traditional reinsurance business to bring customers attractive solutions.

Conditions in an increasing number of markets are creating opportunities for Admin Re℠. Primary life insurance markets—particularly in the United Kingdom and the United States—are experiencing significant consolidation and disaggregation of non-core lines of business, generating additional opportunities for Admin Re℠. In 2003, we expanded our Admin Re portfolio to the United Kingdom for the first time with the acquisition of the closed book of Zurich Life. This acquisition provided the Life & Health business with responsibility for administering an additional 225,000 life insurance policies in the United Kingdom and added a further CHF 1.1 billion in assets to the balance sheet This was the first Admin Re℠ transaction outside of the United States and represented an important step in the future expansion of the operation. In 2004, we added a further CHF 16 billion in assets, bringing the total to CHF 33 billion as of the end of 2004. We did not add any significant Admin Re℠ business to our portfolio in 2005.

Mortality risk is the core business of the Life & Health business. Historically, mortality rates in insured populations have shown significant improvement as medical treatments have substantially raised life expectancy through the elimination of early deaths. Advances in medicine suggest that the extension of normal life span is becoming increasingly feasible. Research conducted by the business suggests that the overall trend is one of sustained improvement, but that its extent will vary considerably according to age group and market.

In 2005, the mortality experience of the Life & Health business continued to show improvements worldwide. This improvement was due to both underlying demographic trends and to higher underwriting and risk management standards in the primary business. We gain from having one of the largest books of mortality risk in the world, allowing us to diversify and reduce exposure to the risks of any particular insured segments. The Life & Health business also benefits from its leading role in the market, which enables it to monitor mortality results from a global client base. We use the conclusions drawn from this data to improve pricing assumptions on our new business. During the course of 2004, the Life & Health business conducted an extensive update of its mortality and related pricing assumptions, particularly in North America, in line with revised economic and experience assumptions. We review these assumptions and the Life & Health business treaty pricing regularly to ensure they reflect the latest best estimate assumptions, including mortality and economic assumptions. As trends emerge, and are validated by individual client experience or procedures, they are incorporated into our pricing framework.

In 2003, as part of a strategy to proactively protect against remote but significant contingencies and help diversify the world's risk further and more effectively, we sponsored the first insurance-linked security relating to life mortality risk, obtaining $400 million of coverage from institutional investors. Following the success of this transaction, in April 2005, we completed the transfer of mortality risk to the capital markets by obtaining $362 million of coverage through insurance-linked securities from institutional investors. Through securitization, we have transferred mortality risk to the capital markets as an alternative to traditional retrocession. The structure of the risk coverage is based on a combined mortality index. The principal of the notes is at risk if, during any single calendar year in the risk coverage period, the combined mortality index exceeds a percentage of the baseline level.

As further examples of our securitization strategy, in January 2005, we issued $245 million of securities in a securitization of in-force life insurance policies, backed by the expected future profits from five blocks of life insurance business previously acquired by us through Admin Re℠ transactions. In December 2005, we continued our program of transferring mortality risk to the capital markets, by securitizing an additional $370 million of U.S. Admin Re℠ business through our ALPS Capital transaction. This transaction securitizes the expected future profits of four blocks of life insurance business. By transforming insurance risk into a tradeable security, we are able to turn intangible assets into cash, which otherwise would only emerge over time.

Over the past several years, our Life & Health business has grown significantly through acquisition, including Alhermij (1995), M&G Re (1996), Life Re (1998) and Lincoln Re (2001). The Swiss Re Life & Health operations are headquartered in London, with more than 35 local offices in over 25 countries.

While a global trend towards privatizing health and welfare benefits has resulted in a growing recognition of the protection provided by health policies, it has proven difficult in some countries to develop products that both meet policyholder needs and provide a reasonable return for insurers or reinsurers. Some existing health products have resulted in losses because of unrealistic policy benefits, lax policy conditions or insufficient underwriting inquiries. Accordingly, following an extensive review of our health portfolio, we have put much of our U.S. health business into run-off. The Life & Health business remains committed to markets and products that allow us to generate an acceptable return and continue to write health business outside the United States. In terms of new products, we are evaluating the potential opportunities for offering longevity risk covers.

We seek to capitalise on our global position, using local initiatives to respond to local market practice. We also focus on new clients and products such as Admin Re^{SM}. Our goal is to differentiate Swiss Re as a provider of a broad range of risk management services, while controlling our administration costs. We provide support to our clients at every stage of their business cycle, from start-up planning and launch through subsequent growth into mature businesses, to, where appropriate, the cessation of specific product lines or business units. Our purpose is to help clients protect their balance sheets and to help them meet their risk management requirements.

North America

We conduct our traditional North American Life & Health operations primarily through Swiss Re Life & Health America. Our U.S. Life & Health operations are centered in Armonk, New York and our Canadian Life & Health operations are headquartered in Toronto. North America accounted for 64% of our Life & Health consolidated premiums in 2005.

We are the largest life and health reinsurer in North America, with more than $1 trillion of gross life reinsurance and insurance in force. We offer reinsurance in the United States, Canada and the Caribbean for most forms of individual and group insurance risks. In North America, our Life & Health reinsurance is sold directly by our marketing personnel.

The focus of our operations in the United States is individual and group life reinsurance, and Admin Re^{SM}. Real growth in the U.S. primary life insurance market was approximately 4.1% during the period from 1996 to 2004. For 2005, we estimate that direct U.S. Life & Health premium growth was approximately 3.0% in real terms. In contrast to the lower traditional life insurance market growth, we estimate that growth in new individual life reinsurance business volumes has outpaced growth in the primary market during this same period. The growth in reinsurance was principally due to the increased cession by U.S. life insurers, with an increase in the cession of sums assured from 15% in 1993 to over 56% in 2004, although early indications are that cessions decreased slightly in 2005. In the United States, consolidation has continued as companies seek the capital and cost efficiencies of increased scale. Primary insurers have redesigned their products, often using reinsurance to reduce both earnings volatility and capital requirements. More established clients, which have increasingly focused on distribution and asset management, may opt to outsource their risk management requirements, looking to Swiss Re instead for the underwriting and pricing capability needed in competitive risk markets. The life reinsurance market has also been expanding during the past few years due to the reinsurance of existing blocks of life insurance associated with mergers and acquisitions and demutualisation of life insurance companies.

We are a full-service life and health reinsurer and market leader in Canada. We rank first or second in all major Canadian product lines, including individual and group life and disability, based on life insurance in-force and, in the case of disability, on premiums. We are also a market leader and full service life and health reinsurer in the Caribbean.

We expect that the market for living benefits products, such as long-term care and critical illness insurance, will expand in Canada as the population ages. We also offer traditional group life and health products in Canada, although these markets are mature and we do not expect that they will show significant growth.

We compete in the U.S. life and health reinsurance market principally with Reinsurance Group of America, Munich Re, Scottish Re and Transamerica. We compete in Canada principally with Munich Re and Reinsurance Group of America.

Europe

We provide life and health products throughout Europe, and we have a leading market position in Switzerland, the United Kingdom, The Netherlands, Italy and Belgium. We are also active in Eastern Europe where we have developed a strong market position, although current business volumes there are still relatively small. We write life and health reinsurance in Europe through a number of local offices including London, Zurich, Amsterdam, Paris, Madrid and Munich. Europe accounted for 26% of our Life & Health consolidated premiums in 2004.

Our principal products in Europe are life, disability and critical illness, written on both group and individual bases. In addition to these traditional lines, we also offer financial reinsurance products to clients seeking efficient capital management solutions. Life reinsurance accounted for 66% of our 2005 Life & Health consolidated premiums earned in Europe, while health reinsurance accounted for 34% of these premiums.

The United Kingdom is our principal European market, representing 18% of total Life & Health premiums and with an estimated market share of 20% for new business and 35% for in-force business. Our primary focus in the United Kingdom is on mortality and critical illness protection. While price competition has been a feature of this market for many years, continued mortality improvements have sustained margins at acceptable levels. Critical illness products are primarily sold as accelerated covers attached to life protection.

In the U.K. market, many primary insurance companies are struggling with expense issues and reaching economies of scale. We believe these features developments represent opportunities for the continued expansion of our Admin Re[SM] business into this market.

Most European countries have well-established life insurance companies providing both risk and savings products. Traditional savings products sold by life insurance companies usually incorporate an element of mortality risk for which reinsurance is sought. We believe that the ageing of the European population is likely to increase the need for both savings products and risk products. The ageing population is increasing latent demand for pension provision, however, increased uncertainty regarding the structure and value of pension products has acted as a brake on growth in this area. At the same time, governments throughout Europe are trying to find ways of reducing the burden of social programs on national budgets and are actively promoting the concept of individual responsibility for welfare-related issues. A notable example is the pension reform measures undertaken in Germany. Even without welfare reform, we expect that the demand for savings products will continue to grow strongly as governments encourage individuals to manage their own future financial needs.

In addition to traditional lines, we also offer financial reinsurance products for clients seeking efficient capital management solutions. Capital management has increasingly become a key focus of insurance company management. Our primary product lines focus on providing efficient capital management along with risk transfer in order to assist clients with their capital management needs. We believe this will be a key driver in the continued growth of our business.

In general, we conduct our European Life & Health business directly with clients, with an emphasis on building long-term relationships. Our European Life & Health clients are principally insurance companies or bancassurers, but a portion of our business is conducted directly with self-administered pension funds. Swiss Re Life & Health Limited, our UK operating company, has a strong presence among bancassurers, as well as newly emerging retail assurers and brand assurers.

Our Life & Health operations will continue to build on the long-term relationships that we have developed throughout Europe. We believe that these relationships provide us with a competitive advantage. We also intend to focus on new entrants to the market and their specific needs for risk management and distribution advice.

We compete throughout the European life and health market principally with Munich Re, GE Frankona (which we will acquire as part of the Proposed Acquisition), Hannover Re, Reinsurance Group of America, Cologne Re and SCOR.

Rest of the World

Asia. Our Asia Life & Health business is mostly written through branches and concentrated in Japan, Korea and Hong Kong, including for business in other parts of the region, including Taiwan, Singapore, Thailand, Indonesia and the Philippines. In addition, we write business in countries such as India, China and Vietnam, where we believe there are significant long-term opportunities for growth. We operate a service company in Mumbai (Bombay). Our Life & Health business in Asia grew by more than 15% in 2005 and we have developed a number of key strategic initiatives designed to build on this achievement during 2006, including new product developments in the areas of health and living benefits, and capital management.

We are a leading foreign life and health reinsurer in Japan. In May 2004, we became the first leading global reinsurer to operate a fully-fledged branch in Japan, providing nationwide reinsurance services in both life and non-life business. Our Japanese client base consists primarily of life insurance companies. Our products in Japan include individual life and health coverages. The Japanese life insurance industry currently is going through a very difficult period. In-force premium income for the industry as a whole is static, at best, but the largest companies, including foreign companies, are expanding new business at the expense of smaller Japanese companies whose new business is declining. We expect that this trend will accelerate because the solvency positions of insurers are now public knowledge and that a flight to more financially stable, larger companies will likely result.

We believe that demand from life insurers for financial support in life and health products will continue to increase in most emerging markets. Accordingly, in these markets we are promoting our specialized knowledge in the area of product development and risk analysis and our broad capability in designing tailor-made reinsurance solutions to help our clients manage risk and meet their capital requirements. India, for example, with its large population and expected growth in GDP over the next few years, presents opportunities for us. However, because the market for sophisticated insurance products is untested and other uncertainties exist with the current regulatory environment, it is difficult to predict how quickly the market will develop.

Australia. We are among the market leaders in Australia. Our strategy in this market is to position ourselves as the leading value-added reinsurer differentiated from competitors by the scope and sophistication of our services. Our client base in Australia consists primarily of life insurance companies, for which we reinsure primarily individual and group life and disability business. The recent deregulation of the Australian financial services sector has contributed to the blurring of the boundaries between the banking, investment and insurance markets, resulting in substantial consolidation among insurance and banking firms. The market emphasis is moving towards fund management and investment products, with insurers offering traditional risk products through outsourcing, alliances and joint ventures.

Africa. Our Africa Life & Health operations consist primarily of business that our South African subsidiary writes in South Africa, with a small additional amount written in Sub-Saharan Africa.

Our principal products consist mainly of group and individual life, group and individual disability income and individual health. Reinsurance is offered on both original terms and risk premium arrangements, almost entirely on a proportional basis.

The South African market is dominated by a few large insurers who generate the majority of total premiums in the African insurance market. Competition among reinsurers is intensifying in South Africa and pressure on margins is increasing. Our strategy in this region is to develop long-term partnerships with clients by providing economic value to them and being acknowledged as an expert provider of risk management solutions and technical services.

Latin America. The life and health reinsurance markets in Latin America are fragmented and characterized by high commission rates and low profit margins. The Latin American markets are generally in an early stage of development, and the products we offer there tend to be conventional, such as group risk covers. Longer term, we expect growth in the conventional market and a more stable economic environment will result in strong growth in the market for individual life and health reinsurance. We also expect that privatization of social programs in a number of these markets will result in strong long-term growth in group business as well.

Financial Services

General

The Financial Services business seeks to be a premier provider of credit reinsurance, third party asset management for insurance companies, insurance linked securities and other capital management solutions. Operating income for our Financial Services business increased 15% to CHF 366 million. Our Financial Services business had consolidated net premiums earned of CHF 908 million in 2005, representing 3.3% of our total consolidated net premiums earned. In 2004, our Financial Services business had consolidated net premiums earned of CHF 898 million, or 3.1% of our total consolidated net premiums earned.

Prior to our 2005 re-alignment, the Financial Services business served its clients through four business units: Risk Solutions, Credit Solutions, Capital Management and Advisory (CMA) and Asset Management (which encompassed both our proprietary asset management (PAM) operations and our third-party asset management (TPAM) operations). In 2005, in conjunction with the re-alignment of our business, Risk Solutions was transferred to our Property & Casualty business and the remaining three business units, along with the new Insurance Risk Transformation dedicated to furthering our efforts to accelerate our balance sheet through securitization, now comprise our Financial Services business. The current structure of our Financial Services business provides the Group with greater flexibility in managing its balance sheet and reducing earnings volatility, while increasing the transparency and liquidity of insurance risk for both investors and clients.

Financial Services' products include a range of solutions from reinsurance and insurance-linked securities to asset management, benefiting from our expertise in the risk and capital management fields. The demand for these products is concentrated in developed markets and is primarily driven by financial institutions and some large corporations.

We provide credit reinsurance and structured credit underwriting solutions from our offices in Zurich, New York and London. In addition to our proprietary asset management operations, we provide asset management services principally to insurance companies and other financial institutions. CMA has offices in New York and London and competes with investment banks specializing in structured credit financing, asset-backed securities and insurance securitization.

Credit Solutions

The Credit Solutions unit offers trade credit and surety reinsurance as well as structured credit solutions globally to address specific credit risk and portfolio management issues of insurance clients as well as large banks and corporations. We are the market leader in trade credit reinsurance and a successful player in the field of structured credit and financial guarantee transactions. Credit Solutions produced strong revenues and above average operating income in 2005, with a combined ratio of 81.1% for traditional business, compared to 92.5% in 2004. While further consolidating its position in the reinsurance area, Credit Solutions successfully expanded in the structured credit and capital markets arena.

Trade credit and surety reinsurance addresses capital, capacity and portfolio risk management needs of surety and credit insurers globally.

Structured credit solutions are tailor-made covers involving insurance, reinsurance and capital markets products and address capital, risk and portfolio management needs of commercial and investment banks, multi-line insurers and corporations. Besides the selective offering of portfolio credit default swaps, structured credit underwriting offers insurance-based structured transactions and financial guarantee (re)insurance contracts to address capital, risk, and portfolio management needs.

Our Credit Solutions unit manages its portfolio for profits throughout the economic cycle, complementing stringent credit underwriting standards with selective hedging, including credit default swaps and risk securitization. Pursuing this strategy, and with the combination within the financial Services business of Credit Solutions' expertise in trade credit reinsurance with the ability to securities insurance risk, allowed us to successfully complete the first indemnity-based trade credit reinsurance securitization in January 2006. Through this EUR 252 million securitization, we were able to transfer credit insurance risk to the capital markets, essentially providing credit protection for us for the next three years.

Capital Management and Advisory

CMA originates, structures, places and trades interest rate, equity, credit, insurance and weather risks through financial products and capital markets.

At the beginning of 2001, Swiss Re Financial Products was established as a separate business unit to play a leading role in developing the convergence of insurance and capital markets. This unit was subsequently merged with Fox-Pitt, Kelton under the CMA brand. CMA's activities include credit and equity derivatives structuring and trading, as well as distribution of fixed-income securities, particularly insurance-linked, asset-backed and structured credit securities. CMA works closely with our other units to seek to develop synergies that will enhance existing Swiss Re businesses, thereby building our competitive advantage in both the insurance and capital markets arenas. CMA's core client base is the global insurance industry and selected financial services companies. CMA's aim is to become a leading provider of various forms of capital, structured investment products and financial risk management solutions through the integration of cash and derivative capabilities.

Swiss Re Capital Markets Corporation, the entity within CMA responsible for the underwriting and distribution of securities, is a leading underwriter and dealer of insurance-linked securities. In 2005, Swiss Re Capital Markets Corporation was sole or co-lead manager on 14 insurance-linked transactions (including issuances under its existing programs), which totalled approximately $1.23 billion for Swiss Re and its clients.

In February 2006, we sold a majority stake in Fox-Pitt, Kelton. We retain an interest in the new company through convertible preferred stock. Fox-Pitt, Kelton's research, equity brokerage and distribution and corporate finance activities focus on the financial services industry worldwide, with particular emphasis on insurance and banking.

Asset Management

Drawing on the full range of our group's capabilities, we manage fixed-income and traded equity and certain private equity investments both for the group and for third parties, primarily insurance companies.

Proprietary Asset Management. Our proprietary asset management activities are conducted by Swiss Re Asset Management (SRAM). In addition to our portfolio of marketable securities, we make proprietary investments in third-party private equity and venture capital funds, as well as manage two private equity funds, and two funds of funds. In addition, we occasionally make minority investments with the goal of creating and enhancing our relationships with our reinsurance clients. Going forward, one of our alternative investment strategies is to increase our focus on investment related to the emerging markets in Asia, as well as to restructure our real estate portfolio and focus more on indirect investment in real estate. For a description of our proprietary asset management activities, see "Operating and Financial Review – Our Investment Portfolio."

Third-Party Asset Management. We provide third-party asset management services under the Conning brand. Conning Asset Management ("Conning") provides customized, client-tailored investment management services for over 110 institutional clients in the United States, Canada, Bermuda, the United Kingdom, continental Europe and Japan. Conning provides three core investment management offerings:

- comprehensive portfolio management services including most fixed income and equity products as well as alternative investment vehicles, including structured product solutions;
- full investment accounting and financial reporting services covering Statutory, GAAP and Tax bases; and
- insurance advisory services including asset-liability management and dynamic financial analysis to help identify the clients' optimal investment strategy.

Conning also provides subscription publications that include insurance industry forecasts and strategic industry studies as well as strategic advisory consulting services that assist clients with strategic financial issues such as capital management, strategic business planning and economic profit analysis.

Conning provides the insurance industry with the unique combination of a complete set of comprehensive investment management services together with insurance industry expertise and insight. The combination of insurance and investment capabilities allows Conning to develop valuable and lasting partnerships with its clients. Conning employs a client-tailored investment approach that explicitly considers each client's asset, liability and capital positions, business plans, regulatory, accounting and tax requirements. This approach allows us to structure and implement an investment portfolio that meets our clients' risk, return and liquidity objectives. We add value within the portfolio management process on both market and sector assessment levels, as well as on a security-selection level via our comprehensive and fundamental credit and structured security research, and extensive portfolio risk management. We offer expertise in the global capital markets and investment accounting through our ability to capture economies of scale.

With over $61 billion in third-party assets under management, managed in both Conning's U.S. and Dublin investment centers, and more than $100 billion in assets under contract, as of January 31, 2006, Conning is ranked one of the largest U.S. insurance asset management firms. Conning recently expanded to the United Kingdom and continental Europe, with offices in London and Dublin in addition to its U.S.-based headquarters in Hartford, Connecticut. Conning expects to open an office in Asia in 2006.

Insurance Risk Transformation

Our new Insurance Risk Transformation unit facilitates balance sheet management and in particular our efforts to accelerate our balance sheet through securitization. By entering into risk protection through securitization we can reduce our capital requirements, thereby improving our return on equity and increasing our capacity. We believe that such transactions also assist in converging rating and regulatory capital with economic capital requirements.

Examples of types of risks we have been able to securitize and place in the capital markets include:

- the transfer of $762 million of extreme mortality risks (peak risk) through our Vita I and Vita II transactions;
- the transfer of $163 million of multi-peril catastrophe risks (peak risk) through a take-down of our Arbor transaction;
- the transfer of EUR 252 million of credit risk providing mass risk protection reducing volatility and our capital requirements, representing the first indemnity-based credit reinsurance securitization ever placed; and
- the transfer of $615 million of performance risk involving the securitization of future profits from portfolios of U.S. life insurance business through our Queensgate and ALPS Capital transactions.

Swiss Re's Clients and Marketing

We market our reinsurance products on a worldwide basis, principally under the "Swiss Re" brand name. Our marketing strategy is client-focused rather than product-focused. In this regard, we have sought to establish a local presence in growing markets to better meet the needs of our clients. Since 1994 we have opened offices in cities such as Paris, Milan, Moscow, Tel Aviv, Mumbai (Bombay), Kuala Lumpur, Bangkok, Seoul, Taipei, Beijing, Shanghai and São Paulo. We have set up a marketing unit for global clients that enables us to concentrate the particular expertise needed to serve the major international insurance groups. We organize our professional resources among specialties and geographic areas using a client management team approach that brings Swiss Re's global resources to bear on our clients' needs. These teams consist of a client manager, underwriters and other team members each of whom brings an added element of expertise to the client relationship. We provide a significant amount of technical advice and assistance to our clients as a means of enhancing our relationship with them and we take the lead in developing programs so that we can significantly influence the terms and structure of the business we write.

Direct reinsurance relationships generally lead to the sharing of technical expertise between the reinsurer and the ceding company and tend to be stable and long-term. Reinsurance written through brokers tends to dominate in the London Market and in particular lines such as marine risks, large property and casualty facultative risks and business with large property and casualty corporate clients.

We believe that we have a well-developed client base, and that we are not dependent on any single client, group of clients or line of business. We do not believe that the loss of any single client would have a material adverse effect on our results of operations or financial condition.

Underwriting and Pricing

Our underwriting units carry out their functions according to internal guidelines established at the Swiss Re Group, the lines of business and the operating division levels, which set forth limits for coverage and procedures for risk assessment, pricing and risk taking. The quality of risks, past experience and future exposure are the main criteria in determining price levels as well as available capacity.

We generally limit our capacity on a per claim, per event and per year basis through claims series clauses, aggregate annual limits and index clauses, which reset retention in the event of claims inflation. Our focus continues to be on underwriting discipline, tightly-controlled capacity and adherence to risk-adjusted return targets. We maintain a risk reporting and assessment function, which monitors and controls the amount and concentration of risk underwritten.

In developing underwriting guidelines and monitoring risk, our Executive Board and Executive Committee approve general principles for our risk tolerance and overall capacity allocation. The overall objective of these comprehensive procedures is to achieve an appropriate return for the risk we take while safeguarding our solvency and creditworthiness. In particular, we seek to maintain a sufficient level of capital that allows us to maintain top financial strength even after a loss from a once-in-a-hundred years event.

The Finance and Risk Committee of the Board of Directors reviews corporate integrated risk management reports and reviews our maximum exposures and the adequacy of our non-life reserves annually. The Capital and Capacity Allocation Committee reviews our risk tolerance and capacity allocations in terms of limits by type of business. It is also charged with determining the optimal allocation of risk-adjusted capital to underwriting, investment and credit risk categories, including the use of external retrocession, if any. The Capital and Capacity Allocation Committee further reviews and approves Group Risk Reports and decides on methods we use for performance measurement as well as to calculate economic risk capital. Our Group Products and Limits Committee establishes underwriting limits per line of business and reviews our underwriting guidelines. It also makes decisions about deviations from our reinsurance guidelines and reviews/approves large transactions.

Our pricing takes into account past losses as well as possible future expected claims, based on risk research and regular monitoring of risk landscape developments. In addition, pricing includes charges for management expenses and cost of capital, as well as the time value of money. Pricing procedures differ according to the type of reinsurance (treaty or facultative, proportional or non-proportional); however, the overall pricing framework and monitoring are centrally coordinated.

For property and casualty business, typically, one reinsurer acts as the "lead" in negotiating principal reinsurance terms and pricing of reinsurance contracts. Our strong capital base, underwriting experience and willingness to provide substantial capacity on a direct basis provide us with opportunities to take a lead role in underwriting reinsurance contracts. We believe that being a lead underwriter is an important factor in achieving long-term success in the reinsurance market. Lead underwriters have greater influence in negotiation of reinsurance terms, attachment points and premium rates than following reinsurers. Reinsurers that lead treaties have greater access to preferred business and are better able to develop long-term relationships with their clients. For life and health business, typically a reinsurer assumes the entire obligation or acts as a co-reinsurer with no reinsurer acting as lead underwriter.

Catastrophe Risk

We are exposed to losses affecting multiple insureds at the same time, arising out of the occurrence of a natural peril, such as an earthquake or hurricane, or a man-made event, such as a terrorist attack. The occurrence of any such catastrophe could generate insured losses in one or many of our reinsurance treaties or facultative contracts in one or more lines of business. See generally "Risk Factors—Risks Related to Our Business—Catastrophic events expose us to the risk of unexpected large losses" and "Operating and Financial Review—Industry Conditions—Property and Casualty Reinsurance."

Generally

Our Catastrophe Perils unit evaluates the frequency and severity of catastrophes and estimates our potential resulting loss exposure. Over 30 catastrophe risk specialists are employed in the modeling and evaluation of catastrophe risk exposure worldwide, using specially developed software and techniques. We prepare a formal report on our catastrophe exposure annually on market, peril and line of business bases. We also review the coverage and pricing situation annually in our most important markets. We use these reports, together with other internal data, to evaluate our group-wide risk exposures and capital allocation.

We seek through our integrated Group risk model to quantify our total exposure through an aggregation process for all of our acceptances to produce a loss frequency curve from which we can derive a single annual aggregate loss distribution covering the full spectrum of losses (that is, all possible combinations of adverse and unexpected large losses) up to a one in 10,000 years event. We also consider the diversification effect from other than natural catastrophe exposures.

For monitoring and capacity allocation and deployment purposes, we monitor our accumulated exposure to catastrophe losses and quantify our exposure in terms of the expected maximum loss, or EML. We define EML as our anticipated maximum loss, taking into account contract limits, caused by a catastrophe such as a hurricane or earthquake occurring within a given financial reporting period in a broad, contiguous geographic area. We estimate that our largest group-wide EMLs for earthquake risks are located in California, Japan and the New Madrid fault line in the central United States. We estimate that our largest EMLs for windstorm risks, including tropical cyclones, are located in Europe and in the United States, followed (though to a much smaller degree) by typhoon risk in Japan.

Terrorism

The events of September 11, 2001 caused us to re-evaluate our exposure to man-made catastrophic events. Prior to September 11, the assumed maximum loss potentials arising from terrorist acts were thought to be of controllable size and comparable to property losses resulting from fire and explosion. The extraordinary nature and magnitude of the September 11 attack revealed the full extent and scope of the international terrorist threat and has made it necessary for us to substantially reassess terrorism risk.

The prospect of future substantial events similar to September 11 poses a challenge for risk managers and underwriters alike. There is also the prospect that the frequency of smaller terrorist events will rise in the future. We have undertaken, and will continue to undertake, measures to minimize our exposure to losses resulting from terrorism, including through an underwriting approach based on exclusions, separation of terrorism cover in stand-alone covers and total loss limits per city and country across the full portfolio. We consider a multitude of potential threat scenarios, some of which affect multiple lines of business simultaneously. Our modelled exposures are added to the Group risk model for aggregation purposes.

Reserves for Claims

Significant periods of time may elapse between the occurrence of an insured loss giving rise to a claim, the reporting of the claim to the ceding company and the reinsurer and the ceding company's payment of that claim and subsequent payments to the ceding company from the reinsurer. To recognize liabilities for unpaid claims, claim adjustment expenses and future policy benefits, insurers and reinsurers establish reserves, which are balance sheet liabilities representing estimates of future amounts needed to pay reported and not yet reported claims and related expenses arising from insured losses that have already occurred.

Reserves are estimates that involve actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. These estimates are based on facts and circumstances then known, predictions of future developments, estimates of future trends in claims frequency and severity and other variable factors such as inflation. For some types of claims, most significantly asbestos-related, environmental pollution and health hazard claims, it has been necessary, and may over time continue to be necessary, to revise estimated potential claims exposure and, therefore, the related claims reserves. Consequently, actual claims, benefits and related expenses ultimately paid may differ from estimates reflected in the reserves in our consolidated financial statements.

We typically establish our case reserves under proportional treaties by taking into account reserving methodologies and practices adopted on a group-wide basis. Generally, claims personnel at a ceding company establish a case reserve for the estimated amount of the ultimate payment for a reported claim. The estimate by the ceding company is based on the reserving practices and experience and knowledge of personnel at the ceding company regarding the nature and value of the specific types of claims. We generally establish reserve levels using reports and individual case estimates received from ceding companies. We maintain loss and loss adjustment expense reserves to cover our estimated liability for both reported and unreported claims. We utilize a reserving methodology that calculates a point estimate for our ultimate loss, and we then develop a range around our point estimate. The point estimate represents management's best estimate of ultimate loss and loss adjustment expenses. Our internal actuaries review our reserving assumptions and our methodologies on a quarterly basis. As a general matter we do not discount non-life reserves, though in keeping with industry practice, we do discount for workers' compensation and motor reserves.

In the case of facultative and non-proportional business, we generally evaluate the ceding company's reserves taking into consideration coverage, liability, severity of injury or damage, jurisdiction, an assessment of the ceding company's ability to evaluate and handle the claims and the amount of reserves recommended by the ceding company. If we determine that the reserves established by the ceding company may be insufficient to cover the ultimate cost of particular claims, additional case reserves are established either per treaty or per facultative acceptance.

We also establish global claims reserves for claims incurred but not reported ("IBNR"). These reserves are established to provide for payments for incurred claims that have not yet been reported to an insurer or reinsurer. In calculating our IBNR reserves, we generally use accepted actuarial reserving techniques that take into account quantitative loss experience data, together with, where appropriate, qualitative factors. IBNR reserves are based on claims experience and are grouped both by line of business and by accident year. IBNR reserves are also adjusted to take into account such factors as changes in the volume of business written, reinsurance contract terms and conditions, the mix of business, claims processing and inflation that can be expected to affect our liability for claims over time.

In our Life & Health business, reserves for future policy benefits and claims are established based upon our best estimates of mortality, morbidity, persistency and investment income, with appropriate provision for adverse deviation. The liabilities for future policy benefits for individual risks or classes of business may be greater or less than those established by ceding companies due to the use of different mortality and other assumptions. Reserves for policy claims and benefits include both mortality and morbidity claims in the process of settlement and claims that have been incurred but not yet reported. Actual experience may differ from assumed experience and, consequently, may affect our operating results for a period, especially for disability business where the claims reserve reflects payments over a long period of time and is based on assumptions regarding morbidity and investment income.

Underwriting results from property and casualty business in the United States have been adversely affected by claims developing from alleged environmental pollution. We establish reserves for reported claims as well as an estimate for unreported claims and claim adjustment expenses. Although we believe that reserves for unpaid claims are adequate in the aggregate, uncertainties arise when estimating the ultimate future amounts that may be needed for unreported environmental pollution claims. These uncertainties exist in part due to inconsistent decisions reached in court cases in various jurisdictions, including decisions about:

- the existence of insurance coverage;
- which underlying policies provide the coverage;
- whether the release of contaminants is one "occurrence" or multiple occurrences for determination of applicable coverage/policy limits;
- how pollution exclusions should be applied;
- whether clean-up costs constitute covered damage; and
- whether an insurer has a duty to defend.

Since the early 1980s underwriting results from property and casualty reinsurance business relating to the United States have been adversely affected by claims developing from asbestos-related coverage exposures. The majority of these claims allege bodily injury resulting from exposure to asbestos products. A lesser amount of claims allege damage to buildings resulting from the presence of asbestos. We monitor developments in this area and establish reserves for reported claims as well as an estimate for unreported claims and claim adjustment expenses. We believe uncertainties exist in estimates of the ultimate future amounts that may be payable for unreported asbestos-related claims. These uncertainties include estimations of the number and value of claims that may be reported, court decisions affecting the liability, and the maximum value of asbestos-related exposures written by our clients during expired coverage periods.

During the mid-1990s we substantially strengthened our reserves for asbestos-related and environmental pollution claims. Since then, we have operated a proactive policy of managing our exposure through active claims management and commutation when appropriate. A measure that is often used to measure reserve adequacy for asbestos-related and environmental pollution liabilities is the three-year "survival" ratio, calculated as the total net provision held at the end of a period divided by the average net claims paid over the previous three years. The survival ratio is an industry measure of the number of years it would take for a company to exhaust its reserves for asbestos and environmental claims based on the current level of claims payments. This measure is distorted by commutations, which appear as claims paid immediately after the commutation has been agreed, rather than being paid out gradually over a number of years. After adjusting for commutations, including one major commutation in 2000, our three-year survival ratio for asbestos-related, environmental and other long latent liability claims is 11.0 years as of December 31, 2005, based on our best estimates (as compared with 7.8 years for the insurance industry at the end of 2004).

Recently, although we have seen a decrease in the number of size of class action filings in the United States, compensation awards for bodily injury claims are rising in Europe, with class action legislation emerging in response. We intend to actively monitor this trend, and will adjust our reserve levels and add to our reserves if we believe such changes are necessary.

During the late 1990s and early 2000s, we saw, particularly in the United States, claims relating to bankruptcies and corporate, financial and/or management improprieties. Following the major financial scandals, we also saw an increasing number of large claims resulting from actions brought against financial institutions, accounting firms and other professionals alleging primary liability, or liability for aiding and abetting, in respect of violations of the securities laws, often leading to large settlements. These resulted in an increase in frequency and severity of claims under professional liability covers.

We believe that our total reserves for property and casualty and life and health claims as of December 31, 2005 are adequate. Our reserves may, however, prove to be inadequate to cover our actual claims and benefits experience. To the extent reserves are insufficient to cover actual claims, claim adjustment expenses or future policy benefits, we would have to add to these reserves and incur a charge to our earnings.

Claims Management

We normally settle individually notified claims on the basis of the notification provided by the ceding company after verification that reinsurance coverage exists. In addition, we routinely conduct an investigation when a life insurance claim is made within the first two years that the policy is in effect. Our technical accounting and claims operations personnel administer and selectively manage individual claims reported to us. In addition to administering reported claims and conferring with ceding companies on claim matters, our claims personnel conduct reviews of claims experience with our ceding companies as well as audits of specific claims and the claims procedures in general at the offices of ceding companies. We generally monitor whether the ceding company uses appropriate adjusting techniques, reserves appropriately, has sufficient staff and follows proper claims processing procedures. When we are involved as a direct insurer (for example, in our Admin Re℠ business), we either investigate, manage and settle claims in line with the requirements of the specific portfolio or outsource these activities to suitable service providers. We have approximately 500 professionals worldwide engaged in claims handling.

Retrocession

Some reinsurers purchase reinsurance to cover their own risk exposure. The purchase of reinsurance by reinsurers is referred to as retrocession. These reinsurance companies cede risks under retrocessional agreements for reasons similar to those that cause insurers to purchase reinsurance, namely to reduce net liability on individual risks, to protect against catastrophic claims, to stabilize financial ratios and to obtain additional underwriting capacity.

Generally, our retrocessions arise through the issuance of our insurance-linked securities. For example, at December 31, 2005, we had in excess of $800 million of catastrophe bonds outstanding, that provide protection, among other things, for peak insurance risks, including multi-peril covers as well as single peril earthquake, hurricane, tsunami and windstorm covers. We will need to replace a significant portion of this capacity this year (as over $600 million of our December 31, 2005 capacity expires in mid-June 2006). In connection with this replacement process, we are exploring ways to enhance the structure of the protection, move in some cases from parametric (event) triggers to market loss triggers, and enhance the parametric indices based on the latest scientific findings and updated portfolio information, and are also considering new features to address the lessons learned from the 2005 hurricanes (including sensitivity to secondary perils and trigger diversification).

In addition, when we make acquisitions, we are exposed to the retrocession arrangements that were previously put in place in respect of the acquired business. In addition, from time to time we retrocede large single risks or a portfolio of concentrated risks. We retroceded on an aggregate basis approximately 8.0% of our gross premiums written during 2005 to third parties. A significant portion of our loss on the World Trade Center complex and the related aviation covers was absorbed by retrocession covers put in place for large catastrophes.

GEIS has historically used substantial retrocession capacity. We estimate that in 2002, 2003 and 2004, GEIS retroceded approximately 32%, 17% and 19% of its premiums (in contrast to our retrocession of 8%, 5% and 2% of premiums over the same period). We intend to optimize the GEIS Business' retrocession program over time and will actively manage, and to the extent practicable, commute existing reinsurance recoverables.

Employees

We had 8,882 employees worldwide as of December 31, 2005. Our employees are distributed by geographic region as follows: Europe, 5,472; North America, 2,335; Asia/Pacific, 785; Latin America, 115; and Africa, 175. We employed 8,359 people worldwide as of December 31, 2004 and 7,949 employees worldwide as of December 31, 2003. In connection with our restructuring efforts and the integration of the GEIS Business, we expect that there will be certain reductions in employee levels at both our operations and the GEIS Business' operations.

We believe that our employee relations are good. In Australia, The Netherlands, Italy, France and Germany our employees are covered by various collective bargaining agreements relating to working conditions, which are negotiated periodically with the employees' representatives.

Competition

The reinsurance business is competitive and, except for regulatory and capital considerations, there are few barriers to entry. We compete with other reinsurers based on many factors, primarily:

- expertise, reputation, experience and qualifications of the reinsurer's employees;
- local presence;
- client relationships;
- financial strength of the reinsurer;
- geographic scope of the reinsurance business conducted;
- products and services offered;
- premium levels;
- contract terms and conditions; and
- speed of claims payment.

The reinsurance industry has experienced significant consolidation in recent years. Reinsurance companies have sought in recent years to expand their existing markets, obtain critical mass in new markets and further diversify risk. At the same time, consolidation in the worldwide insurance industry has created a smaller group of larger ceding companies that are retaining an increasing proportion of their business.

In the property and casualty business, factors such as general trends towards globalization, a heightened customer preference to do business with the largest and best capitalised reinsurers, increasing competition among reinsurers and the emergence of the capital markets as an additional source of risk-bearing capacity, have resulted in significant consolidation and emphasis on the financial strength of reinsurers.

The life and health reinsurance market is also becoming increasingly concentrated. We estimate that, based on premiums written, the largest three reinsurers represent half of the life and health market and the largest seven reinsurers represent three quarters of the market. Nevertheless, new competitors continue to enter the market.

As a direct writer of reinsurance, we compete with a number of major direct marketers of reinsurance both in local markets and internationally. We also compete with a number of major reinsurers who write business through reinsurance brokers, and with Lloyd's of London. We believe that our largest competitors, both locally and internationally, are:

- Munich Reinsurance Company, including its subsidiary American Reinsurance Company;
- General Reinsurance Corporation, including Cologne Reinsurance Company and National Reinsurance Company, which is owned by Berkshire Hathaway, Inc.;
- Hannover Re; and
- Employers Reinsurance Corporation, including the Frankona Group, which is a subsidiary of General Electric (which we will be acquiring as part of the Proposed Acquisition).

Properties

Our global headquarters are located in Zurich, Switzerland and include a training and management development center in Rüschlikon, Switzerland. Our U.S. reinsurance operations are headquartered in Armonk, New York. We have constructed a new headquarters for Swiss Re Germany in Munich and new office space in London for our U.K. operations. As of December 31, 2005, we owned or leased office space in more than 70 cities in over 30 countries around the world. We believe that these facilities are adequate for our present needs in all material respects. Office space acquired in connection with acquisitions is integrated into our existing operations or disposed of as needed. We also hold other properties for investment purposes.

Our principal properties:

Location	Lease/owned	Type of facility	Total Area(m²)
Switzerland			
Zurich			
Am Eschenpark	Owned	Apartment	10,260
Badenerstr. 170/172	Owned	Offices/Apartments	24,086
Giesshübelstr. 30	Owned	Offices	12,355
Gotthardstr. 35/43	Owned	Offices	11,156
Mythenquai 24 (Mythenschloss)	Owned	Offices/Apartments	25,367
Mythenquai 50 (Neubau)	Owned	Offices	13,263
Mythenquai 60 (Altbau)	Owned	Offices	11,326
Adliswil			
Soodring 6	Owned	Offices	16,720
Soodring 33	Owned	Offices	21,085
Soodstr 52 (Tüfihaus)	Owned	Offices	19,759
Ruschlikon			
Gheistr. 37 (Seminarzentrum)	Owned	Offices	16,766
United Kingdom			
London			
30 St Mary Axe	Owned	Offices	49,971
United States			
New York			
175 King Street, Armonk	Owned	Offices	33,946
55 E. 52nd Street, 39th – 44th floor, NY	Leased	Offices	16,874
Indiana			
1700 Magnavox Way, Fort Wayne	Leased	Offices	23,517
Tennessee			
100 CAN Drive, Nashville	Owned	Offices	23,318
Germany			
Unterföhring (Munich)			
Dieselstrasse	Owned	Offices	25,225
South Africa			
Johannesburg			
Swiss Park, 10 Queens Road, Parktown	Owned/Leased (1)	Offices	20,833

(1) This property is 36% owned and 64% leased.

We are not aware of any material environmental issues that would affect our utilization of the above properties other than our general obligation to comply with all applicable regulations.

Governmental, Legal and Arbitration Proceedings

Litigation and Arbitration. Litigation and arbitration proceedings may affect various companies in our group as reinsurers, employers and taxpayers in the normal course of their business. Based on our assessment of current litigation and arbitration proceedings, we believe we have made adequate reserves for any such future proceedings.

We underwrote 25% of the excess coverage for the $3.5 billion in first party insurance obtained by the lessees of the World Trade Center. Following the destruction of the World Trade Center, we initiated litigation against the lessees (the "Lessee"), its lenders and the lessor, the Port Authority of New York and New Jersey (the "Port Authority") in the U.S. District Court for the Southern District of New York to obtain a declaration of our rights and obligations with respect to all parties in interest. The defendants filed counterclaims and joined other insurers in the lawsuit. In May 2004, a jury found we had bound coverage on a policy form under which, according to a previous court decision, the insureds may recover from us a maximum of our 25% share of the $3.5 billion policy limit. As a result, our exposure for claims related to the attack on the World Trade Center remains consistent with our existing loss estimates. The court denied the defendants' post-verdict motions seeking to set aside the verdict. An appeal was heard on March 7, 2006, and a decision on the appeal remains pending. The insureds also have claimed entitlement to an immediate lump sum distribution of the full policy limit, plus approximately $250 million in prejudgment interest. In June 2005, the court denied the insureds' motion for summary judgment on the claim, and we moved for dismissal. We were directed by the court to file a motion seeking an order that we must only make periodic payments on a “replacement costs” basis as rebuilding of the World Trade Center progresses. Our motion remains pending, with no hearing date set. A motion by the Lessee to reconsider the denial was denied in early 2006.

The Port Authority is the lessor of the World trade Center and owns additional adjacent property that was destroyed on September 11. We also have brought a declaratory judgment action against the Port Authority seeking a declaration that portions of the World trade Center leased to the Lessee were not covered under the Port Authority’s separate $1.5 billion excess coverage policy and that, in any event, the attack was a single occurrence under the policy. We also asked the court to consolidate our action with other insurers’ actions. The Port Authority moved to dismiss or stay our action on the ground it is not ripe for a decision. We have opposed the motion, and no hearing date has been set. We intend to pursue these actions vigorously.

Pending Regulatory Investigations. Various regulatory authorities, including the SEC and State Attorneys General in the United States, including the Attorney General of the State of New York, State Insurance Commissioners in the United States and the U.K. Financial Services Authority, as well as law enforcement agencies, are conducting investigations of non-traditional, or loss mitigation insurance, products. Swiss Re is among the companies that have received subpoenas to produce documents relating to “non-traditional” products as part of these investigations. We have announced that we are cooperating fully with all requests for documents addressed to us.

It is unclear at this point what the ultimate scope of these investigations will be, in terms of the products, parties or practices under review, particularly given the potentially broad range of products that could be characterized as “non-traditional.” Consequently, it is unclear at this point what the direct or indirect consequences of such investigations will be. The scope of the investigations could expand and other regulators and law enforcement agencies may initiate their own investigations. The consequences of these investigations could include, for example, but are not limited to, criminal or civil actions by regulators or lawsuits arising from practices under review, changes in the scope and nature of regulatory oversight of the insurance and reinsurance industries, changes to applicable accounting rules, adoption of new reporting rules, changes to the range of non-traditional products that are available and a reduction in the use of non-traditional products, changes in the criteria used by ratings agencies and changes to practices in respect of a range of non-traditional products by both providers and users of such products. The investigations could also adversely affect the levels of business, and the stock prices, of industry participants. See “Risk Factors—Risks Related to Our Business—Regulatory actions may have an adverse impact on the industry in general and on our business, results of operations and financial condition.”

Impact on us. Except as set forth above under “—Litigation and Arbitration,” we are not, and have not been in the previous 12 months, subject to any governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which we are aware, which may have, or have had in the recent past, significant effects on our financial position or profitability.

BUSINESS OF GE INSURANCE SOLUTIONS

GEIS offers a wide variety of reinsurance and primary insurance products on a worldwide basis and employs approximately 2,500 people. It markets its products and services to insurance companies, corporations and professionals. GEIS is one of the largest reinsurance providers in its marketplace and its property and casualty operations were ranked fourth in the world in terms of gross premiums written in 2005. GEIS competes with both the world's largest reinsurers as well as smaller niche competitors in the U.S. commercial insurance market. Its insurance operations are regulated by state insurance commissions in the United States and by non-U.S. regulatory authorities as applicable in the relevant jurisdictions. Unless otherwise noted, this discussion covers the historical business of GEIS (including the Excluded Operations that we will not be acquiring).

Through its principal reinsurance and insurance affiliates, Employers Reinsurance Corporation, GE Reinsurance Corporation, the GE Frankona Group, Westport Insurance Company, and First Specialty Insurance Company, GEIS writes substantially all lines of reinsurance (where the insured party is an insurance company) as well as many primary commercial insurance lines (where the insured party is a business or organization). The following table summarizes—by principal product lines—the geographic allocation of GEIS' gross premium written (excluding the Excluded Operations). The allocation presented is based on the physical location of the legal entity underwriting such business, and does not necessarily reflect the geographic location of the insured party/ceding company or of the relevant risk associated with the coverage.

2004 and 2005 Gross Premiums Written by Line of Business (USD in millions)

	2004				2005			
	Americas	Europe	Asia	Total	Americas	Europe	Asia	Total
Casualty	2,909	352	127	3,388	1,694	340	114	2,148
Property	892	1,023	147	2,062	1,011	993	121	2,125
Specialty	53	1,244	11	1,308	27	1,500	13	1,540
Life and Health	—	1,204	—	1,204	—	1,210	—	1,210
Total	3,854	3,823	285	7,962	2,732	4,043	248	7,023

Property and Casualty

GEIS' largest product line, property and casualty reinsurance, accounted for 83% of its worldwide gross premiums written in 2005. The majority of premiums in the property and casualty reinsurance segment are derived from treaty agreements, which has enabled this business to maintain lower operating costs, since fewer personnel are required to administer treaty business than facultative business.

A majority of GEIS' casualty business is written on an excess-of-loss basis in order to both control exposure and provide greater ability to influence reinsurance pricing on business that has relatively longer claims settlement patterns. GEIS' property business is written on both an excess of loss and a proportional basis. GEIS often acts as a lead reinsurer for domestic U.S. programs, enabling it to negotiate lead terms of the reinsurance treaty. The GEIS international property and casualty business services worldwide markets, including most European countries and countries in the Middle East, Far East and Latin America. For the year ended December 31, 2005, 36% of GEIS' international gross premiums written from property and casualty reinsurance were derived from property reinsurance, 15% from casualty reinsurance and 49% from aviation and marine reinsurance.

A portion of the GEIS' property and casualty business is its primary commercial insurance product lines. Commercial insurance provides an array of direct property and casualty products for a diversified group of clients, consisting primarily of Fortune 3000 companies (property-related), attorneys and insurance agents (professional liability), small business workers' compensation and other niche commercial markets in property, auto and general liability.

Property. GEIS provides tailor-made property reinsurance coverage and offers support in the development of new primary insurance products. General types of property insurance offered include:

- Agricultural
- Retrocessional Excess of Loss/Catastrophe Excess of Loss
- Engineering

- Facultative Property Business
- Proportional Property Reinsurance (Pro-Rata)
- Per-Risk Property Reinsurance

Casualty. GEIS provides a broad range of casualty facultative and treaty products that provide tailor-made reinsurance coverage to its customers. Its specific casualty products and lines of business include:

- General Third Party Liability/General Liability
- Motor/Auto Liability
- Not for Profit Directors & Officers Liability
- General Liability
- Workers' Compensation

Specialty. GEIS provides a broad range of specialty facultative and treaty products. Its specific specialty products and lines of business include:

- *Aviation*—including airlines, aviation products and manufacturers, and general aviation
- *Marine and Energy*—including hull, cargo, energy, liability, and retrocession and whole account covers
- *Bank Trade Finance Insurance*—including insurance for structured pre-export commodity financing, export-credit agency backed financing and letter of credit confirmations.
- *Strategic Reinsurance*—including structured alternative risk transfer solutions for property and casualty business

Life and Health

GEIS is engaged in the reinsurance of life and health insurance products, including term, whole and universal life, group and individual long-term health and disability products, primarily in Europe and the Middle East. Based on gross premiums, life and health reinsurance accounted for 17% of GEIS' worldwide business in 2005.

GEIS' U.S. life and health business will be retained by General Electric and will not be transferred to Swiss Re as part of the Proposed Acquisition. GEIS writes life reinsurance primarily on a direct basis with primary insurers. The life and health reinsurance business consists principally of treaty business and is generally written on a pro-rata basis. For the 2005 financial year, 74% of GEIS' international life reinsurance gross written premiums were for health and disability reinsurance, with the balance for traditional life reinsurance.

Accident & Health. GEIS provides a broad range of Accident and Health products. Its specific accident and health products and lines of business include:

- *Cash Benefit Insurance*—a simple product providing a fixed daily cash benefit to the insured party
- *Critical Illness Insurance*—provides the insured a lump-sum payment to those suffering from an identified affliction
- *Disability Income Insurance*—provides replacement income if the insured party is unable to work as a result of an illness or accident
- *Employer Stop Loss Protection*—provides catastrophic or unpredictable loss protection to organizations that have adopted a level of self-insurance
- *HMO Reinsurance*—provides a comprehensive package of insurance coverages tailored to Health Maintenance Organizations
- *Long Term Care insurance*—provides specified benefits to insureds unable to meet basic living needs for an extended period of time due to accidents, illness or frailty
- *Medical Expense Insurance*—reimburses the insured party for reasonable medical expenses incurred in the treatment of illnesses and injuries due to an accident
- *Personal Accident Insurance*—provides benefits for accidental death, permanent disability, temporary total disability, accident-related medical expenses, repatriation and out-of-pocket hospital costs

- *Private Medical Insurance*—provides coverage related to private medical insurance products

Life. GEIS is engaged in the reinsurance of a wide range of life insurance products including term, whole and universal life, annuities, and certain health-related coverage. Its specific life products include:

- Longevity—Life Annuities
- Life / Mortality insurance

Competition

GEIS competes in the reinsurance marketplace principally on the basis of its expertise, relationships, financial strength, price and creativity in developing customized solutions to meet customer needs. Its competitors in the reinsurance business include Munich Re, Swiss Re, Berkshire Hathaway and a number of smaller reinsurance entities.

Financial Performance

In monitoring overall business performance, GEIS regularly computes certain key performance measures to provide a comparable basis as to profitability. These key measures include *return on equity*—applicable to the combined business and *combined ratios*—with separate ratios being computed for GEIS' Property and Casualty and Life and Health business lines. The following table shows key performance measures of the GEIS Business for the years ended December 31, 2004 and 2005 (that is, excluding the Excluded Operations).

General Performance Indicators	Year Ended December	
	2004	2005
	(in percentages)	
Return on Equity (1)(2)	1%	(15)%

(1) Return on equity is net income (loss) as a percentage of average equity.
(2) Unaudited ratios (calculated based on information extracted from accounting records/management accounts).

Property and Casualty	Year Ended December	
	2004	2005
	(in percentages)	
Claims ratio (1)(2)	96%	165%
Acquisition cost ratio (2)(3)	17%	18%
Administration expense ratio (2)(4)	10%	14%
Combined ratio (2)(5)	123%	197%

Life and Health	Year Ended December	
	2004	2005
	(in percentages)	
Claims ratio (1)(2)	66%	68%
Acquisition cost ratio (2)(3)	27%	25%
Administration expense ratio (2)(4)	15%	4%
Combined ratio (5)	108%	97%

(1) Claims ratio is losses (including settlement costs) and policy benefits in relation to net premiums earned.
(2) Unaudited ratios (calculated based on information extracted from accounting records/management accounts).
(3) Acquisition cost ratio is that portion of net premiums earned that represents the cost of obtaining the business, in relation to net premiums earned.
(4) The administration expense ratio is the sum of operating and administration expenses, in relation to net premiums earned.
(5) The combined ratio is the sum of the claims, acquisition cost and administrative expense ratios.

On a U.S. GAAP basis, GEIS (that is, including the Excluded Operations) reported net premiums earned of $7,136 million, total revenues of $8,888 million and a net loss of $1,475 million for 2005. On a Swiss GAAP

FER basis, the GEIS' Business (that is, excluding the Excluding Operations) would have reported for 2005 net premiums earned of CHF 7,358 million, total revenues of CHF 9,108 million and a net loss of CHF 1,705 million. See "Unaudited Pro Forma Financial Information."

Revenue. Total revenues for the year ended December 31, 2005 were $8.9 billion, representing a decrease of $1.2 billion (12%) as compared to the $10.1 billion of total revenues for the year ended December 31, 2004. This decrease was principally driven by a reduction in net premiums earned of $1.3 billion (16%) in 2005 as compared to 2004. This reduction in premium revenue was attributable to the combination of decisions made to continue the business portfolio restructuring efforts and cease underwriting certain business lines that were not viewed as having long-term earnings potential commensurate with the associated risks involved, together with a higher level of ceded premiums resulting from the significant hurricane activity that occurred in 2005. Partially offsetting this decrease in revenue earned in 2005 as compared to 2004 was a $92 million pre-tax gain recognized on the disposition of Medical Protective Corporation, a former GEIS subsidiary principally involved in providing medical professional liability insurance.

Net earnings (loss). GEIS incurred a net loss of $1,475 million for the year ended December 31, 2005, compared to net earnings of $143 million for the year ended December 31, 2004. The principal drivers of this substantial deterioration in operating results included: (1) a substantial increase in the level of claims and claim expenses related to prior accident years that was recognized in 2005 as compared to 2004 and (2) the effects of Hurricanes Katrina, Rita and Wilma in 2005, partially offset by a $91 million decrease in other operating costs and expenses. These same drivers impacted GEIS' claims ratio and combined ratio and their deterioration from 2004 to 2005 for its property and casualty business. The operating results for GEIS' life and health business from 2004 to 2005 remained relatively comparable. On a pre-tax basis, claims and claim expenses attributable to prior accident years increased from $1,414 million in 2004 to $3,807 million in 2005. The decrease in other operating costs and expenses was due to a reduction in compensation and benefit costs, as well as the cost of outside services, and included the impact of the sale of Medical Protective Corporation. The 2005 pre-tax operating loss of $3,043 million was partially offset by a tax benefit of $1,568 million (51.5% effective tax benefit rate), which included a $365 million tax benefit resulting from an intercompany tax settlement agreement entered into with General Electric that resolved certain existing tax uncertainties and resulted in GEIS being allocated additional tax benefits related to prior tax years.

Statement of financial position. Total assets at December 31, 2005 were $50.7 billion, representing a $2.1 billion (4%) decrease compared to December 31, 2004. Cash and investments totaled $31.7 billion and $32.3 billion at December 31, 2005 and 2004, representing 63% and 61% of total assets as of those respective dates. The slight decrease in cash and investments, as well as in total assets, was attributable to the sale of Medical Protective Corporation and normal business activities, partially offset by capital contributions received from General Electric during 2005. Total liabilities decreased $1 billion during 2005, from $43.4 billion at December 31, 2004 to $42.4 billion at December 31, 2005. The principal reasons for the decrease in total liabilities included the sale of Medical Protective Corporation and certain commutations within the U.S. Life and Health business, partially offset by an increase in claims and claim expense reserves. Total shareholders' equity at December 31, 2005 was $8.3 billion, representing a $1.2 billion decrease from the $9.4 billion balance at December 31, 2004. The reduction in total shareholders' equity was attributable to the $1,475 million 2005 operating loss discussed above, together with the impact of $169 million net unrealized losses on investment securities and a $325 million negative impact of foreign currency translation adjustments, partially offset by capital contributions received from General Electric during the year totaling $810 million.

Cash flow. GEIS' cash flow from operating activities totalled $1.7 billion for the year ended December 31, 2005. Cash used for investing activities and financing activities were $0.3 billion and $0.1 billion, respectively, during 2005.

GEIS' primary source of liquidity has historically been from cash flows from operations, generally constituting premiums from its reinsurance and primary insurance policies, net investment income and net realized investment gains. On an as needed basis, GEIS' capital base and liquidity have also been supported by capital contributions received from General Electric, including $810 million received during 2005. As an additional source of liquidity, GEIS in the past has issued long-term debt. A total of $1.7 billion in principal amount of long-term debt was outstanding as of both December 31, 2005 and 2004. Subsequent to the Proposed Acquisition, the GEIS Business will not have access to capital from General Electric and future financing needs will need to be met through other means, including financing from Swiss Re.

2006 Renewals

On March 1, 2006, GEIS announced that it had secured nearly $1.5 billion of property and casualty reinsurance business during the recently completed January 2006 renewal season. It added 62 new reinsurance treaty clients and $149 million in new business premiums, a 15% increase in new business over the comparable 2005 renewal season. GEIS renewed $1.328 billion of its property and casualty reinsurance business, an 86% retention rate. Renewals were strongest in North America, with a 90% retention rate and premiums of $577 million. The Global Markets and Continental Europe teams had somewhat lower retention rates of 82% and 86%, respectively. Generally, 50% of the property and casualty business premiums of GEIS renew (that is, annual agreements are updated effective January 1), during the January renewal season.

Reserve History

GEIS has recognized over $11.6 billion of reserve strengthening in the six financial years from 2000-2005. The need for these actions arose from a combination of unfavorable loss trends on very long-tailed exposures like asbestos, excess workers compensation, and medical professional liability, as well as unexpectedly unprofitable business from the 1997-2001 soft market period that continued to develop more adversely than industry expectations.

In calendar years 2000 and 2001, slightly under $934 million and $811 million, respectively, of reserve strengthening was recognized in each year. In 2002, GEIS performed a detailed review of input assumptions, including the expected loss ratios, to address adverse development that continued through 2002. The 2002 process review incorporated revised expected loss ratios and other input assumptions for many loss reserve segments, resulting in $3.7 billion of reserve strengthening.

In 2003 and 2004, the monitoring and examination of loss data resulted in further reserve strengthening of $0.9 billion and $1.4 billion, respectively. In 2005, the examination of input assumptions was again undertaken and included reviews of, among other things, the reporting and settlement tail associated with excess workers compensation claims, continuing asbestos claims emergence, emerging casualty losses from corporate malfeasance and pharmaceutical liability claims, and the input assumptions for some of the business where extensive historical data had not previously been available. These actions resulted in a further reserve strengthening of $3.8 billion for 2005.

Investment Portfolio

The GEIS investment portfolio is primarily invested in investment grade fixed income securities. Additionally, small allocations to public and private equity and other alternative asset classes have been made. A short term liquidity fund is utilized to provide required liquidity as the business many require from time to time.

GEIS' overall investment objective is to achieve the highest after tax investment returns while maintaining a reasonable match of the investment portfolio's and anticipated insurance obligation's respective cashflows. It attempts to minimize any currency exposures by generally investing in the currency of the insurance obligation. It actively monitors its credit profile to help ensure that the portfolio does not suffer from unintended credit losses. Additionally, the investment portfolios are managed to avoid any significant concentrations to any one sector or issuer.

GE Asset Management is responsible for implementing the investment policies of GEIS. The investment activities of GE Asset Management are performed for GEIS under Investment Management Agreements. The Agreements contain Investment Guidelines that are provided by the Board of each GEIS insurance company. GE Asset Management's investment activities on behalf of each GEIS insurance company are reviewed by both the respective Board and Investment Committee. Following the Proposed Acquisition, it is expected that, for at least a three-year period, GE Asset Management will continue to provide the same asset management services that it provided prior to the Proposed Acquisition to units within the GEIS Business.

The table below presents GEIS' consolidated investment portfolio by category of investment based on estimated fair value, except in the case of fixed-income securities, which is based on amortised cost or cost, and investment real estate, which is based on depreciated cost or cost, as of December 31, 2005.

	As at December 31, 2005
	(USD in millions)
Fixed Income securities	22,771
Equity securities	605
Short-term investment securities	175
Other invested assets	140
Total Investments	23,691

Legal and Arbitration Proceedings

Litigation and arbitration proceedings may affect various companies within GEIS as an insurer, reinsurer, employer and taxpayer in the normal course of its business. GEIS is not, and has not been in the previous 12 months, subject to any legal or arbitration proceedings, including any such proceedings which are pending or threatened of which GEIS is aware, which may have, or have had in the recent past, significant effects on its financial position or profitability. Based on its assessment of current litigation and arbitration proceedings, GEIS believes it has made adequate reserves for any such future proceedings.

On June 14, 2005, General Electric, the parent company of GEIS, received a subpoena from the U.S. Attorney's Office for the Southern District of New York seeking documents relating to finite risk insurance. The subpoena is general in nature. General Electric received a similar subpoena from the Northeast Regional Office of the SEC on April 29, 2005. General Electric, including GEIS, is cooperating fully with the SEC and the U.S. Attorney's Office.

REGULATION

General

The business of reinsurance is regulated in most countries, although the degree and type of regulation varies significantly in different jurisdictions. In almost all jurisdictions, insurance supervisory authorities evaluate the creditworthiness of reinsurance recoverables (indirect reinsurance supervision). Reinsurers traditionally were generally subject to less direct regulation in most countries than direct insurers. Some states require reinsurers to post collateral or impose a gross reserving system that allows ceding companies to get credit for reinsurance only if reinsurance recoverables are pledged by assets. While the focus of indirect supervision is the effect of reinsurance on the balance sheet and risk exposure of the ceding company, direct reinsurance supervision instead focuses on the reinsurance company itself. The main regulatory instruments of direct supervision are licensing requirements, adequacy of technical provisions, available and required solvency margin and governance rules.

Today, there is a growing trend towards direct reinsurance supervision of reinsurance. For example, in the United States and the United Kingdom, the licensing and supervision standards for reinsurance are comparable to those governing direct insurers, and include direct and indirect reinsurance supervision. Direct supervision enables supervisory authorities to intervene in the affairs of a reinsurer at an early stage should its financial position deteriorate or its risk governance prove to be insufficient. Given the global nature of reinsurance business, mutual recognition of supervisory systems is of increasing importance.

In our home country, we conduct our business under an operating license that was granted by the Swiss Federal Ministry of Justice and Police. We are subject to continuous supervision by the FOPI. The FOPI monitors whether our organization, management and operations are in compliance with the provisions of the Swiss Insurance Supervisory Law (as amended). The Supervisory Authority exercises control over the calculation of the technical provisions, the retrocession policy and solvency. Based on a Decree issued by FOPI in 2004, we are subject to supplementary group supervision which is equivalent to the provisions of the EU Financial Conglomerate Directive of 2002. The supplementary group supervision is imposed in addition to the existing supervisory requirements at legal entity level and does not replace our "solo" supervision (solo-plus approach). On January 1, 2006, the Swiss government enacted the new Swiss FISA. Among others, the Swiss FISA extends the scope of the solvency regime to pure reinsurance, including the new risk-based solvency rules (Swiss Solvency Test).

Our foreign subsidiaries and branches must comply with the respective regulations of their host states. As a U.S. licensed and authorized reinsurer, we are subject to considerable regulation by state insurance commissioners. Among other things, our U.S. entities have to comply with regulations on solvency (Risk based capital), reserving adequacy, and investment policies. Our U.S. entities are also subject to comprehensive statutory reporting requirements.

Going forward, the regulatory environment of our subsidiaries and branches in EU member states will be affected by the EU Reinsurance Directive of November 16, 2005, which is required to be transposed into the law of EU member states by end of 2007. The Directive aims to create a single European market in reinsurance, based on mutual recognition of home country control and minimum harmonization of prudential rules. Our subsidiaries in EU member states will be treated as EU-licensed companies and benefit from the single license principle. As for direct insurance, the system of home-country control is limited to a cross-border structure of branches. The Directive does not extend to subsidiaries which still require separate licenses and are supervised in the countries where they are domiciled. The principle of branch separation between life and non-life does not, and will not, apply to reinsurance. The rules on financial supervision are based on the Solvency I standards for direct insurance, with certain adjustments. For non-life technical provisions, the Directive abolishes gross reserving systems. This means that member states may no longer require EU licensed reinsurers to pledge assets or post collateral. The solvency margin for life reinsurance is the same as for non-life reinsurance: it is the higher of a percentage of premiums (16-18%) and of claims (23-26%) minus the retrocession reduction factor. As in direct insurance, the solvency margin is increased by 50% for reinsurance covering general third-party liability, aviation and marine. Another 50% class enhancement for certain types or classes of reinsurance business can be introduced by comitology procedure (adoption by EU Commission upon advice by the Committee of European Insurance and Occupational Pensions Supervisors). The Directive's investment rules are based on a "prudent person approach" with an option for member states to introduce certain quantitative restrictions. The scope of the existing Directives on supplementary supervision of insurance groups and financial conglomerates will be extended to reinsurers that are part of a group. The Directive stipulates that non-EU reinsurance companies may not be treated more favorably than reinsurance companies having their head office in the EU. As for direct insurance, there is a provision on the negotiation of agreements with third countries on mutual recognition of reinsurance supervision. The Directive provides a mechanism of co-operation among EU supervisory authorities. The Reinsurance Directive is an interim measure which will be amended by the forthcoming Solvency II framework directive.

Set forth below is a summary of the material reinsurance regulations applicable in the main jurisdictions where Swiss Re is located. We believe that all of the companies in our group are in compliance with the applicable laws and regulations pertaining to their business and operations.

Switzerland

We conduct our business under an operating license, and are subject to continued supervision by FOPI. The FOPI is an administrative body of the Swiss Ministry of Finance.

The Swiss insurance supervision is based on the Swiss FISA, which was revised in 2004 and entered into force January 1, 2006. On the same date, the Federal Council enacted secondary legislation, the new Supervision Ordinance, which replaced previous ordinances. The new laws extend the scope of prudential supervision to pure reinsurance companies and introduced supplementary group supervision of insurance groups and financial conglomerates. Pursuant to the new rules, reinsurance companies are required to maintain a minimum solvency margin which is calculated for the property and casualty business in accordance with the premium and claims index. It is the same formula that is applied to direct insurance companies. The solvency margin for life and health reinsurance is 1 per mille on capital at risk plus 3% of the mathematical provisions. The supervisory law also determines the admissible capital items to cover the solvency requirement (available solvency margin). In addition, as a financial conglomerate, we are subject to supplementary group supervision. This includes a group-wide consolidated solvency calculation, and reporting requirements relating to intra-group transactions and risk concentration. The Swiss regime of supplementary group supervision is broadly equivalent with the rules set out in the EU Financial Conglomerate Directive. This enables the Swiss Supervisory Authority to assume the lead regulator function in exercising its supplementary group supervision over us. The new law also contains rules on corporate governance and internal risk management. It requires each insurance company (including pure reinsurers) to designate a responsible actuary to review its technical provisions and solvency margin in compliance with the prudential requirements. In contrast to primary insurance, reinsurance is not subject to the provisions governing the investments that cover the technical provisions.

In addition to the minimum solvency, the new Swiss insurance supervisory law introduced a risk-based capital requirement: the so-called Swiss Solvency Test (“SST”). The SST also applies to reinsurance companies. The SST distinguishes between the risk bearing capital (available capital) and the target capital (required capital). The calculation of the target capital requirement is based on both, insurance and financial risks. Reinsurance (or retrocession) is fully deductible from target capital. The credit risk related to reinsurance recoverables is part of the target capital calculation. Diversification effects at group level can be taken into account at legal entity level upon request to the FOPI. Swiss Re determines the target capital on the basis of its internal risk model. A characteristic feature of the SST is that all assets and liabilities are valued on a market consistent basis which should be compatible with emerging international accounting standards. The market consistent value of technical provisions is defined as the discounted best estimate plus the market value margin. The market value margin is approximated by using a cost of capital approach. This is defined as the cost of the present value of the future solvency capital which will be necessary to back the entire existing portfolio of liabilities during the run-off period. The SST is coupled with comprehensive risk reporting duties. The SST report contains all relevant information for the Swiss Supervisory Authority to assess the capital adequacy and risk position of the company. This risk-based solvency regime of the SST is expected to anticipate much of the Solvency II framework that is currently being developed in the EU.

United States

Our U.S. reinsurance and insurance subsidiaries are regulated under the insurance statutes (including holding company regulations) of various states, including New York, Connecticut, Delaware, Arizona, California, Illinois, Indiana, New Hampshire and Texas, where our U.S. reinsurance and insurance subsidiaries are domiciled, as well as all states where a relevant subsidiary is licensed to do business. Currently, our principal operating subsidiaries are licensed, approved or accredited reinsurers, or are otherwise permitted to sell reinsurance in all fifty states, the District of Columbia and Puerto Rico.

State regulation generally has its source in statutes that delegate regulatory, supervisory and administrative authority to a department of insurance in each state.State regulatory authorities monitor compliance with, and periodically conduct examinations regarding, state mandated standards of solvency, licensing requirements, investment limitations, restrictions on the size of risks which may be insured or reinsured, deposits of securities for the benefit of reinsureds, methods of accounting, and reserves for unearned premiums, losses and other purposes. In general, these regulations are for the protection of insureds and, ultimately, their policyholders, rather than security holders. The states' regulatory schemes also extend to policy form approval and market conduct regulation, including the use of credit information in underwriting and other underwriting and claims practices. In addition, states have enacted variations of competitive rate making laws, which allow insurers to set premium rate for certain classes of insurance without obtaining the prior approval of the state insurance department. While reinsurers are generally regulated in a similar manner and to a similar extent as primary insurers, they are not subject to market conduct or rate regulations. State insurance departments also conduct periodic examination of the affairs of authorized insurance companies and require the filing of annual and other reports relating to the financial condition of companies and other matters.

Holding Company Regulation. Regulations vary from state to state, but generally require insurance holding companies and insurers and reinsurers that are subsidiaries of holding companies to register and file with state regulatory authorities certain reports including information concerning their capital structure, ownership, financial condition and general business operations.

Guaranty Fund Assessments. Virtually all states require licensed insurers to participate in various forms of guaranty associations in order to bear a portion of the loss suffered by certain insureds caused by the insolvency of other insurers. Depending upon state law, primary insurers can be assessed a percentage of the annual premiums written for the relevant lines of insurance in that state to pay the claims of an insolvent insurer. Most of these assessments are recoverable through premium rates, premium tax credits or policy surcharges.

Involuntary Pools. Our primary insurance subsidiaries are also required to participate in various involuntary assigned risk pools, principally involving workers' compensation and automobile insurance, which provide various insurance coverages to individuals or other entities that otherwise are unable to purchase such coverage in the voluntary market. Participation in these pools in most states is generally in proportion to voluntary writings of related lines of direct business in that state.

Risk-Based Capital. U.S. insurers are also subject to risk-based capital ("RBC") guidelines which provide a method to measure the total adjusted capital (statutory capital and surplus plus other adjustments) of insurance companies taking into account the risk characteristics of the company's investments and products. The RBC formulas establish capital requirements for four categories of risk: asset risk, insurance risk, interest rate risk and business risk. For each category, the capital requirement is determined by applying factors to asset, premium and reserve items, with higher factors applied to items with greater underlying risk and lower factors for less risky items. Insurers that have less statutory capital than the RBC calculation requires are considered to have inadequate capital and are subject to varying degrees of regulatory action depending upon the level of capital inadequacy. The RBC formulas have not been designed to differentiate among adequately capitalized companies that operate with higher levels of capital.

Therefore, it is inappropriate and ineffective to use the formulas to rate or to rank such companies. Our U.S. insurance subsidiaries have satisfied the RBC formula since it was created in the mid-1990s and have exceeded all recognized industry solvency standards. As of December 31, 2005, all of our U.S. insurance subsidiaries had adjusted capital in excess of amounts requiring company action.

NAIC Ratios. The NAIC Insurance Regulatory Information System, or IRIS, was developed to help state regulators identify companies that may require special attention. The IRIS system is comprised of statistical and analytical phases consisting of key financial ratios whereby financial examiners review annual statutory basis statements and financial ratios. Each ratio has an established "usual range" of results and assists state insurance departments in executing their statutory mandate to oversee the financial condition of insurance companies. A ratio result falling outside the usual range of IRIS ratios is not considered a failing result; rather unusual values are viewed as part of the regulatory early monitoring system. Furthermore, in some years, it may not be unusual for financially sound companies to have several ratios with results outside the usual ranges. An insurance company may fall out of the usual range for one or more ratios because of specific transactions that are in themselves immaterial. Generally, an insurance company will be notified of regulatory concerns and may be subject to regulatory action if it falls outside the usual ranges of four or more of the ratios. As of March 2006, none of our U.S. insurance subsidiaries had been notified of any regulatory actions as a result of IRIS ratios based on their 2005 Annual Statement filings.

Surplus Lines Regulation. Swiss Re International Business Insurance Limited, one of our U.S. subsidiaries may operate as a surplus line insurer in various states. The regulation of excess surplus lines insurers differs significantly from the regulation of licensed or authorized insurers. The regulations governing the surplus lines market have been designed to facilitate the procurement of coverage through specially licensed surplus lines brokers for hard-to-place risks that do not fit standard underwriting criteria and are otherwise eligible to be written on a surplus lines basis. In particular, surplus lines regulation generally provides for more flexible rules relating to insurance rates and forms. However, strict regulations apply to surplus lines placements under the laws of every state, and state insurance regulations generally require that a risk be declined by three licensed insurers before it may be placed in the surplus lines market. Initial eligibility requirements and annual re-qualification standards and filing obligations must also be met. In most states, surplus lines brokers are responsible for collecting and remitting the surplus lines tax payable to the state where the risk is located.

Federal Initiatives. Although the U.S. federal government typically does not directly regulate the business of insurance, federal initiatives often have an impact on the insurance industry. Proposed federal legislation includes the establishment of an optional federal charter for insurance and reinsurance companies. In addition, Congress is considering a bill called the Fairness in Asbestos Injury Resolution Act of 2005. The proposed bill would establish a privately financed trust fund to provide payments to individuals with asbestos-related illnesses and would stay asbestos claims in the tort litigation system. The trust would be financed by primary insurers, reinsurers and industrial enterprises and the insurance industry would be responsible for funding a certain share of the total costs. Medical criteria would be established to ensure that only people who showed sign of asbestos-related illnesses would be entitled to payments from the trust. It is difficult to predict whether the proposed bill will be enacted, and if so, what proportion of trust fund monies the insurance industry will be responsible to provide.

The Terrorism Risk Insurance Act of 2002 ("TRIA") established a program under which the federal government will share with the insurance industry the risk of loss arising from certain kinds of terrorist attacks. TRIA was originally scheduled to expire in 2005, and although there was substantial uncertainty as to whether Congress would extend the program beyond its scheduled expiration, the Terrorism Risk Insurance Extension Act of 2005 ("TRIA Extension") was signed into law on December 22, 2005 extending TRIA, with some amendments, through December 31, 2007. TRIA imposes a deductible upon insurers that must be satisfied before federal assistance is triggered and also contains a coinsurance feature. The deductible, which has increased each year of the program, is based on a percentage of direct earned premiums for commercial insurance lines from the previous calendar year. The federal program covers 90% of losses in excess of the applicable deductible, while the insurance company retains the remaining 10%. The program imposes an annual cap of $100 billion on covered losses. Participation in the program for commercial property and casualty insurers is mandatory.

Several provisions of TRIA were changed by the TRIA Extension including: increases in the individual company deductible to 17.5% in 2006 and 20% in 2007; reduction in the federal share of compensation in excess of a company's deductible to 85% in 2007; and the addition of a requirement that aggregate industry insured losses resulting from a certified act of terrorism after March 31, 2006 exceed $50 million in 2006 and $100 million in 2007 in order to trigger federal participation in excess of a company's deductible. The TRIA Extension requires the President's Working Group on Financial Markets to study long-term availability and affordability of coverage for terrorism losses, including group life and nuclear, biological, chemical and radiological events and in consultation with industry, the National Association of Insurance Commissioners and policyholders, submit a report of its findings to the House Financial Services and Senate Banking Committees by September 30, 2006. While TRIA appears to provide the property and casualty sector with an increased ability to withstand the effect of potential terrorist events, any company's results of operations or equity could nevertheless be materially adversely impacted, in light of the unpredictability of the nature, severity or frequency of such potential events.

Germany

Our subsidiary Swiss Re Germany AG is a company engaged exclusively in reinsurance business (pure reinsurer). It is subject to state supervision exercised by the Federal Financial Supervisory Authority (BaFin) located in Bonn. According to the German insurance supervisory law, as amended in 2004, pure reinsurers are subject to full and direct legal and financial supervision.

The main aspects of reinsurance supervision are rules concerning authorization, solvency and investment requirements and internal accounting as well. As of December 21, 2004 reinsurance companies must obtain a license, which distinguishes between life and non-life reinsurance business, to operate. Swiss Re Germany AG is allowed to operate worldwide and to write any kind of business through any type of reinsurance agreement.

The capital requirement is calculated for all lines of business including life reinsurance on the basis of the non-life solvency margin (claims and premium index). For companies existing before December 21, 2004, such as Swiss Re Germany, these provisions will apply in full as of March 1, 2007. Regular reports on the calculation of solvency must be submitted to the BaFin.

A reinsurance undertaking must have available assets covering technical provisions and liabilities arising from its reinsurance business ("Qualified Assets"). It must report on these assets to the BaFin every six months. Qualified Assets must satisfy certain qualitative requirements, in particular the principles of mix, spread, security, liquidity and profitability. The appropriateness of mix and spread depends largely on the capital resources and structure of the individual reinsurance company. There are no quantitative investment restrictions for reinsurers.

The supervisory authority also monitors internal accounting. Reinsurance companies are required to submit their published financial statements, the auditors' report on their annual statements, and other detailed reports on the nature and volume of their business to the BaFin. In the context of verification of the investment management and internal controls, the supervisory authority has the right to check the qualification and reliability of the members of the board of management and of holders of a qualifying participation. In addition, the BaFin also has the right to check the qualification and reliability of the members of the board of management and of holders of a qualifying participation.

Limited supervision of insurance holding companies was introduced effective January 1, 2005. An insurance holding company is a company domiciled in Germany that specializes in acquiring or holding participations in insurance or reinsurance companies. Swiss Re Germany Holding AG is an insurance holding company and thus subject to this limited supervision. In particular the BaFin monitors the reliability and professional suitability of its board of management members (including appointments and retirements), and it has to report on its participations, on the holders of qualifying participations, and on any close links with other companies. The BaFin is also authorized to conduct local inspections of the reportable areas.

United Kingdom

Our U.K. subsidiaries are subject to regulation and supervision under The UK Financial Services and Markets Act 2000, as amended ("FSMA"), its implementing regulations and the powers delegated to the FSA. Under FSMA, there is a single regime for the regulation of financial services in the United Kingdom and sole regulatory authority is vested in the FSA. The statutory objectives of the FSA are: market confidence, public awareness, the protection of consumers and the reduction of financial crime.

Subject to the exemptions ordered under FSMA, no person may carry out regulated activities in the United Kingdom without authorization by the FSA. Regulated activities include effecting and carrying out contracts of insurance. The activities a company is permitted to undertake are normally specified in a permission ("Permission") that is granted if certain threshold conditions in the FSA Authorisation Manual are satisfied. The grant of the Permission delivers authorization. Our U.K. subsidiaries hold Permissions for reinsurance business, insurance business, both in life and non-life, and for investment business. These are specified by company in the FSA Register on the FSA website.

Under the FSMA the directors and senior management of a company are required to satisfy "fit and proper" tests, to set up and operate appropriate systems and controls and are otherwise subject to over arching principles applicable to the company and to designated Approved Persons who are individually and personally responsible for defined areas of functional accountability. The principles include integrity; skill, care and diligence; the need to ensure adequate capital resources and an effective risk management system.

Regulated companies are further subject to the rules and guidance set out in the Integrated Prudential Sourcebook ("PRU") issued by the FSA. The PRU sets out a framework for the calculation of adequacy of financial resources and the proper management of categories of risk including credit, market, liquidity, operational, insurance and group risk.

Adequacy of financial resources is judged by the FSA according to various tests. The requirements of the FSA exceed the Minimum Capital Requirement for life and health ("MCR") prescribed under EU rules both in terms of amount and sophistication. The Enhanced Capital Requirement for property and casualty ("ECR") is derived from a risk-based but formula driven approach. The ECR calculation is supplemented by a principles-driven Individual Capital Assessment ("ICA") conducted on a regulated basis. This aims to achieve that companies hold capital appropriate to their business and control risks and is intended to incentivize better risk management. Regulated companies are required to have systems and procedures for assessing the adequacy of capital resources and for determining the appropriate level of financial resources, to identify the major sources of risk in each of the categories described in PRU (underwriting, operational, liquidity, market, group, credit) and any other risk, and for each of the major sources of risk, to carry out stress tests and scenario analyses justified as appropriate to the company as regards the sources of risk. Specific guidance is provided on basic approaches but on an explicitly non mandatory basis: the approach can be tailored differently, provided justified. Economic capital models of greater sophistication will be considered and evaluated in terms of their robustness but also in terms of their appropriate integration into a valuable surrounding control environment.

On the available asset side regulated companies can diverge from admissibility rules for MCR/ECR and accounting standards provided the appropriateness is supported. Technical provisions can be discounted and equalization provisions may be extinguished as appropriate.

The analysis by the company is subjected to supervisory review which includes visits and inspections assessing control risks. The FSA then issues Individual Capital Guidance ("ICG"). The FSA has completed its first annual process of reviewing individual submissions and has issued sectoral guidance after subjecting them to consistency analysis. The FSA anticipates a certain observation period and as such is likely to be cautious in issuing ICG below ECR unless clearly justified.

Regulated companies are supervised under a regular and exception reporting framework as well as by periodic visits (Arrow Visits). Under FSMA reinsurance and insurance companies are required to file with the FSA an independently audited financial statement, and other prescribed documents ("FSA Return"). The local regulated company is required to notify the FSA of any changes in "closely linked" companies as well as change of "controllers" and to review risks deriving from reliance on its parent group company—both as a matter of credit risk as well as risks affecting the parent group company as such (group risk). The FSA enjoys very substantial powers of enforcement against firms and individuals concerning both prudential and conduct of business rules breaches.

Other Regulation

Certain other entities through which we conduct non-insurance business are regulated under the applicable financial services regulations in their respective jurisdictions. Swiss Re Capital Markets Limited, located in London, England, is a company authorized and regulated in the conduct of its investment business in the United Kingdom by the FSA and is entered in the FSA's register. Swiss Re Capital Markets Corporation, located in New York, United States, is a member of the National Association of Securities Dealers, Inc. ("NASD") and the Securities Investor Protection Corporation, and is regulated by the NASD. Swiss Re Capital Markets (Japan) Corporation has a branch office in Tokyo, Japan, which is regulated by the Financial Services Agency in Japan.

MANAGEMENT

Board of Directors

Our Board of Directors is ultimately responsible for the policies and management of the Swiss Re Group. The board establishes the strategic, accounting, organizational and financing policies to be followed by the group. The board further appoints the executive officers and authorized signatories, and supervises management. In addition, the board is entrusted with preparing shareholders meetings and carrying out shareholders resolutions. The board may, pursuant to the Corporate Bylaws, delegate the conduct of day-to-day business operations to management under its control, and has delegated operational management to two management bodies: the Executive Board and the Executive Committee.

The members of our Board of Directors, their ages, positions and terms of office as of the date of this Offering Memorandum are as set forth in the following table followed by a brief description of each director's business experience and education, including the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years (other than at other Group companies). With the exception of Walter Kielholz and John Coomber, both former Chief Executive Officers, no member of the Board of Directors has had a management position within the Group, and no member of the Board of Directors has any significant business connections with any Group company, other than Dennis Dammerman, who is a designee of General Electric.

Name	Age	Position	Term Expires In
Peter Forstmoser	63	Chairman (1)(2)	2010
Walter B. Kielholz	55	Executive Vice Chairman (3)(4)(5)	2010
Jakob Baer	62	Director (4)(6)	2009
Thomas W. Bechtler	56	Director (7)	2009
Raymund Breu	61	Director (8)	2007
John R. Coomber	57	Director (9)	2009
Dennis D. Dammerman	60	Director (3)(4)(10)	2009
George L. Farr	65	Director (3)(11)	2008
Rajna Gibson Brandon	43	Director (4)(8)	2008
Bénédict G.F. Hentsch	57	Director (3)	2009
Robert A. Scott	63	Director (4)(7)(8)	2010
John F. Smith, Jr.	68	Director (3)(8)	2007
Kaspar Villiger	65	Director (3)(4)	2008

(1) Advisory member of the Audit Committee, the Compensation and Appointments Committee and the Finance and Risk Committee
(2) Chair of the Governance and Shareholder Relations Committee
(3) Member of the Governance and Shareholder Relations Committee
(4) Member of the Finance and Risk Committee
(5) Advisory member of the Audit Committee and the Compensation and Appointments Committee
(6) Chair of the Audit Committee
(7) Member of the Compensation and Appointments Committee
(8) Member of the Audit Committee
(9) Chair of the Finance and Risk Committee
(10) Advisory member of the Compensation and Appointments Committee
(11) Chair of the Compensation and Appointments Committee

Peter Forstmoser. Peter Forstmoser has been Chairman of our Board of Directors since 2000 and joined our Board of Directors in November 1990. He was re-electioned at the Annual General Meeting on April 21, 2006. He has been a partner in the Zurich law firm of Niederer Kraft & Frey since 1975 and a law professor at Zurich University since 1974. Mr. Forstmoser is currently the chairman of the board of directors of Hesta AG and Hesta Tex AG, and a board member of Mikron Holdings AG, Bank Hofmann AG, Ernst Basler AG, Remer Holding AG and Hyos Invest Holding AG and of Mupper Mohl Group. His home domicile is Horgen, Switzerland and his place of origin is Zurich, Switzerland. He is a Swiss citizen. His business address is Mythenquai 50/60, CH-8022 Zurich, Switzerland.

Walter B. Kielholz. Walter B. Kielholz joined our Board of Directors in June 1998. He has been chairman of Credit Suisse Group since 2003. He is also Executive Vice Chairman of our Board of Directors. He was re-elected at the Annual General Meeting on April 21, 2006. Previously, he was Chief Executive Officer of Swiss

Re from 1997 through 2002. Mr. Kielholz joined Swiss Re in 1989. He became a member of Swiss Re's Executive Board in January 1993 and a member of the Executive Board Committee in April 1995. In addition, Mr. Kielholz is treasurer and member of the board of the International Association for the Study of Insurance Economics, honorary president of "The Geneva Association," president of the "Avenir Suisse" foundation, Vice President of the International Monetary Conference and President of the Zurich Art Society. His home domicile is Zurich, Switzerland and his place of origin is Zurich, Switzerland. He is a Swiss citizen. His business address is Mythenquai 50/60, CH-8022 Zurich, Switzerland.

Jakob Baer. Jakob Baer joined our Board of Directors in May 2005. Until his retirement in September 2004, he was Chief Executive Officer of KPMG Switzerland and a member of KPMG's European and international management boards. Mr. Baer then joined Adecco S.A. as a non-executive director. Mr Baer is also Counsel to the law firm Niederer Kraft & Frey in Zurich. Mr. Baer is a member of the board of directors and chairman of the audit committees of Allreal Holding AG, Emmentalische Mobiliar Versicherungs-Gesellschaft and IFBC – Integrated Financial Business Consulting AG. His home domicile is Kilchberg, Switzerland and his place of origin is Kleinandelfingen, Switzerland. He is a Swiss citizen. His business address is Bahnhofstrasse 13, CH-8001 Zurich, Switzerland.

Thomas W. Bechtler. Thomas W. Bechtler joined our Board of Directors in November 1993. He served as Vice Chairman from May through December 2002. He has been Managing Director of Hesta AG, a Swiss corporation, as well as Hesta Tex AG, since 1972 and vice-chairman of both boards since 1982. In this capacity he is chairman of the boards of Zellweger, Luwa AG and Schiesser Group AG. He is also a member of Swisscontact's board of trustees and chairman of Hier & Co. and Hesta Immobilien AG. He also serves on the boards of directors of Credit Suisse Group, Bucher Industries, Sika Finance AG and Conzzeta Holding. His home domicile is Hombrechtikon, Switzerland and his place of origin is St. Gallen, Switzerland. He is a Swiss citizen. His business address is Seestrasse 21, CH-8700 Küsnacht, Switzerland.

Raymund Breu. Raymund Breu joined our Board of Directors in May 2003. He has been Chief Financial Officer and a member of the executive committee of Novartis Group since the group's foundation in 1996. In the preceding three years, he was the head of group finance and a member of the executive board of Sandoz. Mr Breu is also a member of the board of directors of Chiron Corporation and of the SWX Swiss Exchange and its admission panel, as well as a member of the Swiss Takeover Board. His home domicile is Binnigen, Switzerland and his place of origin is Oberegg, Switzerland. He is a Swiss citizen. His business address is Lichtstrasse 35, CH-4058 Basle, Switzerland.

John R. Coomber. John R Coomber joined our Board of Directors in February 2006. He was our Chief Executive Officer from January 1, 2003 to December 31, 2005. Prior thereto, among other functions, he had been appointed to our Executive Board in April 1995, responsible for the Life & Health Business Group and had been Chief Executive Officer of Swiss Re UK from 1993 to 1995. He joined Swiss Re in 1973. He also serves as a member of the supervisory board of Euler Hermes, as trustee for the Climate Group and as Director for the Mercantile and General Reinsurance Company Ltd. He is also a member of the Foundation for IMD Institute for Management Development. His home domicile is Brentwood, Essex, Great Britain. He is a British citizen. His business address is Mythenquai 50/60, CH-8022 Zurich, Switzerland.

Dennis D. Dammerman. Dennis D. Dammerman was elected, as the General Electric designee, to Swiss Re's Board of Directors at the Extraordinary General Meeting of 27 February 2006 for a term ending at the Annual General Meeting in 2009. He began his professional career when he joined General Electric in the Financial Management Program at GE Appliances. In 1984, he became senior vice president-finance of General Electric Company. He was elected to the General Electric Company's board of directors in December 1994 and was subsequently appointed vice chairman of the board. He remained an executive officer of GE, and a member of the corporate executive office. He also served as chairman of GE Capital Services until he retired from all General Electric positions at the end of 2005. He also serves as a non-executive director of BlackRock Inc., a partner of Wellington Equestrian Partners and as chairman for Cap-Mark Financial. His home domicile is Wellington, Florida, USA. He is an American citizen. His business address is Mythenquai 50/60, CH-8022 Zurich, Switzerland.

George L. Farr. George L. Farr joined our Board of Directors in November 1996. He has been managing partner of Muirhead Holdings LLC since 1998. Prior to that he was the Vice Chairman of American Express Company from 1995 until his retirement in 1998. Before 1995, Mr. Farr was a director of McKinsey & Co. Mr. Farr also serves as a director of Misys plc and Covanta Energy. Mr. Farr is also a partner of Augusta Advisors LLC, Greenwich Van and Ref Holdings. His home domicile is Greenwich, Connecticut, USA. He is an American citizen. His business address is Mythenquai 50/60, CH-8022 Zurich, Switzerland.

Rajna Gibson Brandon. Rajna Gibson Brandon joined our Board of Directors in June 2000. She has been a professor of financial economics at the Swiss Banking Institute since March 2000. She was previously a professor of finance at Lausanne University. Ms. Gibson Brandon was also a member of the Swiss Federal Banking Commission until the end of 2004. She is also a director of the National Centre of Competence in Research, NCCR, responsible for the Financial Valuation and Risk Management research network, and an adviser to scientific councils of various educational institutions. Her home domicile is Küsnacht, Switzerland and her place of origin is Chêne-Bougeries, Switzerland. She is a Swiss citizen. Her business address is Plattenstrasse 14, CH-8032 Zurich, Switzerland.

Bénédict G.F. Hentsch. Bénédict G.F. Hentsch joined our Board of Directors in November 1993. He was a partner of Lombard Odier Darien Hentsch & Cie (formerly Darier Hentsch & Cie) from 1985 until October 2001 and chaired the Swiss Private Bankers Association from 1998 until 2001. In 2004 he co-founded GEM – Global Estate Managers and was vice-chairman of Banque Bénédict Hentsch & Cie S.A., both entities dedicated to global wealth management. He is a member of the board of directors of the ISE Foundation and the MLE – Stiftung, both at the University of St. Gallen. Mr. Hentsch was also a board member of the SAirGroup AG board of directors. In 2001, SAirGroup along with its subsidiaries filed for creditor protection due to insolvency. In connection with SAirGroup's insolvency and as a result of Mr. Hentsch's position on the board, he has been named in several lawsuits. As of this date, no judgment has been handed down in respect of Mr. Hentsch. His home domicile is Céligny, Switzerland and his place of origin is Geneva, Switzerland. He is a Swiss citizen. His business address is 5, avenue de Châtelaine, CH-1211 Geneva, Switzerland.

Robert A. Scott. Robert A. Scott joined our Board of Directors in May 2002. He was re-elected at the Annual General Meeting on April 21, 2006. He is a retired group chief executive of CGNU plc. In the 1990s, he was group chief executive of General Accident and following the merger with Commercial Union in 1998, was appointed group chief executive of CGU plc. Following the merger in 2000 with Norwich Union, Mr. Scott became group chief executive of CGNU plc, retiring in May 2001. Mr. Scott was Chairman of the Association of British Insurers in 2000-2001, and a board member during the previous four years. He is chairman of the board of directors of Yell Group plc, a non-executive director of the Royal Bank of Scotland Group plc, Jardine Lloyd Thompson Group plc and Focus (DIY) Ltd. In addition, he is an advisor to Duke Street Capital and a member of the international advisory board of Sapiens International Corporation. His home domicile is Axford, Basingstoke, United Kingdom. He is a British and Australian citizen. His business address is Mythenquai 50/60, CH-8022 Zurich, Switzerland.

John F. Smith, Jr. John F. Smith, Jr. joined our Board of Directors in May 2003. He was chairman of the board of directors of General Motors Corporation from 1996 to April 2003. From 1992 to 2000 he also served as chief executive officer of that company. Mr. Smith is chairman of Delta Air Lines and a director of The Procter & Gamble Company. He is also chairman of the Alix Partners LLC/Questor Partner advisory board. He is also a limited partner in Cypress Associations II LLC, AEA Investors LLC, CSFB Strategic Partners III LP, Questor Partners II LP and is a member of Charles River Wine Co, LLC. His home domicile is Naples, Florida USA. He is an American citizen. His business address is 300 Renaissance Center, Detroit, Michigan, USA.

Kaspar Villiger. Kaspar Villiger joined our Board of Directors in May 2004. He served as a Federal Councilor in the Swiss government from 1989 until the end of 2003, first as Defence Minister and then as Finance Minister and was President of the Swiss Confederation in 1995 and 2002. Mr. Villiger is also a member of the board of directors of Nestlé and the newspaper Neue Zürcher Zeitung. His home domicile is Muri, Switzerland and his place of origin is Pfaeffikon, Switzerland. He is a Swiss citizen. His business address is Monbijoustrasse 22, CH-3001 Berne, Switzerland.

Board Structure

Under our Articles of Association, our Board of Directors is to consist of at least seven members and the term of a director is four years. Under our Corporate Blaws, the age limit for a director is 70. Directors who reach the age of 70 during their term are to tender their resignations at the next annual general meeting.

The Board of Directors meets as often as business requires, but at least four times per year. The attendance of half the board in person or by means of communication is necessary as a quorum for resolutions to be passed, with the exception of resolutions for capital increases and the corresponding resolutions concerning amendments of the Articles of Association, for which no quorum requirement exists. Resolutions generally are passed by vote of a simple majority. In the event of a tie, the Chairman casts the deciding vote. Resolutions regarding matters not listed on the agenda for a meeting require a two-thirds majority. Resolutions may be adopted by written consent in lieu of a meeting provided no director requests oral deliberations and at least half the directors so consent.

The Board of Directors is authorized to delegate powers to committees or to individual members of the Board of Directors, and has established an Audit Committee, a Compensation and Appointments Committee, a Finance and Risk Committee and a Governance and Shareholder Relations Committee. The functions and responsibilities of these committees are set forth in our Corporate Bylaws. We reflect in our Corporate Bylaws not only the minimum standards required under Swiss corporate law but a variety of elements of corporate governance best practices.

Audit Committee

All members of the Audit Committee must be non-executive, independent and financially literate. At least one member must have the attributes qualifying such member as an "audit committee financial expert" as determined by the Board of Directors in accordance with our Corporate Bylaws. Messrs Baer, Breu, Scott and Smith qualify as audit committee financial experts. Members may not accept any consulting, advisory, or other compensatory fee from any Group company. They should not serve on the audit committee of more than two other listed companies. Members of the Executive Board are not eligible for membership until three years after the termination of their executive employment.

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities with respect to the integrity of our financial statements. Other responsibilities include:

- monitoring internal control systems including the adequacy and effectiveness of the financial reporting process and any material issues, significant findings, disagreements or differences in opinion raised internally or by the external auditor;
- reviewing the results of internal and external audits;
- recommending appointment of the internal auditor, Head of Group internal audit and the external auditors;
- reviewing the external auditor's independence;
- reviewing compliance with legal and regulatory requirements;
- reviewing compliance with and sufficiency of internal policies and procedures;
- consulting with the Executive Committee, Head of Group internal audit and the external auditor as to risk and contingencies exposure;
- approving in advance audit and non-audit services expected to be provided by the external auditor and the internal audit function;
- reviewing and discussing with management the annual financial accounts and policies regarding publication of earnings and earnings guidance, as well as policies regarding communication of financial information provided to analysts and rating agencies;
- reviewing major changes to any accounting principles or practices;
- discussing with the Head of Group internal audit managements' responses to any significant findings, any difficulties encountered in the course of the audits and any changes required in the audit plan; and
- reviewing and assessing annually the adequacy of its own processes and procedures.

Compensation and Appointments Committee

All members of the Compensation and Appointments Committee must be non-executive and independent.

The Compensation and Appointments Committee is responsible for developing compensation principles for the Group which it then submits them to the Board for approval. The Compensation and Appointment Committee is responsible for submitting proposals to the Board that help ensure an adequate size and a well-balanced composition of the Board and further ensure that a majority of the Board is independent. Other responsibilities include:

- monitoring adherence to such principles and regularly discuss their appropriateness;
- keeping itself informed of industry and peer compensation practice;

- recommending to the Board the remuneration of the members of the Board other than the Chairman and the Executive Vice Chairman;
- determining the compensation of the Chairman, the Executive Vice Chairman, the CEO and the members of the Executive Board on the basis of their performance;
- determining the total amount for bonus payments and related deferral plans;
- reviewing and approving the Group's compensation and pension plans;
- ensuring compliance with any remuneration disclosure requirements;
- ensuring the development and maintenance of guidelines for selecting candidates for election or re-election to the Board, or to fill vacancies on the Board, as well as for the appointment to the Executive Board;
- evaluating Board member candidates and making recommendations to the Board;
- evaluating proposals made to the Board for the appointment and removal of members of the Executive Board;
- approving employment contracts with the Chairman, the Executive Vice Chairman, the CEO and the members of the Executive Board;
- determining basis for performance-based compensation for employees;
- reviewing employee compensation structure and personnel planning and management development; and
- ensuring the effectiveness of executive succession and emergency planning processes.

Finance and Risk Committee

The Finance and Risk Committee oversees risk management for the Group. Other responsibilities include:

- approving the Groups fundamental risk management principles and reviewing their implementation, as well as the appropriateness of the Group's risk management framework and its implementation;
- evaluating the bases on which the Board determines the overall risk tolerance and the risk level for the Group's most significant risk taking activities and reviewing the strategic asset allocation;
- reviewing the methodology for risk measurement, the results of risk adjusted capital calculations and the most significant risk exposures and their limits, and receiving semi-annually a report on the Group-wide use of derivative instruments;
- reviewing the valuation of assets and liabilities for economic, accounting and regulatory purposes and the treasury strategy;
- reviewing capital adequacy, the ratings received from the rating agencies and management's reaction and recommendations thereto; and
- reviewing the Group's integrated portfolio risk management activities, as well as its own performance; annually

Governance and Shareholder Relations Committee

The Governance and Shareholder Relations Committee keeps itself informed of corporate governance developments, measures the Group's governance against relevant best practice standards and informs the Board of its findings and emerging trends. Other responsibilities include:

- ensuring compliance with corporate governance disclosure requirements;
- reviewing annually the company's Articles of Association and the Corporate Bylaws and informing the Board of its findings and proposals;
- reviewing the Group's communication policy;
- monitoring the corporate philosophy, the corporate culture, the corporate social responsibility and the Group's orientation towards sustainability;
- monitoring investor relations activities;
- monitoring the relationship with rating agencies;

- examining how public reports are perceived, especially with regard to whether they fulfil the needs and expectations of international investors;
- monitoring the shareholder structure;
- performing an initial assessment of any merger and take-over proposals submitted to the Group;
- performing an initial review of material transactions with any of the Group's significant shareholders;
- establishing a procedure for the directors to comment on the Board's performance; and
- reviewing its own performance annually.

Executive Committee

Our Executive Committee is composed of the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer and the heads of our business functions. The Executive Committee is responsible for management of the Group's operations.

The following table sets forth the name, age and title of each member of the Executive Committee as at the date of this Offering Memorandum followed by a brief description of each member's business experience and education, including the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years. The business address of each is Mythenquai 50/60, CH- 8002, Zurich.

Name	Age	Position
Jacques Aigrain (1)(2)(3)(4)	51	Chief Executive Officer; interim Head of Financial Services
Andreas Beerli	55	Chief Operating Officer
Ann F. Godbehere (1)(3)(4)	51	Chief Financial Officer
Christian Mumenthaler (3)	36	Chief Risk Officer
Michel M. Liès	52	Head of Client Markets
Stefan Lippe (3)	50	Head of Products

(1) Advisory member of the Governance and Shareholder Relations Committee
(2) Advisory member of the Compensation and Appointments Committee
(3) Advisory member of the Finance and Risk Committee
(4) Advisory member of the Audit Committee

On April 21, 2006, we announced that John H. Fitzpatrick, a member of the Executive Committee and the Head of Financial Services, has stepped down from these two positions. Until a successor to Mr. Fitzpatrick is named, Mr. Aigrain will assume responsibility for Financial Services. Mr. Fitzpatrick will be setting up an investment fund focused on insurance, securitization and other financial services. We intend to become a significant investor in this fund and we are currently in discussions concerning the investment and the other terms of Mr Fitzpatrick's departure.

Jacques Aigrain. Jacques Aigrain was appointed Chief Executive Officer effective January 1, 2006. Prior thereto, he had been appointed to the Executive Board and as head of the Financial Services Business Group when he joined the Group in June 2001. Previously, Mr Aigrain worked for JP Morgan in various positions and locations, predominantly in investment banking, capital markets, and mergers and acquisitions. Immediately prior to joining Swiss Re, he was a managing director and a member of JP Morgan's investment banking management committee, where he was co-head of client coverage, responsible for the financial institutions and classical economy sectors. He is also a board member at ETH Stiglang and of Swiss International Airlines. His domicile is Küsnacht, Switzerland and his place of origin is Brig-Glis, Switzerland. He is a Swiss and a French citizen.

Andreas Beerli. Andreas Beerli is our Chief Operating Officer and was appointed to the Executive Committee, both as of January 2006. He has been a member of our Executive Board since November 1999. Prior to becoming our Chief Operating Officer he was head of the Americas Division within the Property and Casualty Business Group since January 2000. Mr Beerli joined Swiss Re in 1979, serving in various marketing functions until 1984. He then worked for Credit Suisse in private banking. From 1985 intil 1993, he worked for the Baloise Insurance Group where he served in the company's foreign operations. He rejoined Swiss Re in 1993. In 1997, he restructured and integrated the newly acquired Italian reinsurance company Uniorias. In 1998, he assumed the additional position as Head of the Global Clients Unit. Mr Beerli is also a member of the board of the Reinsurance Association of America, a member of the executive committee of the International Insurance Society, and is on the board of directors of the Insurance Information Institute. His domicile is Oberwil/Lieli, Switzerland and his places of origin are Zurich and Basle, Switzerland. He is a Swiss citizen.

***Ann F. Godbehere**.* Ann F. Godbehere joined the Executive Board and the Executive Board Committee in April 2003, when she also became our Chief Financial Officer. Prior to joining Swiss Re, she was senior vice president and controller at Mercantile & General Re until Swiss Re's acquisition of Mercantile & General Re in 1996. Following the acquisition, she became Chief Financial Officer of Swiss Re Life & Health, North America. In 1997 she was made CEO of Swiss Re Life & Health Canada. She moved to London as Chief Financial Officer of the Swiss Re Life & Health Division in 1998 and joined the Property & Casualty Business Group, based out of Zurich, as CFO in 2001. She is also a board member of IMD, the Swiss based international business school. Her domicile is Rüschlikon, Switzerland. She is a Canadian and a British citizen.

***Christian Mumenthaler**.* Christian Mumenthaler joined the Executive Board and the Executive Committee in January 2005 when he became our Chief Risk Officer and Head of Risk and Knowledge Division. As part of the realignment in September 2005, his title was changed to Chief Risk Officer. Mr. Mumenthaler served as an Associate at the Boston Consulting Group before joining Swiss Re in 1999 as manager in Group Strategic Planning. In 2002, Mr. Mumenthaler established a new unit, Group Retro and Syndication, which is responsible for optimising the Group's risk and capital base through retrocession and securitizations. As head of Group Retro and Syndication, he was responsible for a number of innovative capital market transactions, including the first securitizations of mortality risk. He also serves as chairman for "Schweiz" Allgemeine Versicherungs-Aktien-Gesellschaft and as a member of the board of Europaische Ruckversicherungs-Gesellschaft and International Risk Governance Council. His domicile is Winterthur, Switzerland and his place of origin is Murgenthal, Switzerland. He is a Swiss citizen.

***Michel M. Liès**.* Michel M. Liès became Head Client Markets Business Function and a member of the Executive Committee in September 2005. He was formerly Head of the Europe Division within the Property & Casualty Business Group (until September 2005). He was appointed to the Executive Board in January 1998 when he was appointed head of the Latin America Division in July 1998. In April 2000, Mr. Liès was appointed head of the Europe Division within the Property & Casualty Business Group. Mr. Liès joined Swiss Re's Life department in 1978. Based in Zurich, he first covered the Latin American market. From 1983 to 1993, he was responsible for the life and health business in France and the countries of the Iberian peninsula and coordinated Swiss Re's life strategy in the European Community member states. In 1994, he transferred to the non-life sector of our Southern Europe/Latin America department, where he was initially responsible for the Spanish market. Mr. Liès was appointed head of the Southern Europe/Latin America department in 1997. He is also a member of the board of the Swiss Insurance Association and SVV Schweizerischer. His domicile is Dübendorf, Switzerland. He is a Luxembourg citizen.

***Stefan Lippe**.* Stefan Lippe became our Head of Products Business Function and a member of the Executive Committee in September 2005. He was appointed to the Executive Board in April 1995. He has been Head of our Property & Casualty Business Group since April 2001. Mr. Lippe joined Bavarian Re in October 1983 and was Chairman of the Management Board of Bavarian Re from 1993 to 2001. During 1985, he was involved in Bavarian Re's liability operations in the German-speaking region. In 1986, he became head of Bavarian Re's Non-Proportional Underwriting department. Mr. Lippe was appointed deputy member of Bavarian Re's Management Board in 1988 and a full member of Bavarian Re's Management Board in 1991. He is also the deputy chairman for Exctremus Versicherungs-AG. His domicile is Wollerau, Switzerland. He is a German citizen.

Executive Board

Our Executive Board is currently made up of eighteen senior executive officers, and includes all of the members of the Executive Committee. From the beginning of 2004 through the date of this Offering Memorandum, our Executive Board membership has been between eighteen and twenty-one members. Members of the Executive Board are appointed by the Board of Directors upon recommendation of the Chief Executive Officer and after consultation with the Compensation and Appointments Committee. The Executive Board is headed by the Chief Executive Officer and includes the heads of each of our divisions. The Executive Board, among other things, supports the Executive Committee, reviews group and global function strategies, considers the group's annual plan before it is submitted to the Board of Directors and establishes and aligns the business policies of the group.

The following table sets forth the name, age and title of each member of the Executive Board (other than members of the Executive Committee – see above) as at the date of this Offering Memorandum (and prior to the Proposed Acquisition; current status), followed by a brief description of each member's business experience and education, including the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years. The business address of each is Mythenquai 50, CH-8002 Zurich.

Name	Age	Position
Martin Albers	45	Head Europe—Client Markets
Jacques E. Dubois	57	Head of Corporate Development
Agostino Galvagni	45	Head of Globals & Large Risks—Client Markets
Brian Gray	44	Head Property & Specialty – Products
Charlotte A. Gubler	54	Head of Communications & Human Resources
Benjamin Meuli (1)	49	Head of Asset Management—Financial Services
Martin Oesterreicher	51	Head of Casualty—Products
Pierre L. Ozendo	55	Head of Asia—Client Markets
Martyn Parker	48	Head of Life & Health—Products
W. Weldon Wilson	45	Head of Americas Life & Health and Admin Re—Client Markets
Yury Zaytsev	56	Head of Information Technology

(1) Advisory Member of the Finance and Risk Committee

Martin Albers. Martin Albers assumed his current position in September 2005. He was appointed to the Executive Board in January 2002 and as Head of Risk Solutions in the Financial Services Business Group in June 2002. Mr. Albers joined Swiss Re as head of Product Controlling in 1994, after having worked for over three years with Boston Consulting Group. In 1996 he became Head of Property and Casualty business in Canada and, in 1999, the United Kingdom. His domicile is Zurich, Switzerland and his place of origin is Zurich, Switzerland. He is a Swiss citizen.

Jacques E. Dubois. Jacques E. Dubois assumed his current position in January 2005. He was appointed to the Executive Board in June 2000 and was deputy head of the Swiss Re Life & Health Business Group from June 2000 to December 2004. He is Chairman and Chief Executive Officer of Swiss Re America Holding Corporation. He joined Swiss Re in connection with the acquisition of Life Re Corporation in December 1998, whereupon he became Chairman and Chief Executive Officer of Swiss Re Life & Health, North America. Prior to joining Swiss Re, he served as President and Chief Operating Officer of Life Re Corporation, which he co-founded, from 1988 to 1998. He also served as the President and Chief Executive Officer of Life Reassurance Corporation of America, Life Re's principal subsidiary, from 1993, and was associated with Insurance Investment Associates since 1979. His domicile is Greenwich, Connecticut, USA. He is an American citizen.

Agostino Galvagni. Agostino Galvagni joined the Executive Board in September 2005 as Head of Globals & Large Risks in the newly formed Client Markets Business Function. Mr. Galvagni joined Bavarian Re as a trainee and he undertook various activities in the fields of underwriting and marketing as well as project work while at Bavarian Re. In 1998, Mr. Galvagni joined Swiss Re New Markets in New York and was involved in structuring and marketing insurance-linked and asset-backed securities. In 1999, he returned to Bavarian Re as a Member of the Board of Management with responsibility for P&C Treaty profit centre (Belgium, France, Greece, Italy, Luxembourg) and Facultative Property profit centre (Europe). In 2001, Mr. Galvagni re-joined Swiss Re, Zurich as Head of the "Globals" Business Unit and member of the Executive Team of Europe Division (P&C), with profit centre responsibility for European Global Clients (Headquarters). His domicile is Pfäffikon, Switzerland. He is an Italian citizen.

Brian Gray. Brian Gray joined the Executive Board in September 2005 as Head of Property and Specialty in the newly formed Products Business Dunction. Mr. Gray joined Swiss Re in 1985 and worked in a variety of underwriting and marketing roles for us in Toronto. In 1994, he moved to Zurich when he joined the former Asia-Pacific/Africa division and also undertook certain corporate integrated risk management functions. Mr. Gray returned to Swiss Re in Canada in 1997, when he assumed responsibility for Underwriting, Claims and

Special Lines activities. He was appointed President and Chief Executive Officer of Swiss Re Canada in March 2001, a position he held until September 2005. His domicile is Rüschlikon, Switzerland. He is a Canadian citizen.

Charlotte A. Gubler. Charlotte A. Gubler joined the Executive Board when she became Head of Communications and Human Resources in January 2005. Ms. Gubler joined Swiss Re in 1993 as Senior Credit Risk Manager in the Credit & Surety department. In 1995, she was appointed to establish a global Credit Risk Management Function, first for our initial Alternative Risk Transfer Division and subsequently for the entire Swiss Re Group. In 2000, she became a Member of the Executive Team of Financial Services Business Group and Head of Credit Solutions, a business sector of Swiss Re, which encompasses the global credit risk underwriting business of the company. Her domicile is Uitikon, Switzerland and her place of origin is Frauenfeld, Switzerland. She is a Swiss citizen.

Benjamin Meuli. Benjamin Meuli joined Swiss Re and was appointed to the Executive Board in April 2004 when he assumed his current position as Head of Asset Management—Financial Services and Chief Investment Officer. Prior to joining Swiss Re he had a 20 year career with Morgan Stanley, where he became managing director, in charge of the European Debt Capital Markets and the European Financial Institutions Group. He also held the positions of chief executive of JP Morgan Life Assurance Ltd and chief operating officer of the global fixed income division. In 1998 he joined Morgan Stanley as managing director with primary responsibility for investment banking, fixed income, equities, real estate, and associated asset and liability management issues linked to large multinational insurance groups. He also serves as a director of SCI Château des Roches, SCA Dumaine des Roches and SAS MBF. His domicile is Pfäffikon, Switzerland. He is a British citizen.

Martin Oesterreicher. Martin Oesterreicher joined the Executive Board in September 2005, when he became Head of Casualty in the newly formed Products business function. Prior to joining Swiss Re, Mr. Oesterreicher worked in the steel industry. He joined Swiss Re in 1978 as a member of the Non-Proportional Property Treaty department. Since that time, he has worked in both the products/underwriting divisions and in various client market areas. From 1983 to 1989 Mr. Oesterrericher worked in Tokyo and from 1989 to 1992 he worked in Zurich in marketing for the Japanese and South Korean non-life market. In 1992 he moved to the department for Germany, Central and Eastern Europe, and was appointed head of that department in 1997. In 1998 he joined the Executive Team of the Europe Division with primary responsibility for Property and Casualty. Since 2001 he has served as Divisional Underwriting Officer for the Europe Division of the non-life market. Since 2005, he has served as a director of AWAC, Bermuda. His domicile is Mellingen, Switzerland and his place of origin is Müllheim, Switzerland. He is a Swiss citizen.

Pierre L. Ozendo. Pierre L. Ozendo was appointed to the Executive Board in July 1996. He joined the Swiss Re Group in 1995, taking on an assignment as chief executive officer of the subsidiary Union Re, effective 1 January 1996. Following Union Re's integration with Swiss Re, he was named Head of the Group's Asia Division in 1998. Before joining Swiss Re, Mr. Ozendo worked for General Reinsurance Corporation from 1975 to 1995. In 1986 he moved to Switzerland as General Manager of General Reinsurance Corporation (Europe) in Zurich. He was appointed president and managing director of General Re Europe Limited in 1994. Mr. Ozendo was previously employed as an underwriter by the New York Life Insurance Company in San Francisco. He also serves as a vice chairman of the Evian Group and as a board member for the International Insurance Socirty. His domicile is White Plains, New York, USA. He is an American and a French citizen.

Martyn Parker. Martyn Parker joined the Executive Board in September 2005, when he became the Head of Life & Health in the newly formed Products business function. He has worked in the administration, underwriting and claims management sectors of the reinsurance industry since 1974. Prior to joining Swiss Re, Mr. Parker worked at Mercantile & General Re, and he joined Swiss Re in connection with our acquisition of Mercantile & General Re in 1996. He has over 30 years of life reinsurance experience and has held a number of senior and international positions including leading marketing efforts in Asia based in Singapore, and as the Chief Executive of the South Africa Life Company (based in Cape Town) and Chief Executive of the European Division—non-life. He is also a director for Phoenix Travel Limited, Life Assurance Holding Corporation Limited, Windsor Life Assurance Company and the Mercantile & General Reinsurance Company Limited. His domicile is London. He is a British citizen.

W. Weldon Wilson. W. Weldon Wilson was appointed to the Executive Board in September 2003 with responsibility for the Americas Division of the Life & Health Business Group. He previously served as Executive Vice President and head of the business engineering services unit, where he was responsible for overseeing the firm's Admin Re programme as well as other non-traditional reinsurance solutions for life and health clients in North America. Mr. Wilson has been associated with Swiss Re, and previously Life Reinsurance Corporation of America, since 1991 as general counsel, secretary and director of Swiss Re Life & Health America Inc. and its subsidiaries. His domicile is Redding, Connecticut, USA. He is an American citizen.

Yury Zaytsev. Yury Zaytsev was appointed to the Executive Board and named the Head of Information, Processes & Technology Division in June 1999. He joined Swiss Re in 1992 as head of corporate information resource for U.S. subsidiaries. In 1995, he was put in charge of Group Information and Technology and the Group's Data Center. Prior to joining Swiss Re, Mr. Zaytsev developed the IT system for the 1980 Olympic Games in Moscow. He then emigrated to the U.S., where he first worked as an IT project manager for the retail group K-Mart. He then spent seven years working for the American International Group, where he handled the firm's domestic and international IT applications. His domicile is Rüschlikon, Switzerland. He is an American citizen.

Remuneration of the Board of Directors and the Executive Board

Compensation of Directors and Executive Officers

We paid an aggregate of CHF 86.9 million for fiscal 2005 (CHF 82.0 million for fiscal 2004) to the members of our Executive Board and our Board of Directors for services in all capacities, of which CHF 14.3 million (CHF 23.6 million for fiscal 2004) represented bonuses taken in blocked shares, CHF 9.7 million (CHF 12.1 million for fiscal 2004) represented the fair value of options granted under the Group long-term incentive award programme, CHF 4.5 million (CHF 2.4 million for fiscal 2004) represented the issue of restricted shares granted under the long-term incentive award program and CHF 13.56 million represented amounts set aside to provide for pension, retirement and similar benefits. These amounts include all remuneration components. Cash payments, allowances, value of preferential rates on loans, other financial benefits, as well as the amount of actuarial funding needed for pensions, are included in this figure. We do not have a separate pension plan for members of the governing bodies.

Compensation of the Chairman of the Board of Directors, the Executive Vice Chairman, the Chief Executive Officer and other members of the Executive Board is set by our Compensation and Appointments Committee. The Committee convenes three to four times a year and presents its proposals to the full Board for approval. The Committee is responsible for the compensation principles and approving compensation plans. We have a "pay for performance" philosophy. The Executive Board is paid a base salary and variable bonus. The fixed salary consists of a cash payment, while the bonus can be either in cash or shares that are deferred for four years.

The members of the Board of Directors receive a compensation of CHF 250,000 per annum. A minimum of 25% of the honorarium must be taken in shares of our stock with a four-year deferral period. The Chairman of the Board, the Executive Vice Chairman and the Chairman of the Audit Committee receive a higher compensation to reflect their greater responsibilities and engagements. The Chairman of the Board and the Executive Vice Chairman are, in addition, eligible for a variable payment based on the company's performance. The non-executive members are not eligible for any pension benefits or long-term incentive plans.

We have stopped granting employee stock options on a regular basis. Instead a new long-term incentive plan ("LTI") will be introduced in 2006 for certain senior executives. The plan will be based on a performance matrix of average return on equity and earnings per share compounded growth over a three year period, thereby aligning the plan with shareholder interests. The LTI final payout can very between 0% and 200% of the original share number.

The Executive Board's performance assessment is based on annual objectives involving financial and qualitative elements. The bonuses distributed for a year's service are paid in April of the following year. All amounts disclosed relate to performance for fiscal 2005 with some elements credited in April 2006.

The following tables show all remuneration components except for shares and options, which are shown separately, for the members (acting and former) of the Board and the Executive Board. Cash payments, allowances, variable pay, value of preferential rates on loans, other financial benefits, as well as the amount of actuarial funding needed for pensions, are included in the totals. We do not have a separate pension plan for members of the governing bodies. The 2005 disclosure relates to 21 executive members as opposed to 18 members in 2004.

	Year Ended December 31,	
	2004	2005
	(CHF in millions)	
Acting Executive Members (Executive Vice Chairman and 20 Executive Board members)		
Base salary and allowances	20.77	24.93
Variable Pay	31.50	29.18
Cash bonus (included in variable pay)	9.33	16.95
Bonus shares (included in variable pay)	22.17	12.23
Actuarial funding of pension benefits	10.80	13.56
Total	63.07	67.67

	Year Ended December 31,	
	2004	2005
	(CHF in millions)	
Acting Non-executive members (Board of Directors)		
Honorarium	1.92	1.92
Cash bonus	1.00	1.00
Deferred and non deferred shares	1.47	2.08
Total	4.39	5.00

	Year Ended December 31, 2005
Compensation for former members of governing bodies	
Executive members (4)	671,502
Non-executive members (1)	83,845
Total	755,347

One former member of the Executive Board performs periodic services on our behalf.

All shares awarded to the Executive Board are subject to a four year deferral. The bonus plan stipulates that Executive Board members must decide on the final split between cash and shares by April. For the purpose of this disclosure, we have assumed a take-up rate of 50%, which is in line with experience from previous years. Such shares have a discounted taxable value of CHF 76.20. Members of the Board of Directors receive an honorarium, a mandatory 25% of which is in the form of shares; the remainder may be taken either in the form of cash or shares with a four year deferral period. Such shares have a discounted taxable value of CHF 76.20, while shares without a deferral period would have a value of CHF 96.20.

The following table shows share allotment for Executive and Non-Executive members of the Executive Board.

	As of April 21, 2006	
	2004	2005
Share allotment in the year under review (deferred shares)		
Executive members (18)	338,079	160,603
Non-Executive members (12)	22,415	26,252[(1)]
Total	360,494	186,855

(1) 4,158 of these 26,252 shares were not deferred.

The following table shows the number of shares held by our executive and non-Executive members of the Board and the Executive Board. In addition to those shares held by the person in question on the reporting date, shareholdings consist of any shares held by such person's spouse, minors, and of directly controlled companies.

	As of April 21, 2006 (Number of Shares held)
Share ownership	
Executive members (18)	887,970
Non-Executive members (12)	305,415
Total	1,193,385

Interests of the Board of Directors, the Executive Committee and the Executive Board on an individual basis:

	As of April 21, 2006	
Name	Registered Shares	Options
Directors:		
Peter Forstmoser	95,293	60,000
Walter B. Kielholz	129,374	330,000
Jakob Baer	7,589	
Thomas W. Bechtler	29,378	
Raymond Breu	9,196	
John R. Coomber	112,903	337,000
Dennis D. Dammerman	695	
George L. Farr	14,500	
Rajna Gibson Brandon	9,934	
Bénédict G.F. Hentsch	7,970	
Robert A. Scott	7,093	
John F. Smith, Jr.	7,770	
Kasper Villiger	3,094	
Total Board of Directors	434,789	
Executive Committee:		
Jacques Aigrain	220,253	423,750
Andreas Beerli	59,353	103,600
Ann F. Godbehere	22,700	143,500
Christian Mumenthaler	3,063	10,250
Michel M. Liès	43,117	146,000
Stefan Lippe	34,000	134,000
Executive Board (1)**:**		
Martin Albers	31,609	60,500
Jacques E. Dubois	197,495	177,000
Agostino Galvagni	9,000	15,500
Brian Gray	8,484	20,000
Charlotte A. Gubler	9,717	32,600
Benjamin Meuli	10,888	45,000
Martin Oesterreicher	4,928	36,900
Pierre L. Ozendo	21,820	127,000
Martyn Parker	3,570	67,000
W. Weldon Wilson	40,183	93,500
Yury Zaytsev	38,716	114,000
Total Executive Committee and Executive Board	759,156	
Total	1,193,385	

(1) The members of the Executive Committee are also members of the Executive Board.

Options to Purchase Shares

We maintain various incentive plans for our employees. Our stock incentive plans provide for awards that can be exercised for cash or shares. As of January 1, 2004, employees have the option of receiving options or, alternatively, one restricted share per four options such employee is entitled to receive. We also maintain a discount company stock purchase plan for all employees of the Group. Under our stock option plan, we grant options to members of the Executive Board and certain members of management. We had options to purchase an aggregate of 10,258,044 shares outstanding as of December 31, 2005. Of these, options to purchase an aggregate of 2,363,600 shares were held by members of our Executive Board and Board of Directors. The table below shows the exercise prices and expiration dates for the options to purchase Shares. Options vest after four years, except in cases of earlier death. The following tables show information regarding the number and terms of options outstanding to purchase out shares.

Grant Year	Strike Price (CHF)	Weighted Average Strike Price (CHF)	Option Term	Number of Options Allocated as of Date of Grant	Number of Options Outstanding as of April 2006
1997	74.35	82	2007	140,000	78,040
1998	152	167	2008	623,040	497,000
1999	162.7	156	2009	990,200	823,500
2000	128.35	146	2010	1,628,720	1,360,600
2001	186	179	2011	1,941,660	1,173,060
2002	144.25	148	2012	1,985,513	1,825,980
2003	67.65	72	2013	2,049,900	1,982,400
2004	93	93	2014	2,009,210	2,009,210
2005	93	93	2015	2,215,226	2,197,026
2006	94	94	2016	100,000	100,000
Total				13,683,469	12,046,816

Options

Executive Members

Strike price:	60	70	74	86	93	128	144	152	162	183
					(CHF in millions)					
Grant Year										
1997(3)			22,0000							
1998(14)								75,300		
1999(17)									135,700	
2000(17)						207,200				
2001(15)										453,300
2002(19)							385,000			
2003(20)		536,000								
2004(17)					448,500					
2005(15)				466,500						

(In brackets: number of participating members)

Non-Executive members

Strike price:	67	83	144
		(CHF in millions)	
Grant Year			
2002(1)			40,000
2003(1)	40,000		
2005(1)		20,000	

(In brackets: number of participating members)

All options have a four year vesting period, during which there is a risk of forfeiture, and an exercise period of six years. The exchange ratio is 1:1, i.e. each option entitles the beneficiary to purchase one share at an unadjustable strike price.

Restricted shares

In 2004 and 2005, the beneficiaries of the long-term incentive award programme were given a choice of receiving options or restricted shares. Those electing to receive restricted shares received one restricted share for each option they otherwise would have been granted. The restricted shares vest after four years. During the vesting period, there is a risk of forfeiture.

Executive members (10)

Share price	93	83 Share price as of date of grant (CHF)
2004 (6)	16,125	
2005 (10)		49,625

Non-Executive member (1)

Share price	93	83 Share price as of date of grant (CHF)
2004 (1)	10,000	
2005 (1)		5,000

Additional fees and remuneration

We did not pay any honorariums (*e.g.* consultancy fees) or other remuneration billed to any member of a governing body, or parties closely linked to such persons for additional services performed during 2005, in the case of sums exceeding half of the ordinary remuneration of the member in question.

Loans to members of governing bodies

	(CHF in millions)
Mortgages and loans to 10 Executive members	15.7
Mortgages and loans to Non-Executive members	None

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 our employees in the respective locations. Fixed-rate mortgages have a maturity of five years and interest rates that correspond to the five year Swiss franc swap rate plus a margin of 10 basis points. Adjustable-rate mortgages have no agreed maturity dates. The basic preferential interest rates 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 have been factored into the compensation sums given to the governing body members.

Highest total compensation

The compensation of the highest paid member of the Board of Directors (Peter Forstmoser) during 2005 can be broken down as follows:

	Number of shares/options	(CHF in millions)
Compensation		1.7
Number of shares	4,158	
Number of options	5,198	

The shares awarded have a discounted taxable value of CHF 76.20 if subject to a four year deferral period, and CHF 96.20 if not deferred.

Potential Conflicts of Interest

Except as set forth in the next paragraph, none of the members of the Board of Directors (current or expected to be proposed) or Executive Board (current or expected) have any private interest or other duties which conflict or could potentially conflict with their duties to us.

Under the terms of the shareholding agreement to be entered into in connection with the Proposed Acquisition, General Electric has the right to propose the nomination to our Board of Directors of a designee so long as it holds in excess of 7.5% of our share capital and no other shareholder holds a larger percentage. General Electric's current designee is Dennis D. Dammerman, who was elected a director at our Extraordinary General Meeting in February 2006.

Employment and Service Agreements

Generally, the members of the Executive Committee and the Executive Board have employment letters. Our Executive Board members who are U.S. residents are "employees at will" and have no employment letters. The members of the Board of Directors have service agreements, except for the Executive Vice Chairman who has an employment agreement. The employment letters and service agreements contain customary terms such as function and title, place of employment, remuneration, allowance compensation, social security, fringe benefits, vacation, insurance, covenants as to confidentiality, duties and a notice period. None of the employment letters or service contracts provide for benefits upon termination of employment or service, other than benefits provided upon termination of service under traditional pension schemes in the country of employment.

In connection with Mr. Fitzpatrick's departure (see "Management—Executive Committee"), we are in discussion with him concerning our investment in the investment fund he is establishing and the terms of his departure.

Employee Pension Plans

We sponsor various funded defined benefit pension plans covering the majority of our worldwide operations. Employer contributions to the plans are charged to income on a basis which recognizes the costs of pensions over the expected service lives of employees covered by the plans. Our 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. We also provide certain health-care and life insurance benefits for retired employees and their dependents. Employees become eligible for these benefits when they become eligible for pension benefits. The measurement date of these plans is 30 September for each year. See Note 11 to our audited financial statements included elsewhere in this Offering Memorandum for details regarding the balance outstanding under each such plan.

Corporate Governance

In addition to the relevant provisions in the Swiss Code of Obligations, two sets of rules regarding corporate governance were introduced in Switzerland in July 2002: the Swiss Code of Economiesuisse, the largest umbrella organization representing Swiss business establishments and the Directive on Information Relating to Corporate Governance of April 17, 2002 of the SWX Swiss Exchange (the "CGD"). The Swiss Code of Economiesuisse is non-binding and recommends good corporate standards in line with international business practice. The CGD is binding for Swiss companies whose shares are listed on the SWX Swiss Exchange and requires them to disclose important information on the management and control mechanisms at the highest corporate level (or to give specific reasons why this information is not disclosed). We are in compliance with the provisions of the Swiss Code of Obligations relating to corporate governance and the CGD.

Under the current Swiss corporate law and the SWX Swiss Exchange rules, no general duty relating to the individual disclosure of salary and benefits information for the members of the Board of Directors and senior managers of an issuer exists. Pursuant to the CGD, each issuer incorporated in Switzerland whose shares are listed on the SWX Swiss Exchange required to disclose certain information about compensation and remuneration in its annual report. On October 7, 2005, an amendment to the Swiss Code of Obligations was passed by the Swiss parliament establishing a duty to disclose the salary and other remuneration of, as well as the granting of loans and credits to, the current and former members of the Board of Directors and senior managers on an aggregate and individual basis in the notes to the annual financial statements. The amendment is currently expected to enter into force on January 1, 2007.

Auditing Fees

The following summarizes fees for professional services for the year ended December 31, 2005.

Audit Fees	
PricewaterhouseCoopers	CHF 25.3 million
Audit Related Fees	
PricewaterhouseCoopers	CHF 1.7 million

Audit related fees comprise, among other things, amounts for due diligence reviews, comfort letters, accounting advice, information systems reviews and reviews on internal controls.

Additional Fees

In addition to the fees described above, aggregate fees of CHF 7.8 million were billed by PricewaterhouseCoopers during the year ended 31 December 2005, primarily for the following:

Income tax compliance and related tax services
PricewaterhouseCoopers .... CHF 0.8 million

Other fees
PricewaterhouseCoopers .... CHF 7.0 million

Other fees comprise advisory work related to a range of projects. In 2005, these included work in connection with the restructuring of certain reinsurance entities and a review of selected reporting processes.

Supervisory and Control Instruments vis-à-vis the External (Independent) Auditor

Our Board of Directors has established the Audit Committee, which holds at least four meetings a year and to which the two head auditors are regularly invited as advisory guests. The Audit Committees responsibilities with respect to the external auditor include:

- annually evaluating the external auditor;
- recommending one firm to the Board for election at the following Annual General Meeting of shareholders;
- consulting the auditor in respect of significant risks, contingencies or other obligations of the company;
- reviewing and approving the planned audit services and discussing the audits with the auditor;
- approving in advance non-audit services expected to be provided by the auditor, including reviewing and approving other non-audit services that have been pre-approved by the Chairman of the Audit Committee between Audit Committee meetings;
- reviewing major changes to the company’s accounting principles and practice brought to its attention by the auditor;
- reviewing the adequacy and efficacy of the financial reporting process, the system of internal controls and quality control procedures, as well as any other significant findings and recommendations provided by the auditor;
- periodically meeting with the auditor to review any significant disagreement between management and the auditor, if and when such disagreements arise;
- discussing the results of the annual audit with the auditor, and in particular the auditor’s report on the financial statements, necessary changes in the audit plan, critical accounting policies and alternative accounting treatments that have been discussed with management;
- discussing other material written communications with management, such as management letters or schedules of unadjusted differences;
- requesting that the auditor, at least once a year, supply a formal written statement delineating all relationships with the company that might affect auditor independence;
- actively engaging in a dialogue with the auditor in respect of any disclosed relationships or services that might impact the auditor’s objectivity and independence, and recommending to the Board of Directors appropriate action in response to the aforementioned statement;
- obtaining from the auditor and reviews, at least annually, a report describing the auditor’s own quality control procedures, and any material issues raised by the most recent internal reviews, or inquiries or investigations by governmental or professional authorities within the preceding five years, and any steps taken to deal with any such issues; and
- reviewing the audit fees and the fees paid to the auditor in respect of non-audit services.

Disclosure of Management Transactions under European Union Market Abuse Directive ("EUMAD")

The rules of the SWX Swiss Exchange regarding disclosure of management transactions cease to apply once an issuer becomes subject to Article 6(4) of the EUMAD. The rules of EUMAD become applicable to us from the first day of trading of the securities newly admitted to trading on the EU Regulated Market Segment on virt-x. Accordingly, from the first day of trading of the shares offered in the Equity Offering on the EU Regulated Market Segment of virt-x, we will no longer be subject to the SWX Swiss Exchange rules regarding disclosure of management transactions. Instead, we will disclose management transactions pursuant to the rules of EUMAD as implemented in the United Kingdom. Under the EUMAD, as implemented by the UK Listing Authority Disclosure Rules, persons discharging managerial responsibilities (broadly directors and senior executives) and their connected persons (broadly, related corporations and certain family members) will be required to notify us of all transactions conducted on their own account in our shares (or derivatives or other related financial instruments) within four business days of the relevant transaction. We will be obliged to disclose that information publicly following notification to us of that information.

Convictions, Public Incriminations and Bankruptcies

There have been no convictions in relation to fraudulent offenses or official public incriminations or sanctions of any member of our Board of Directors or Executive Board by statutory or regulatory authorities (including designated professional bodies), and these persons have never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, for at least the past five years. There have been no bankruptcies, receiverships or liquidations with which any member of our Board of Directors or Executive Board acting in the capacity of a member of the administrative, management or supervisory bodies, partner, founder or senior manager of the entity concerned, was associated, for the past five years.

PRINCIPAL SHAREHOLDERS

The aggregate number of options and shares held by members of our Board of Directors and management as of April 21, 2006 represents less than 1% of our equity capital.

Under the applicable provisions of the Swiss Stock Exchange Act, effective since January 1, 1998, shareholders and groups of shareholders acting in concert who, directly or indirectly, reach, exceed or fall below the thresholds of 5%, 10%, 20%, 33⅓%, 50% or 66⅔% of the voting rights of a Swiss listed corporation must notify the corporation and the SWX Swiss Exchange, whether or not their voting rights can be exercised. Following receipt of this notification, the corporation must inform the public of the notification. Further, investors that hold or intend to acquire a qualifying interest in our shares may be subject to notification or approval requirements under applicable local insurance or other financial services regulations.

As of the date of this Offering Memorandum, The Capital Group Companies, Inc. ("The Capital Group) (333 South Hope Street, Los Angeles, CA 90071, USA) is the only shareholder who has notified us that it holds a reportable amount of our shares. The Capital Group notified us on November 22, 2005, that it held indirectly through its subsidiaries Capital Research and Management Company (333 South Hope Street, Los Angeles, CA, USA), Capital Guardian Trust Company (11100 Santa Monica Blvd 15th Fl., Los Angeles, CA, USA), Capital International Limited (25 Bedford St., London, England), Capital International Inc. (11100 Santa Monica Blvd 15th Fl., Los Angeles, CA, USA) and Capital International S.A. (3, place des Bergues, 1201 Geneva, Switzerland) as asset manager for investment funds and customers 16,438,374 shares, representing 5.10% of our shares and voting rights. The shares held by this company have not been registered under it or its subsidiaries' names, and therefore we are unable to independently track changes in this shareholder's aggregate holdings. We do not have to file a cross-shareholding report with respect to either of these companies as we do not own 5% of more of either of their shares or voting rights.

Affect giving effect to the Proposed Acquisition, we expect that General Electric will likely hold below 10% of our shares. For more information on the Proposed Acquisition, see "Proposed Acquisition" and for a description of the GEIS Business to be acquired from General Electric, see "Business of GE Insurance Solutions."

Each of our shares carries one vote. None of our principal shareholders has different voting rights.

ENFORCEMENT OF CIVIL LIABILITIES

We are a Swiss company, and the majority of our assets are located within Switzerland. In addition, almost all of our directors and executive officers reside in Switzerland. As a result, investors may not be able to effect service of process outside Switzerland upon us or these persons, or to enforce judgments obtained against us or these persons in foreign courts predicated solely upon the civil liability provisions of non-Swiss securities laws.

There is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in Switzerland and that a foreign judgment based upon U.S. securities laws would be enforced in Switzerland. There is also doubt as to enforceability of judgments of this nature in several of the other jurisdictions in which we operate and where our assets are located.

TAXATION

Swiss Tax Disclosure

General

The following summary does not purport to address all tax consequences of the acquisition, ownership and disposal of Loan Notes, and does not take into account the specific circumstances of any particular investor. This summary is based on the tax laws, regulations and regulatory practices of Switzerland and a tax ruling with the Swiss federal tax administration as in effect on the date hereof, which are subject to change (or subject to changes in interpretation), possibly with retroactive effect.

Loan Noteholders or prospective Loan Noteholders are advised to consult their own tax advisers in light of their particular circumstances as to the Swiss tax laws, regulations and regulatory practices that could be relevant for them in connection with acquiring, owning and disposing of Loan Notes and receiving interest, principal or other payments on the Loan Notes and the consequences of such events under the tax laws, regulations and regulatory practices of Switzerland.

Issuance Stamp Tax, Withholding Tax and Securities Turnover Tax

Under the conditions that the aggregate number of Loan Noteholders under the Loan Notes which are not Qualifying Banks (as defined in the Conditions) will not at any time exceed ten and the aggregate number of our lenders (including Loan Noteholders) which are not Qualifying Banks (as defined in the Conditions) under all outstanding loans (including intra-Group), facilities and/or private placements (including under the Loan Notes) will not at any time exceed twenty, the issuance of the Loan Notes will neither be a taxable event for purposes of the Swiss Issuance Stamp Tax (Emissionsabgabe) nor for purposes of the Swiss Securities Turnover Tax (Umsatzabgabe). Subject to the same limitations, payments on the Loan Notes will not be subject to the Swiss Withholding Tax (Verrechnungssteuer), and dealings in the Loan Notes after issuance will not be subject to the Swiss Securities Turnover Tax. The Conditions require all Loan Noteholders and us to comply at all times with such limitations on lenders that are not Qualifying Banks (as defined in the Conditions).

Swiss Federal, Cantonal and Communal Income Taxation

Non-Resident Loan Noteholders

Payments under the Loan Notes to a Loan Noteholder who is not resident in Switzerland for tax purposes, and who, during the relevant taxation year, has not engaged in a trade or business through a permanent establishment or fixed place of business in Switzerland for tax purposes, and who is not subject to corporate or individual income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax, capital tax or wealth tax.

Resident Loan Noteholders and Loan Noteholders with a Trade or Business in Switzerland

Loan Noteholders who hold Loan Notes as part of a trade or business in Switzerland for tax purposes, in the case of residents abroad carried on a permanent establishment or a fixed place of business, are required to recognize payments on the Loan Notes and capital gains or losses realized on the disposal of Loan Notes in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal corporate or individual income tax, as the case may be, on any net taxable income (including payments on the Loan Notes and capital gains or losses realized on the disposal of Loan Notes) for such taxation period. The same taxation treatment also applies to Swiss-resident private individuals who, for income tax purposes, are classified as “professional securities dealers” for reasons of, inter alia, frequent dealing, or leveraged investments, in securities.

Private individuals resident in Switzerland and holding Loan Notes as part of their private fortune, are required to include interest payments (but not repayment of principal) on the Loan Notes in their personal income tax return and are subject to Swiss federal, cantonal and communal income tax on any net taxable income (including the interest payments (but not repayment of principal) on the Loan Notes) for the relevant taxation period. For private individuals capital gains resulting from the disposal of Loan Notes are not subject to Swiss federal, cantonal and communal income tax; this is also the case for accrued interest. Capital losses are not tax-deductible. Swiss resident private individuals who hold the Loan Notes as part of their private fortune are required to report their Loan Notes as part of their taxable wealth and will be subject to cantonal and communal wealth tax, provided that their net taxable wealth (including the Loan Notes) exceeds applicable allowances or levels.

OFFERING AND TRANSFER RESTRICTIONS

Generally

The outstanding Loan Notes may only be held by Qualifying Banks (as defined in the Conditions of the Loan Notes) and one single Permitted Non-Qualifying Lender (as defined in the Conditions of the Loan Notes). No Loan Noteholder will be permitted to sub-participate or sub-contract its obligations under the Loan Notes. The Loan Notes may not be resold or otherwise transferred except upon delivery by the transferee to the Agent of a certification, in form and substance satisfactory to the Registrar, that such transferee is a Qualifying Bank or the Permitted Non-Qualifying Lender and is acquiring the Loan Notes in compliance with applicable securities laws.

The Loan Notes will be issued in certificated, registered form, and will bear a legend setting forth the applicable transfer restrictions.

U.S. Securities Law and Other U.S. Restrictions

The Loan Notes have not been, and will not be registered, under the Securities Act and may not be resold in the United States except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act.

In all events, because the Loan Notes will likely be treated as an equity security for U.S. federal income tax purposes and an investment in a 'passive foreign investment company' they may be unsuitable as investments by taxable U.S. holders. We will not provide to holders the 'PFIC Annual Information Statement' that would enable such holders to make a 'qualified electing fund' election under Section 1295 of the U.S. Internal Revenue Code of 1986.

Employee benefit plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974 and/or Section 4975 of the U.S. Internal Revenue Code of 1986 (collectively, "ERISA Plans"), and person investing with assets of, or on behalf of, any ERISA Plan will not be permitted to purchase or hold the Loan Notes, and each investor, by its purchase or holding of the Notes, will be deemed to have represented to us that such investor is not an ERISA Plan, and is not investing with the assets of, or on behalf of, any ERISA Plan.

Other Restrictions

This document is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of U.S. securities laws or the laws of any such other jurisdictions.

LEGAL MATTERS

Niederer Kraft & Frey will pass upon matters of Swiss law related to the Loan Notes Offering and Freshfields Bruckhaus Deringer will pass upon the validity of the Loan Notes. Homburger will pass upon matters of Swiss law related to the Loan Notes Offering and Simmons & Simmons will pass upon matters of English law related to the Loan Notes. Our Chairman, Peter Forstmoser, is a partner of Niederer Kraft & Frey.

INDEPENDENT ACCOUNTANTS

Our financial statements as of December 31, 2005, 2004 and 2003 and for the years then ended included in this Offering Memorandum have been audited by PricewaterhouseCoopers AG, independent accountants, as stated in their report appearing herein. PricewaterhouseCoopers AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants.

KPMG LLP, Suite 1000, 1000 Walnut Street, Kansas City, Missouri 64106, independent accountants, as stated in their report appearing herein, have audited GEIS' consolidated balance sheets as of December 31, 2004 and 2005 and its consolidated statements of income, shareholders' equity, cash flows and comprehensive income for the years ended December 31, 2003, 2004 and 2005, which we have included in this Offering Memorandum. KPMG LLP is a firm registered with the U.S. Public Company Accounting Oversight Board.

GENERAL INFORMATION

The Company

Swiss Reinsurance Company (Schweizerische Rückversicherungs-Gesellschaft, Compagnie Suisse de Réassurances, Compagnia Svizzera di Riassicurazioni, Compañia Suiza de Reaseguros) was incorporated on December 19, 1863 for an unlimited duration as an *Aktiengesellschaft* (a stock corporation with limited liability) under the laws of Switzerland. Our registered office and the principal executive offices are located at Mythenquai 50/60, CH-8022 Zurich, Switzerland. Our telephone number there is (41) 43-285-21-21. The Company has been entered in the Commercial Register of the Canton of Zurich since May 1, 1883. (The Canton of Zurich Commercial Register has been in existence since 1883.) The firm-number is CH-020-3-923-568-5 (formerly 3-533-521-001).

Swiss Reinsurance Company performs a dual role within the Swiss Re Group as both a reinsurance company and a holding company. Please refer to pages F-48 to F-50 of our consolidated financial statements for a list of our subsidiaries and equity investees.

Purpose

Our business purpose, according to Article 2 of our Articles of Association, is to transact any kind of reinsurance business and to provide related services. We may also participate in other enterprises, including insurance companies.

No Significant Change

There has been no significant change to the financial or trading position of the Group since December 31, 2005, being the date of our most recent audited consolidated balance sheet included in our consolidated financial statements contained in pages F-2 through F-51 of this Offering Memorandum.

Working Capital

In our opinion, we have sufficient working capital for our present requirements, that is for at least 12 months from the date of publication of this Offering Memorandum.

Significant Subsidiaries

For a list of our significant subsidiaries, including name, country of residence and proportion of ownership interest, see pages F-48 to F-50 of our audited consolidated financial statements included elsewhere in this Offering Memorandum.

Unconsolidated holdings

The Group does not have any significant unconsolidated holdings.

Related Party Transactions

We paid an aggregate of CHF 86.9 million for fiscal 2005 (CHF 82.0 million for fiscal 2004 and CHF 67.0 million for fiscal 2003) to the members of our Executive Board and our Board of Directors for services in all capacities, of which CHF 14.3 million (CHF 23.6 million for fiscal 2004 and CHF 20.1 million for fiscal 2003) represented bonuses taken in blocked shares, CHF 9.7 million (CHF 12.1 million for fiscal 2004 and CHF 9.2 million for fiscal 2003) represented the fair value of options granted under the Group long-term incentive award programme, and CHF 4.5 million (CHF 2.4 million for fiscal 2004 and none in fiscal 2003) represented the issue of restricted shares granted under the long-term incentive award programme. These amounts include all remuneration components. Cash payments, allowances, value of preferential rates on loans, other financial benefits, as well as the amount of actuarial funding needed for pensions, are included in this figure. We do not have a separate pension plan for members of the governing bodies. Loans to members of the Executive Board (11 recipients in total) aggregated CHF 20.5 million in 2005 (CHF 32.6 million in 2004 and CHF 35.0 million for fiscal 2003); no such loans were extended to non-executive members of the Board of Directors. See "Management— Remuneration of the Board of Directors and Executive Board—Compensation of Directors and Executive Officers," and "—Options to Purchase Shares" for details regarding remuneration component.

We have investments in certain entities that we account for as equity investees (see note 16 to our consolidated financial statements). These investments include Atradius (where we had a 34.95% interest at December 31, 2005), Aberdeen Far Eastern Emerging Economies Unit Trust (where we had a 32.8% interest at December 31, 2005), and Princess Management & Insurance Ltd (where we has a 49.99% interest at December 31, 2005). Atradius is a credit insurer, and we provide credit reinsurance to Atradius in the normal course of business through the Credit Solutions business unit of Financial Services. The Aberdeen unit trust holds investments on behalf of the Group, which are directly linked to policyholder liabilities. The Group has provided capital protection to Princess Management & Insurance Ltd in the event that Princess Management is not able to settle defined debt obligations. The protection is triggered if investments held by Princess Management & Insurance Ltd are not sufficient to cover the debt obligations. See note 16 to our consolidated financial statements for a list of, and additional information with respect to, our subsidiaries, equity investees and variable interest entities.

Other than payments to the members of the Board and Executive Board in respect of fees and remuneration in the ordinary course, there have been no related party transactions since December 31, 2005 up to the date of this Offering Memorandum. On April 21, 2006, we announced that John H. Fitzpatrick, a member of the Executive Committee and the Head of Financial Services, has stepped down from these two positions. Mr. Fitzpatrick will be setting up an investment fund focused on insurance, securitization and other financial services. We intend to become a significant investor in this fund and we are currently in discussions concerning the investment and the other terms of Mr Fitzpatrick's departure.

Outstanding Convertible Securities, and Warrants, Bonds, Borrowings and Contingent Liabilities

For a discussion of our outstanding short-term and long-term debt and contingent liabilities, see "Capitalization," "Operating and Financial Review—Liquidity and Capital Resources," and "—Commitments and Contingencies."

GLOSSARY OF SELECTED INSURANCE AND REINSURANCE TERMS

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
Administrative reinsurance (Admin Re^{SM})	The reinsurance of in-force insurance portfolios, including the acquisition of an entire life insurance company
Adverse development	Losses in respect of a year for which initial estimates prove in subsequent years to be insufficient.
Alternative asset reinsurance	A type of credit reinsurance providing protection of principal relating to private equity fund investments
Asset Liability Management (ALM)	Asset Liability Management or 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
Capacity	Maximum amount of risk that can be accepted in insurance. One factor in determining capacity is government regulations that define minimum solvency requirements. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general
Captive insurance company	A company that is wholly owned by another organization (generally a non-insurance enterprise), the main purpose of which is to insure the risks of the parent organization
Catastrophe excess reinsurance	A form of excess reinsurance that indemnifies the ceding company for the amount of claims in excess of a specified retention and up to a specified limit for an accumulation of claims resulting from a catastrophic event or a series of catastrophic events
Cede; ceding company; cession	When an insurer reinsures its risk with a reinsurer (a "cession"), it "cedes" business and is referred to as the "ceding company"
Ceding commission	In reinsurance, an allowance (usually a percentage of the reinsurance premium) made by the reinsurer for part or all of a ceding company's acquisition and other costs
Claim adjustment expenses	The expenses of investigating and settling claims, including certain legal and other fees, and the expenses of administering the claims adjudication process
Claim	Demand by an insured for indemnity under an insurance contract.
Claims development	The process of change in amount of claims as a policy or accident year matures, as measured by the difference between paid claims and estimated outstanding losses at one point in time, and paid claims and estimated outstanding claims at some previous point in time. In common usage it might refer to development on reported cases only, whereas a broader definition also would take into account the IBNR claims. Also known as "loss development"
Claims ratio	The ratio of a non-life insurance or reinsurance company's incurred claims and claim adjustment expenses to premiums earned

Claims reserves	Reserves established by an insurer or reinsurer and reflected on its balance sheet to reflect the estimated cost of payments for claims for which the insurer or reinsurer ultimately will be required to indemnify insureds or reinsureds in the future for claims occurring on or prior to the balance sheet date on insurance or reinsurance it has written. Non-life claims reserves are composed of case reserves and IBNR reserves
Coinsurance	Arrangements by which a number of insurers and/or reinsurers share a risk
Combined ratio	The sum of the claims ratio and the expense ratio for a non-life insurance company or a reinsurance company
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	Transaction in which policyholders or insurers surrender all rights and are relieved from all obligations under an insurance or reinsurance contract in exchange for a single current payment
Excess reinsurance	Indemnifies the reinsured against all or a specified portion of claims on underlying insurance policies in excess of a specified amount, which is called a "level" or "retention." Also known as "non-proportional reinsurance" and "excess of loss reinsurance"
Expected Maximum Loss ("EML")	An estimate of the loss, expressed as a monetary amount or as a percentage of the total sum insured, which could be sustained by an insurance company on insured values as a result of a rare but possible catastrophe event. Typically, an EML is associated with a loss-excess-frequency between 100 to 1000 years
Expense ratio	For non-life insurance and reinsurance, the ratio of operating expenses (acquisition expenses and administration expenses) to premiums earned
Facultative reinsurance	A type of reinsurance under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks. The contract describes how individual facultative reinsurances shall be handled
Gross premiums written	Total premiums for insurance and reinsurance assumed during a given period before deduction of total premiums for insurance or reinsurance ceded to others in such period
Incurred but not yet reported ("IBNR") reserves	Reserves for estimated claims and claim expenses which have been incurred but not yet reported to the insurer or reinsurer, including future development of claims which have been reported to the insurer or reinsurer but where the established reserves may ultimately prove to be inadequate
Layer	The interval between the retention or attachment point and the maximum limit of indemnity for which a reinsurer is responsible
Morbidity	Frequency of illness, sickness and diseases contracted
Mortality	Frequency of death

Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy
Premiums earned	The portion of premiums written that is recognized for accounting purposes as income during a period
Premiums written	Total premiums for insurance written and reinsurance assumed during a given period after deduction of total premiums for insurance and reinsurance ceded to others during such period
Non-proportional reinsurance	Reinsurance under which the reinsurer's participation in a claim depends on the size of the claim. Also known as "excess reinsurance"
Proportional reinsurance	Arrangement whereby the insurer cedes to the reinsurer an agreed fixed percentage of premiums and claims and other liabilities for each policy covered on a pro rata basis
Quota share reinsurance	A form of proportional reinsurance in which the reinsurer assumes an agreed upon percentage of each insurance policy being reinsured and shares all premiums and claims accordingly with the reinsured
Renewal	In our property & casualty business, treaties renew on an annual basis. The time of year for the renewals varies by region and type of business. A treaty that renews during the January renewal season renews effective January 1 of that season
Retention	The amount or portion of insurance risk that a ceding company retains for its own account. In proportional reinsurance, the retention may be a percentage of the original policy's limit. In excess reinsurance, the retention typically is a fixed amount of claim, a claims ratio or a percentage above a predetermined limit
Retrocessional reinsurance; Retrocessionnaire	An arrangement under which a reinsurer cedes to another reinsurer (the "retrocessionnaire") all or a portion of the insurance risks reinsured by the first reinsurer. Retrocessional reinsurance generally does not legally discharge the ceding reinsurer from its liability to the original ceding company
Run-off	Liability of an insurance or reinsurance company for future claims that it expects to pay and for which a reserve has been established. This term also can refer to the period of discontinuance related to a book of business for which no new premiums are being written and claims are continuing to be paid
Subrogation	The legal process by which an insurance company, after paying for a loss, seeks to recover the amount of the loss from another party who is legally liable for it
Tail	The period of time that elapses between the occurrence and settlement of claims under a policy. A "short-tail" insurance or reinsurance product is one where ultimate claims are known and settled comparatively quickly; ultimate claims under a "long-tail" insurance or reinsurance product are sometimes not known and settled for many years
Treaty reinsurance	A type of reinsurance in which the ceding company automatically cedes and the reinsurer automatically assumes a predetermined portion or category of risk underwritten by the ceding company

CERTAIN OTHER DEFINITIONS USED IN THIS OFFERING MEMORANDUM

“Acquired Subsidiaries”	The subsidiaries of the sellers under the Transaction Agreement
“CGD”	Directive on Information Relating to Corporate Governance of April 17, 2002 of the SWX Swiss Exchange
“CHF,” or “Swiss francs”	The lawful currency of Switzerland
“CMA”	Capital Management and Advisory, a unit of our Financial Services business segment
“ECR”	Enhanced Capital Requirement for property and casualty, a test for judging financial resources in the U.K.
“Equity Offering”	The offering of up to 18,946,632 newly issued shares consisting of: (i) the Rights Offering and (ii) the Global Offering
“EUMAD”	European Union Market Abuse Directive
“Excluded Items”	The Excluded Operations, together with certain assets and liabilities unrelated to such operations, that we will not be acquiring or assuming as part of the Proposed Acquisition
“Excluded Operations”	The U.S. life and health operations of GEIS that we will not be acquiring as part of the Proposed Acquisition
“Final Closing”	The final closing of the Proposed Acquisition
“FOPI”	The Swiss Federal Office of Private Insurance
“FSA”	UK Financial Services Authority
“FSA Return”	Independently audited financial statements and other prescribed documents reinsurance and insurance companies are required to file with the FSA under the FSMA
“FSMA”	The UK Financial Services and Markets Act 2000 (as amended)
“GCAC”	Our Group Capital and Capacity Allocation Committee
“GEAM”	GE Asset Management
“GE Consideration Shares”	Up to 60,000,000 newly registered shares with a nominal value of CHF 0.10 each to be issued by us to subsidiaries of General Electric as part of the consideration for the Proposed Acquisition
“GEIS”	GE Insurance Solutions Corporation (including the Excluded Operations)
“GEIS Business”	The business and operations of GEIS that we propose to acquire as part of the Proposed Acquisition
“General Electric”	General Electric Company and/or the subsidiaries of General Electric Company that hold the shares of subsidiaries that conduct the GEIS Business to be transferred to us as part of the Proposed Acquisition

"Global Offering"	The global offering of Offered Shares in respect of Rights that have not been validly exercised during the relevant exercise period and which have not been set aside by us to satisfy share delivery obligations under mandatory convertible instruments issued or to be issued by us in connection with the Proposed Acquisition
"IBNR"	Claims reserves for claims incurred but not reported
"Initial Closing"	The initial closing of the Proposed Acquisition
"LAHC"	Life Assurance Holding Corporation Ltd
"MCR"	Minimum capital requirement for life and health operations prescribed under EU rules
"NASD"	National Association of Securities Dealers, Inc.
"Offer Price"	The offer price for the Offered Shares which will be determined through, and at the end of, the bookbuilding period for the Global Offering
"PAM"	Our proprietary asset management operations
"Perpetual Securities Offerings" . . .	The Loan Notes Offering and the U.S. Perpetual Securities Offering
"Proposed Acquisition"	Our proposed purchase of the GEIS Business
"PRU"	Integrated Prudential Sourcebook issued by the FSA
"Purchased Equity"	All of the outstanding shares of capital stock of the Acquired Subsidiaries
"PVFP"	Present value of future profits
"Qualified Assets"	Available assets covering technical provisions and liabilities arising from a reinsurance undertaking's reinsurance business
"RBC"	Risk-based capital
"Rights Offering"	A component of the Equity Offering whereby existing shareholders of Swiss Re, subject to certain limitations based on residency, will receive Rights to purchase Offered Shares at the Offer Price
"SRAM"	Swiss Re Asset Management
"SST"	The Swiss Solvency Test
"Swiss FISA"	The Swiss Federal Insurance Supervisory Act
"Swiss GAAP FER"	The accounting procedures published by Stiftung für Fachempfehlung zur Rechnungslegung/Foundation for accounting and reporting recommendations.
"Swiss Re," "Swiss Re Group," "the Group," "we," "us, ""our" or "Issuer"	Swiss Reinsurance Company and its consolidated subsidiaries
"Transaction Agreement"	The agreement entered into in respect of the Proposed Acquisition
"Transferred Assets"	Certain non-excluded assets of OP Holdings, LLC and all of the non-excluded assets of certain indirect subsidiaries of General Electric
"U.S. GAAP"	U.S. Generally Accepted Accounting Principles.

"U.S. Perpetual Securities"	Perpetual preferred securities issued by us concurrently with the Loan Notes Offering
"U.S. Perpetual Securities Offering"	The offering of U.S. Perpetual Securities
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended
"VaR"	Value at Risk

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SWISS RE GROUP
INCOME STATEMENT

	Notes	For the years ended 31 December 2003	2004	2005
		CHF in millions		
Revenues				
Premiums earned	15	30,740	29,439	**27,779**
Net investment income	2	4,606	4,857	**5,352**
Net realised investment gains	2	376	1,116	**1,249**
Trading revenues	2	472	438	**343**
Other revenues		236	243	**286**
Total revenues		36,430	36,093	**35,009**
Expenses				
Claims and claim adjustment expenses	7, 15	(14,898)	(13,853)	**(14,178)**
Life and health benefits	15	(9,085)	(9,331)	**(9,521)**
Acquisition costs	15	(6,854)	(6,325)	**(5,938)**
Amortisation of goodwill	4	(315)	(277)	**(274)**
Other operating costs and expenses		(2,942)	(2,940)	**(3,125)**
Total expenses		(34,094)	(32,726)	**(33,036)**
Income before income tax expense		2,336	3,367	**1,973**
Income tax expense	10	(634)	(892)	**(522)**
Net income		1,702	2,475	**1,451**
Earnings per share in CHF				
Basic	9	5.48	8.00	**4.68**
Diluted	9	5.43	7.77	**4.58**

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

SWISS RE GROUP
BALANCE SHEET

	Notes	As of 31 December 2003	2004	2005
		CHF in millions		
Assets				
Investments	2, 3			
Fixed income securities:				
Available-for-sale, at amortised cost (fair value: 2003: 64,274; 2004: 77,376; 2005: 90,120)		63,131	75,273	**88,207**
Trading, at fair value		1,131	2,191	**2,550**
Equity securities:				
Available-for-sale at fair value (cost: 2003: 6,335; 2004: 4,586; 2005: 6,980)		6,751	4,959	**8,116**
Trading at fair value	1		302	**328**
Mortgages and other loans		6,133	6,361	**7,305**
Investment real estate		1,646	1,699	**1,557**
Short-term investments, at amortised cost, which approximates fair value		517	2,412	**4,041**
Other invested assets		2,074	2,207	**2,811**
Assets held for linked liabilities	1, 2	2,448	12,619	**14,656**
Total investments		83,831	108,023	**129,571**
Cash and cash equivalents		12,251	9,504	**8,126**
Accrued investment income		1,011	1,295	**1,323**
Premiums and other receivables		11,651	9,652	**10,748**
Reinsurance recoverable on unpaid claims and policy benefits	15	6,657	6,315	**12,099**
Funds held by ceding companies		19,835	15,051	**14,311**
Deferred acquisition costs	5, 15	4,754	4,875	**5,378**
Acquired present value of future profits	5	5,952	6,736	**6,797**
Goodwill	4	2,885	2,482	**2,475**
Income taxes recoverable		484	683	**466**
Financial services assets		15,697	15,627	**23,498**
Other assets		4,655	4,197	**4,355**
Total assets		169,663	184,440	**219,147**

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

The Group has revised the classification between certain balance sheet categories as described in Note 1, and adjusted the comparative balance sheet positions.

	Notes	2003	2004	2005
		As of 31 December		
		CHF in millions		
Liabilities and shareholders' equity				
Liabilities				
Unpaid claims and claim adjustment expenses	7, 15	62,913	61,619	**71,272**
Liabilities for life and health policy benefits	15	37,244	43,239	**49,579**
Provisions for linked liabilities	1	2,448	12,629	**14,692**
Unearned premiums	15	6,457	5,748	**6,491**
Funds held under reinsurance treaties		8,056	8,620	**11,829**
Reinsurance balances payable		5,567	4,139	**4,237**
Income taxes payable		724	877	**917**
Deferred income taxes	10	1,565	2,016	**2,125**
Financial services liabilities		15,733	15,695	**23,487**
Short-term debt		1,207	693	**1,015**
Accrued expenses and other liabilities		4,431	4,692	**4,722**
Long-term debt	6	4,807	5,296	**5,852**
Total liabilities		151,152	165,263	**196,218**
Shareholders' equity				
Common stock, CHF 0.10 par value: 2003: 322,157,870; 2004: 322,066,174; 2005: 322,092,742 shares authorized and issued		32	32	**32**
Additional paid-in capital		5,821	5,833	**5,843**
Treasury shares	1, 9		(225)	**(297)**
Accumulated other comprehensive income:				
Net unrealised investment gains, net of deferred tax		401	377	**1,031**
Foreign currency translation		(1,426)	(2,650)	**(469)**
Total accumulated other comprehensive income		(1,025)	(2,273)	**562**
Retained earnings		13,573	15,810	**16,789**
Reserve for own shares	1	110		
Total shareholders' equity		18,511	19,177	**22,929**
Total liabilities and shareholders' equity		169,663	184,440	**219,147**

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

SWISS RE GROUP
STATEMENT OF SHAREHOLDERS' EQUITY

	Common stock	Additional paid-in capital	Treasury shares	Net unrealized gains/losses, net of tax	Foreign currency translation	Retained earnings	Reserve for own shares	Total
				CHF in millions				
Balance as of 31 December 2002	**32**	**5,969**		**(715)**	**(913)**	**12,176**	**137**	**16,686**
Net income						1,702		**1,702**
Change in unrealised gains/losses on securities, net (note 2)				1,116				**1,116**
Change in foreign currency translation					(513)			**(513)**
Dividends						(310)		**(310)**
Change in own shares						27	(27)	
Equity repurchased		(148)						**(148)**
Additional minimum liability, net (note 11)						(22)		**(22)**
Balance as of 31 December 2003	**32**	**5,821**		**401**	**(1,426)**	**13,573**	**110**	**18,511**
Net income						2,475		**2,475**
Change in unrealised gains/losses on securities, net (note 2)				(24)				**(24)**
Change in foreign currency translation					(1,224)			**(1,224)**
Dividends						(341)		**(341)**
Purchase/sale of treasury shares		12	(131)					**(119)**
Additional minimum liability, net (note 11)						20		**20**
Change in Accounting Policy (note 1)			(94)			83	(110)	**(121)**
Balance as of 31 December 2004	**32**	**5,833**	**(225)**	**377**	**(2,650)**	**15,810**	**0**	**19,177**
Net income						1,451		**1,451**
Change in unrealised gains/losses on securities, net (note 2)				654				**654**
Change in foreign currency translation					2,181			**2,181**
Dividends						(497)		**(497)**
Purchase/sale of treasury shares and shares issued under employee plans		10	(72)					**(62)**
Additional minimum liability, net (note 11)						25		**25**
Balance as of 31 December 2005	**32**	**5,843**	**(297)**	**1,031**	**(469)**	**16,789**	**0**	**22,929**

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

SWISS RE GROUP
STATEMENT OF COMPREHENSIVE INCOME

	For the years ended 31 December,		
	2003	**2004**	**2005**
		CHF in millions	
Net income	1,702	2,475	**1,451**
Other comprehensive income:			
Change in foreign currency translation	(513)	(1,224)	**2,181**
Change in unrealised gains/losses, net of tax	1,116	(24)	**654**
Additional minimum liability, net	(22)	20	**25**
Comprehensive income	2,283	1,247	**4,311**

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

SWISS RE GROUP
STATEMENT OF CASH FLOW

	For the years ended 31 December,		
	2003	2004	2005
	CHF in millions		
Cash flows provided/used by operating activities			
Net income	1,702	2,475	1,451
Adjustments to reconcile net income to net cash provided/used by operations:			
Depreciation, amortisation and other non-cash items	1,366	1,271	796
Net realised investment gains	(376)	(1,116)	(1,249)
Change in technical provisions, net	3,152	1,807	3,560
Change in funds held by ceding companies and other reinsurance balances	(841)	2,393	(545)
Change in other assets and liabilities	(789)	(154)	17
Change in income taxes payable/recoverable	290	389	211
Income from equity-accounted investments, net of dividends received	89	18	(63)
Change in financial services assets and liabilities	218	(517)	358
Net cash provided/used by operating activities	4,811	6,566	4,536
Cash flows provided/used by investing activities			
Fixed income securities:			
Proceeds from sale/maturities of investments	59,042	35,037	49,883
Purchase of investments	(63,402)	(42,216)	(53,999)
Net purchase/sale/maturities of short-term investments	2,650	(1,790)	(1,306)
Equity securities:			
Proceeds from sale of investments	13,905	7,206	4,975
Purchase of investments	(6,826)	(5,379)	(6,543)
Cash paid/received for acquisitions/disposals and reinsurance transactions, net	(360)	(1,300)	633
Other investments, net	310	(42)	(209)
Net cash provided/used by investing activities	5,319	(8,484)	(6,566)
Cash flows provided/used by financing activities			
Issuance of long-term debt	135	1,016	1,107
Issuance/repayment of short-term debt, net	(1,017)	(965)	(599)
Equity Repurchased	(148)		
Purchase/sale of treasury shares, net		(119)	(65)
Dividends paid	(310)	(341)	(497)
Net cash provided/used by financing activities	(1,340)	(409)	(54)
Total net cash provided/used	8,790	(2,327)	(2,084)
Effect of foreign currency translation	(644)	(420)	706
Change in cash and cash equivalents	8,146	(2,747)	(1,378)
Cash and cash equivalents as of 1 January	4,105	12,251	9,504
Cash and cash equivalents as of 31 December	12,251	9,504	8,126

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

The Group has revised the allocation between cash and cash equivalents and short-term investments as described in Note 1, and adjusted the comparative balance sheet positions.

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company (the parent company, referred to as "Swiss Re Zurich") and its subsidiaries (collectively, the "Swiss Re Group," or the "Group"). The Group provides reinsurance and other related products and services to insurance companies, clients and others worldwide, through a network of more than 70 offices in over 30 countries as well as through reinsurance brokers.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with Swiss GAAP FER and comply with Swiss corporate legislation. They include the financial statements of Swiss Re Zurich and its subsidiaries. The presentation requirements of FER 14 have been complied with except that certain financial information has been disclosed in the notes and not in the primary financial statements. All significant inter-company transactions and balances have been eliminated on consolidation.

Under the Financial Reporting Directive of the Swiss Stock Exchange (SWX), issuers of equity securities that are listed in the main trading segment of SWX are required, as of the financial year commencing on or after 1 January 2005, to apply either IFRS or US GAAP. The Admission Board of SWX has exempted the Group from this requirement for the 2005 and 2006 financial statements.

Scope of consolidation

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

Use of estimates in the preparation of financial statements

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

Investments

The Group's investments in fixed income and equity securities are classified as available-for-sale ("AFS") or trading. Fixed income securities AFS are carried at amortised cost. 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 fixed income and equity securities is reduced to fair value, with a corresponding charge to realised investment losses if the decline in value is other than temporary. Subsequent recoveries that are deemed to be a reversal of previously recognised impairment are credited to realised investment gains.

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.

Mortgages and other loans are carried at amortised cost (effective yield method), net of any allowance for amounts estimated to be uncollectible. Other loans include mortgage participations associated with investment contracts where the contract holders bear the investment risk.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-down for impairment in value. An impairment in value is recognised if the recoverable amount of the real estate asset is less 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, derivative financial instruments and private equity investments.

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

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures as part of an overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities and 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. Derivative financial instrument assets are generally included in other invested assets or financial services assets. Derivative financial instrument liabilities are generally included in accrued expenses and other liabilities or financial services liabilities.

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 business, are deferred to the extent they are deemed recoverable from future gross profits. Deferred acquisition costs consist principally of commissions. Deferred acquisition costs associated with property and casualty reinsurance business are amortised in proportion to the property and casualty premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs on property and casualty business. Deferred acquisition costs associated with life and health reinsurance business are amortised over the premium-paying period. For investment-type contracts, deferred acquisition costs are amortised in relation to the present value of estimated gross profits.

Acquired present value of future profits

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

Goodwill

The excess of the cost of acquired businesses over the fair value of net assets acquired is recorded as goodwill (purchase method). It is amortised using the straight-line method over periods that correspond to the benefits expected to be derived from the related acquisition. Goodwill is amortised over periods of between 5 and 20 years.

The carrying value of goodwill is reviewed periodically for indicators of impairment in value. Adjustments to reflect an impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Financial services assets and liabilities

The Group uses debt for general corporate purposes and also to fund "Financial services assets and liabilities" (funded business). "Financial services assets and liabilities" are structured with the intention of creating assets and liabilities that generate offsetting market risks (foreign exchange, interest rate, equity, credit). Debt that is strictly used for funded business is classified as operational debt. Operational debt is generally excluded from financial leverage calculations. "Financial services assets and liabilities" are valued according to the relevant principles for the underlying instruments.

Other assets

Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, real estate for own use, property, plant and equipment accrued income and prepaid assets. Real estate for own use, property, plant and equipment are carried at depreciated cost. The excess of estimated liabilities for claims and claim costs payable over consideration received in respect of retroactive property and casualty reinsurance contracts which meet risk transfer tests is recorded as a deferred expense. Deferred expenses on retroactive reinsurance policies are amortised through earnings over the expected claims-paying period.

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 three years.

Deferred income taxes

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

Unpaid claims and claim adjustment expenses

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

Unpaid property and casualty claims provisions may only be discounted if the payment pattern and ultimate cost are fixed and reasonably determinable, including provisions that are allowed to be discounted under US statutory accounting principles.

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

Equalisation reserves

Reserves prescribed by local regulatory authorities for future claim fluctuations and for large and catastrophic losses are established and included in the unpaid claims and claim adjustment expenses liabilities.

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 and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest assumptions for life and health reinsurance benefits liabilities range from 2.25% to 14%. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables commonly used in the industry. Withdrawal assumptions for individual life reinsurance contracts issued by the Group range from 1% to 20% and are based on historical experience.

Liabilities for policy benefits are increased if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. The liability for accident and health policy benefits consists of active life reserves and the estimated present value of the remaining ultimate net costs of incurred claims. The active life reserves include unearned premiums and additional reserves. The additional reserves are computed on the net level premium method using assumptions for future investment yield, mortality and morbidity experience. The assumptions are based on projections of past experience and include provisions for possible adverse deviation.

Provisions for linked liabilities and assets held for linked liabilities

Linked liabilities include separate account business and other contracts where the Group invests the contract holder’s funds, as directed by the contract holder, in designated investment alternatives or in accordance with specific investment objectives or policies. All investment performance, net of contract fees, is passed through to the contract holder. The provisions for linked liabilities represent the current account value of the contract holder’s assets. The assets held for linked liabilities are measured according to the relevant principles for the underlying assets. Deferred assets and liabilities are recognised in the relevant balance sheet line items. The change in contract holder liability is debited or credited against the investment return on the assets.

Funds held assets and liabilities

Funds held assets and liabilities include deposits with/from ceding companies and deposit accounted contracts. Contracts which do not meet risk transfer requirements, defined as transferring a reasonable possibility of a significant loss to the reinsurer, are accounted for as deposit contracts. Deposit amounts are adjusted for payments received and made, as well as for amortisation or accretion of interest.

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. For investment-type contracts, charges assessed against policyholders’ funds for the costs of insurance, surrender charges, actuarial margin and other fees are recorded as income.

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 claims and claim adjustment expenses and ceded unearned premiums under these retrocession agreements are reported as assets in the accompanying consolidated balance sheet.

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

Pensions and other post-retirement benefits

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

Stock-based employee compensation plans

The Group has a fixed option plan, a restricted share plan, and an employee participation plan. These plans are described in more detail in note 12. The fixed option plan is accounted for using the intrinsic value method. In accordance with the intrinsic value method, the fair value of options is not reflected in earnings, and the pro-forma impact on net income is provided in note 12. The grant date fair value of the restricted shares in the restricted share plan is recognised in earnings.

Treasury shares

Treasury shares are reported at cost in shareholders' equity. Treasury shares also include standalone derivative instruments indexed to the Group's shares as well as embedded derivative instruments indexed to the Group's shares, which are bifurcated from the host contract for accounting purposes.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange on the balance sheet date. Revenues and expenses are translated at average exchange rates. Unrealised gains or losses resulting from translation of functional currencies to the reporting currency are included as a separate component of shareholders' equity. Realised currency gains and losses resulting from foreign currency transactions are included in earnings.

Currency exchange rates in CHF per 100 units of foreign currency are as follows:

		2003		**2004**		**2005**	
		Closing rate	**Average rate**	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
Australian dollar	AUD	93.18	87.38	89.14	91.63	**96.68**	**94.91**
British pound	GBP	221.40	219.67	218.31	227.83	**226.26**	**226.40**
Canadian dollar	CAD	95.71	96.24	94.91	95.63	**112.82**	**102.61**
Euro	EUR	155.98	151.91	154.55	154.40	**155.46**	**154.82**
Japanese yen	JPY	1.15	1.16	1.11	1.15	**1.12**	**1.13**
South African rand	ZAR	18.53	17.87	20.18	19.28	**20.78**	**19.54**
US dollar	USD	123.68	134.95	113.71	124.71	**131.80**	**124.37**

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.

Change in basis of presentation

Balance sheet classifications

In 2005, the Group has revised the classification between cash and cash equivalents and short-term investments. Treasury bills with a remaining maturity at the date of acquisition of three months or less and certain short-term investments in money market funds were reclassified from short-term investments to cash and cash equivalents.

In 2005, the Group has revised the classification of amounts between unpaid claims and claim adjustment expenses, funds held under reinsurance treaties, funds held by ceding companies and reinsurance balances payable.

The comparative balances in 2004 and 2003 have been revised accordingly. The reclassifications do not impact net income or shareholders' equity.

Recent accounting guidance

Treasury shares (formerly own shares)

In 2003, new guidance was issued under Swiss GAAP FER for the recognition and measurement of treasury shares effective from 1 January 2004. Treasury shares, which were previously reported as equity securities available-for-sale, are now reported at cost as a deduction from shareholders' equity. In addition, all standalone derivative instruments indexed to treasury shares are reported at cost and classified in shareholders' equity. As a result of this change, the reserve for own shares has been reclassified to retained earnings as of 2004.

Separate account and non-traditional long-duration life contracts

In 2004, the Group has revised the accounting and presentation of separate accounts. Recent international guidance revises the conditions which must be met to classify business as separate account. The Group has certain business where policyholder funds are invested in defined assets, and policyholders bear the investment risk on the assets. A part of the business no longer meets the conditions for separate account classification, due principally to the legal structure of the asset funds involved.

At interim 2004, the Group reclassified CHF 2,290 million from separate account assets mainly to equity securities trading, and separate account liabilities of CHF 2,290 million to liabilities for life and health policy benefits. At 31 December 2004, following the acquisition of Life Assurance Holding Corporation, the Group has introduced separate balance sheet categories for assets held for linked liabilities and the corresponding provisions for linked liabilities. The above assets and liabilities have been reclassified to the new categories. The assets held for linked liabilities are measured according to the relevant principles for the underlying assets. The provisions for linked liabilities represent the current account value of the policyholder assets. Deferred assets and liabilities are recognised in the relevant balance sheet line items. The change in policyholder liability is debited or credited against the investment return of the assets.

In 2004, the assets held for linked liabilities generated net realised gains of CHF 496 million and net investment income of CHF 257 million. The balance sheet as of 31 December 2003 had been reclassified to reflect the change, which does not impact net income or shareholders' equity.

The business which meets the revised definition of separate account assets and liabilities has also been reclassified to the above categories and is accounted for as separate account business including comparatives.

In 2004, the Group has implemented guidance on non-traditional long-duration life contracts effective from 1 January 2004. The non-traditional long-duration contract guidance clarifies the liability calculation for certain types of life business, which impacts the pattern of earnings recognition. The clarification affects the acquired present value of future profits, liabilities for life and health policy benefits and deferred taxes. The cumulative effect of initially complying with the guidance as of the effective date is reflected in a separate line in retained earnings in the statement of shareholders' equity.

Pensions and other post-retirement benefits

In 2004, the Group has adopted recent international guidance for disclosure of pensions and other post-retirement benefits as of 2004. The guidance requires additional disclosure about assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and post-retirement plans. The disclosure, including comparatives, is provided in note 11.

Derivative financial instruments

In 2003, the Group evaluated the impact of recent international guidance on accounting for derivatives. The guidance clarified the scope of embedded derivatives in certain reinsurance agreements including modified coinsurance arrangements. The complexity of the requirements and arrangements involved required detailed analysis to determine whether embedded derivative instruments should be accounted for separately. In 2003, the Group was in the process of performing the analysis and did not include the results in the 2003 financial statements. As areas were identified where the scope of the guidance overlaps with the scope of the guidance on variable interest entities, the Group has included the results in the 2004 financial statements. The two sets of guidance will be implemented in parallel.

In 2004, the Group implemented recent international guidance on accounting for derivatives effective from 1 January 2004. The guidance clarified the scope of embedded derivatives in certain reinsurance agreements including modified coinsurance arrangements. The cumulative effect of complying with the guidance as of the effective date is reflected in a separate line in retained earnings in the statement of shareholders' equity for 2004.

Variable interest entities

In January 2003, new international guidance was issued on the consolidation of variable interest entities ("VIEs"). This guidance was subsequently revised and replaced in December 2003. The guidance requires a company to consolidate a VIE if the company is defined as the primary beneficiary. The primary beneficiary absorbs a majority of the VIE's expected losses, receives a majority of its expected residual returns, or both. In 2003, the Group applied the revised guidance to all VIEs created after 31 January 2003 in the 2003 annual financial statements. In 2003, the Group was in the process of analysing the impact of the revised guidance on VIEs created or acquired before 31 January 2003 and applied the revised guidance to these VIEs in the 2004 financial statements.

In 2004, the revised guidance has been applied to all VIEs created before 31 January 2003. The application of the revised guidance to VIEs created before 31 January 2003 has resulted in the initial recognition of the assets and liabilities of some entities which were not consolidated under previous guidance, and in the derecognition of the assets and liabilities of certain other entities which were consolidated under previous guidance (see notes 6 and 16). The cumulative effect of complying with the guidance as of the effective date is reflected in a separate line in retained earnings in the statement of shareholders' equity for 2004.

Guarantees

As of 1 January 2003, the Group adopted new accounting guidance for recognition and measurement of certain guarantees. A liability for the fair value of the obligation assumed under these guarantees were recognised in the balance sheet for guarantees issued or modified after 31 December 2002. The Group has certain derivatives with similar characteristics to guarantees. The derivatives are included in the disclosure on derivative financial instruments.

2. Investments

Investment income

Net investment income by source was as follows:

	2003	2004	2005
	CHF in millions		
Fixed income securities	3,117	3,489	**3,863**
Equity securities	259	183	**164**
Mortgages and other loans	555	582	**602**
Investment real estate	122	121	**130**
Short-term investments	32	60	**138**
Other current investments	54	51	**79**
Equity in earnings of equity-accounted investments	(39)	23	**76**
Cash and cash equivalents	106	102	**188**
Deposits with ceding companies	917	724	**720**
Gross investment income	5,123	5,335	**5,960**
Less investment expenses	(517)	(478)	**(608)**
Net investment income	4,606	4,857	**5,352**

Dividends from investments accounted for using the equity method were CHF 50 million, CHF 41 million and CHF 13 million in 2003, 2004 and 2005, respectively. The Group has refined the classification of expenses related to deposits with ceding companies. The figures for the year ended 31 December 2004 and 2003 were adjusted accordingly. The Group has revised the classification between cash and cash equivalents and short-term investments. The figures for the year ended 31 December 2004 and 2003 were adjusted accordingly. In 2004, the Group refined the allocation of expenses mainly related to real estate and adjusted 2003 accordingly. The changes do not affect net investment income.

Realised gains and losses

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

	2003	2004	2005
	CHF in millions		
Fixed income securities:			
Gross realised gains	1,271	383	**729**
Gross realised losses	(138)	(136)	**(225)**
Equity securities:			
Gross realised gains	1,168	858	**691**
Gross realised losses	(621)	(169)	**(63)**
Net realised gains on other investments	(579)	262	**201**
Value readjustments	285	21	**81**
Value adjustments	(1,010)	(103)	**(165)**
Net realised investment gains	376	1,116	**1,249**

Realised gains and losses do not include the change in market value of trading activities of the Financial Services business segment and the change in market value of derivative financial instruments classified as cash flow hedges.

Trading revenues

Trading revenues generated by the trading activities of the Financial Services business segment were as follows:

	2003	2004	2005
	CHF in millions		
Gross trading revenues	667	842	**900**
Interest expense	(195)	(404)	**(557)**
Trading revenues	472	438	**343**

Investments available-for-sale

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

	As of 31 December 2003			
	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
	CHF in millions			
Debt securities issued by governments and government agencies:				
United States	15,426	135	(327)	15,234
Germany	6,133	27	(86)	6,074
United Kingdom	6,144	23	(110)	6,057
Canada	3,737	340	(4)	4,073
France	5,143	27	(110)	5,060
Switzerland	212	3		215
Other	7,238	96	(58)	7,276
Total	44,033	651	(695)	43,989
Corporate debt securities	13,970	1,138	(63)	15,045
Mortgage and asset-backed securities	5,128	138	(26)	5,240
Fixed-income securities available-for-sale	63,131	1,927	(784)	64,274
Equity securities available-for-sale	6,335	560	(144)	6,751

	As of 31 December 2004			
	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
	CHF in millions			
Debt securities issued by governments and government agencies:				
United States	19,388	216	(274)	19,330
Germany	6,082	59	(17)	6,124
United Kingdom	6,672	46	(63)	6,655
Canada	4,204	465	(6)	4,663
France	4,026	52	(4)	4,074
Other	9,300	177	(12)	9,465
Total	49,672	1,015	(376)	50,311
Corporate debt securities	18,082	1,400	(47)	19,435
Mortgage and asset-backed securities	7,519	150	(39)	7,630
Fixed income securities available-for-sale	75,273	2,565	(462)	77,376
Equity securities available-for-sale	4,586	491	(118)	4,959

	As of 31 December 2005			
	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
	CHF in millions			
Debt securities issued by governments and government agencies:				
United States	24,983	342	(478)	24,847
Germany	6,387	44	(32)	6,399
United Kingdom	6,239	149	(20)	6,368
Canada	4,553	839	(10)	5,382
France	2,803	45	(9)	2,839
Other	10,425	173	(47)	10,551
Total	55,390	1,592	(596)	56,386
Corporate debt securities	19,953	1,148	(144)	20,957
Mortgage and asset-backed securities	12,864	88	(175)	12,777
Fixed income securities available-for-sale	88,207	2,828	(915)	90,120
Equity securities available-for-sale	6,980	1,256	(120)	8,116

As of 31 December 2003, 2004 and 2005, fixed income securities available-for-sale with a carrying value of CHF 8,086 million, CHF 8,522 million and of CHF 13,917 million, respectively, were lent to third parties that have the right to sell or repledge the borrowed securities. In addition, as of 31 December 2003, 2004 and 2005, fixed income securities available-for-sale with a carrying value of CHF 243 million, CHF 184 million and CHF 115 million, respectively, were lent to third parties that do not have the right to sell or repledge the borrowed securities.

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 have been in a continuous unrealised loss position, as of 31 December 2003, 2004 and 2005. A continuous decline in the value of equity securities available-for-sale for longer than twelve months is considered other-than-temporary and recognised as net realised investment gains/losses in the income statement. Therefore, as of 31 December 2003, 2004 and 2005, the gross unrealised loss on equity securities available-for-sale of CHF 144 million, CHF 118 million and CHF 120 million, respectively, shown in the above table relates to declines in value for less than 12 months.

	As of December 2003					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
	CHF in millions					
Debt securities issued by governments and government agencies	27,961	695	111		28,072	695
Corporate debt securities	1,933	52	230	11	2,163	63
Mortgage and asset-backed securities	2,405	25	37	1	2,442	26
Total	32,299	772	378	12	32,677	784

	As of 31 December 2004					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
	CHF in millions					
Debt securities issued by governments and government agencies	20,124	212	5,522	164	25,646	376
Corporate debt securities	1,784	26	332	21	2,116	47
Mortgage and asset-backed securities	3,336	31	171	8	3,507	39
Total	25,244	269	6,025	193	31,269	462

	As of 31 December 2005					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
	CHF in millions					
Debt securities issued by governments and government agencies	24,830	311	9,118	285	33,948	596
Corporate debt securities	5,581	117	513	27	6,094	144
Mortgage and asset-backed securities	7,141	131	1,179	44	8,320	175
Total	**37,552**	**559**	**10,810**	**356**	**48,362**	**915**

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

Investments by original currency

The Group's investment portfolio at carrying value is comprised of concentrations in the following major currencies:

	As of 31 December 2003						
	USD	EUR	GBP	CAD	CHF	Other	Total
	CHF in millions						
Fixed-income securities	33,162	16,654	7,108	4,223	274	2,841	64,262
Equity securities	1,691	1,584	1,072	55	1,082	1,267	6,751
Mortgages/other loans	4,588	1,134	1	19	375	16	6,133
Assets held for linked liabilities	158		2,290				2,448
Other	1,094	1,292	643	5	1,128	75	4,237
Total	40,693	20,664	11,114	4,302	2,859	4,199	83,831

	As of 31 December 2004						
	USD	EUR	GBP	CAD	CHF	Other	Total
	CHF in millions						
Fixed income securities	43,732	16,584	9,113	4,503	295	3,237	77,464
Equity securities	829	1,143	911	71	1,021	1,286	5,261
Mortgages/other loans	4,789	1,189	8	18	354	3	6,361
Assets held for linked liabilities	937	436	11,130		77	39	12,619
Other	3,148	1,268	645	169	1,047	41	6,318
Total	53,435	20,620	21,807	4,761	2,794	4,606	108,023

	As of 31 December 2005						
	USD	EUR	GBP	CAD	CHF	Other	Total
	CHF in millions						
Fixed income securities	55,305	17,533	8,697	5,284	344	3,594	90,757
Equity securities	2,722	1,454	973	233	800	2,262	8,444
Mortgages/other loans	5,614	1,270	7	22	390	2	7,305
Assets held for linked liabilities	1,395	874	12,167	10	152	58	14,656
Other	4,345	1,531	635	895	913	90	8,409
Total	**69,381**	**22,662**	**22,479**	**6,444**	**2,599**	**6,006**	**129,571**

The Group has revised the classification between cash and cash equivalents and short-term investments. As of 31 December 2004 the figures for the category "other" were adjusted accordingly.

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2003, 2004 and 2005, CHF 2,242 million, CHF 2,048 million and CHF 2,250 million, respectively, of fixed income securities were callable or had call options in the instruments' structure.

	As of 31 December					
	2003		2004		2005	
	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
	CHF in millions					
Due in one year or less	1,534	1,550	3,187	3,199	**6,503**	**6,495**
Due after one year through five years	26,167	26,297	34,356	34,479	**26,973**	**26,827**
Due after five years through ten years	17,284	17,510	12,614	13,066	**19,165**	**19,339**
Due after ten years	13,657	14,332	17,668	19,076	**22,702**	**24,682**
Mortgage and asset-backed securities with no fixed maturity	4,489	4,585	7,448	7,556	**12,864**	**12,777**
Total fixed income securities	63,131	64,274	75,273	77,376	**88,207**	**90,120**

Assets on deposit or pledged

As of 31 December 2003, 2004 and 2005, securities with a carrying value of CHF 573 million, CHF 599 million and CHF 663 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 2003, 2004 and 2005, investments with a carrying value of approximately CHF 5,862 million, CHF 7,839 million and CHF 8,823 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

Mortgages, loans and real estate

As of 31 December 2003, 2004 and 2005 investments in mortgages and other loans and real estate comprised the following:

	As of 31 December					
	2003		2004		2005	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	CHF in millions					
Mortgages and other loans	6,133	6,133	6,361	6,361	**7,305**	**7,305**
Investment real estate	1,646	2,536	1,699	2,569	**1,557**	**2,451**

As of 31 December 2003, 2004 and 2005, the Group's investment in mortgages and other loans included CHF 185 million, CHF 192 million and CHF 206 million, respectively, of loans due from employees and CHF 409 million, CHF 404 million and CHF 396 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

The Group's investment in mortgages and other loans included CHF 1,064 million, CHF 1,119 million and CHF 1,200 million of mortgage participations associated with investment contracts as of 31 December 2003, 2004 and 2005, respectively. Contract holders bear the investment risk related to mortgage participations. Fair value for other loans is considered to be equal to carrying value.

As of 31 December 2003, 2004 and 2005, investments in real estate included CHF 29 million, nil and CHF 9 million, respectively, of real estate held for sale.

Depreciation expense related to income-producing properties was CHF 31 million, CHF 36 million, and CHF 36 million for 2003, 2004 and 2005, respectively. Accumulated depreciation on investment real estate totalled CHF 593 million, CHF 566 million and CHF 577 million as of 31 December 2003, 2004 and 2005, respectively.

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

Development of real estate and investments in affiliated companies

	2003		2004		2005	
	Investment real estate	Affiliated companies	Investment real estate	Affiliated companies	Investment real estate	Affiliated companies
	CHF in millions					
Balance as of 1 January	1,537	760	1,646	618	**1,699**	**595**
Effect of foreign currency translation	19	10	(17)	(11)	**25**	**24**
Depreciation	(31)		(36)		**(36)**	
Additions/sales/interest in equity	88	(136)	25	(11)	**(100)**	**11**
Realised gains/losses		(17)				
Unrealised gains/losses	27	(12)	81	(1)	**37**	
Transfers	6	13			**(68)**	
Balance as of 31 December	1,646	618	1,699	595	**1,557**	**630**

Assets held for linked liabilities

Assets held for linked liabilities by asset category were as follows:

	As of 31 December		
	2003	2004	2005
	CHF in millions		
Equity securities trading	2,266	8,857	11,147
Equity accounted participations		1,341	657
Other	182	2,421	2,852
Assets held for linked liabilities	2,448	12,619	**14,656**

Other includes fixed income securities trading, separate account assets, and other assets. The fair value of assets held for linked liabilities was CHF 2,448 million, CHF 12,629 million and CHF 14,692 million as of 31 December 2003, 2004 and 2005, respectively.

In the year ended 31 December 2005, the assets held for linked liabilities generated net realised gains of CHF 1,396 million (2004: CHF 496 million) and net investment income of CHF 751 million (2004: CHF 257 million).

Cash and cash equivalents

Cash and cash equivalents include short-term deposits with a carrying value of CHF 2,404 million, CHF 7,236 million and CHF 6,080 million as of 31 December 2003, 2004 and 2005, respectively. The Group has revised the classification between cash and cash equivalents and short-term investments in 2005.

3. Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure.

The maximum potential loss assuming non-performance by all counterparties, and based on the market replacement cost at 31 December 2003, 2004 and 2005 approximated CHF 1,933 million, CHF 2,479 million and CHF 2,889 million, respectively. These values are net of amounts offset pursuant to rights of set-off and qualifying master netting arrangements with various counterparties.

The fair value of derivatives outstanding at 31 December 2003, 2004 and 2005 is as follows:

	31 December 2003			31 December 2004			31 December 2005		
	Positive fair value	Negative fair value	Carrying value assets / liabilities	Positive fair value	Negative fair value	Carrying value assets / liabilities	Positive fair value	Negative fair value	Carrying value assets / liabilities
					CHF in millions				
Interest rate contracts									
Forwards and futures	3	(11)	(8)	10	(3)	7	**26**	**(5)**	**21**
Options							**9**	**(5)**	**4**
Swaps	1,833	(1,818)	15	2,280	(2,312)	(32)	**3,133**	**(3,213)**	**(80)**
Total	1,836	(1,829)	7	2,290	(2,315)	(25)	**3,168**	**(3,223)**	**(55)**
Equity and index contracts									
Forwards and futures	167	(5)	162	14	(4)	10	**4**	**(23)**	**(19)**
Options	771	(623)	148	1,128	(1,673)	(545)	**2,009**	**(2,357)**	**(348)**
Total	938	(628)	310	1,142	(1,677)	(535)	**2,013**	**(2,380)**	**(367)**
Foreign currency									
Forwards and futures		(12)	(12)						
Options		(16)	(16)						
Swaps	2,886	(2,524)	362	2,195	(1,987)	208	**1,017**	**(1,218)**	**(201)**
Total	2,886	(2,552)	334	2,195	(1,987)	208	**1,017**	**(1,218)**	**(201)**
Other derivatives									
Credit derivatives	179	(311)	(132)	510	(438)	72	**805**	**(619)**	**186**
Weather derivatives	50	(53)	(3)	61	(53)	8	**56**	**(81)**	**(25)**
Other	69	(260)	(191)	69	(256)	(187)	**190**	**(176)**	**14**
Total	298	(624)	(326)	640	(747)	(107)	**1,051**	**(876)**	**175**
Total derivative financial instruments	5,958	(5,633)	325	6,267	(6,726)	(459)	**7,249**	**(7,697)**	**(448)**

The Group has refined the definition of contract value, previously referred to as notional or contractual amounts. The amounts as per 31 December 2003 and 2004 have been adjusted accordingly, increasing the contract values for other derivatives by CHF 3,484 million and CHF 28,665 million respectively and leaving the remaining categories unchanged. The contract values of derivatives represent the total amounts of the underlying transactions and are not a quantification of market risk or credit risk. Contract amounts are used to calculate contractual cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps. These amounts are the sum of all outstanding positions, therefore inflating the contract values, in particular in the trading books containing a considerable proportion of offsetting positions. The contract amounts of derivatives at 31 December 2003, 2004 and 2005 are CHF 441,517 million, CHF 664,003 million and CHF 942,985 million, respectively. Of these amounts CHF 328,087 million, CHF 461,074 million and CHF 637,413 million are interest instruments. CHF 35,154 million, CHF 37,068 million and CHF 92,418 million are equity and index instruments. CHF 28,412 million, CHF 62,158 million and CHF 71,391 million are currency instruments and the remaining CHF 49,864 million, CHF 103,703 million and CHF 141,763 million are other derivatives.

The contractual or notional amounts for credit derivatives (CHF 36,850 million and CHF 96,832 million, respectively) include portfolio credit default swap structures and corresponding credit default swaps transacted to hedge certain credit exposure within these structures (31 December 2003 and 2004: CHF 14,915 million and CHF 12,761 million, respectively). The swaps were underwritten by the Credit Solutions business sector of the Financial Services. Within these structures, the Group continues to maintain over 90% of the notional exposure assigned to the "Super-Senior" category.

4. Acquisitions and dispositions

On 30 June 2003, the Group acquired Guarantee Reserve Life Insurance Company for CHF 165 million. On 31 October 2003, the Group purchased the stock of Zurich Life Assurance Company Ltd, which has been renamed Reassure UK Life Assurance Company Ltd, for CHF 354 million. These acquisitions are administrative reinsurance (Admin Re^{SM}) transactions. Admin Re^{SM} is the purchase of closed blocks of in-force business and can be achieved through either a stock purchase or reinsurance.

As of 11 August 2003, the Group increased the equity-accounted participation in the credit insurer Gerling NCM Credit and Finance AG, which has been renamed Atradius, from 25% to 47.5%. In addition, Sociedad Unipersonal (SCO) purchased an option from Swiss Re to acquire an additional 7.94% of the shareholding in Atradius for EUR 52 million. As part of this agreement, SCO took over part of Swiss Re's commitment to purchase subordinated notes from Atradius.

On 30 April 2004, the Group completed the acquisition of CNA Financial Corporation's individual life insurance business for USD 690 million. The transaction was facilitated mainly through a stock acquisition.

On 24 August 2004, the Group acquired the shares of Life Assurance Holding Corporation (LAHC), including its life insurance subsidiary Windsor Life Assurance Company Limited, for GBP 333 million.

These acquisitions are administrative reinsurance (Admin Re^{SM}) transactions. Admin Re^{SM} is the purchase of closed blocks of in-force business and can be achieved through either a stock purchase or reinsurance.

On 18 November 2005, the Group announced the agreement to acquire General Electric Insurance Solutions from General Electric Company (GE) in a USD 6.8 billion transaction, subject to closing adjustments. The consideration to be paid to GE will consist of cash, Swiss Re shares, Mandatory Convertibles and Notes. As a result, GE is expected to hold below 10% of Swiss Re shares. Closing of the transaction is subject to regulatory approvals and other customary contractual closing conditions.

Goodwill

During the years ended 31 December 2003, 2004 and 2005, goodwill of CHF 315 million, CHF 277 million and CHF 274 million, respectively, was amortised.

As of 31 December 2003, 2004 and 2005, the balance of accumulated goodwill amortisation was CHF 1,378 million, CHF 1,570 million and CHF 2,033 million, respectively.

The Group systematically amortises goodwill over periods up to 20 years depending on specific factors. The amount charged in any one year can vary due to foreign exchange and other factors. Despite this, goodwill is amortised within the originally determined periods.

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

	2003		2004		2005	
	DAC	PVFP	DAC	PVFP	DAC	PVFP
CHF in millions						
Balance as of 1 January	4,142	6,668	4,754	5,952	**4,875**	**6,736**
Deferred	5,395		4,844		**4,107**	
Reclassification	(17)					
Effect of acquisitions/disposals and reinsurance transactions		383		1,470		**(396)**
Amortisation	(4,617)	(482)	(4,501)	(395)	**(4,103)**	**(385)**
Effect of foreign currency translation	(149)	(617)	(222)	(507)	**499**	**842**
Change in accounting policy				216		
Balance as of 31 December	4,754	5,952	4,875	6,736	**5,378**	**6,797**

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

The percentage of the PVFP which is expected to be amortised in each of the next five years is 5%, 5%, 4%, 4% and 4%, respectively.

6. Debt

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines long-term debt as debt having a maturity at the balance sheet date of greater than one year. The Group's long-term debt as of 31 December 2005 was as follows:

Long-term debt

Senior debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in CHF millions
2007	Trust-preferred Stock (Trups)[1]	1997	USD	42	8.72%	65
2007	Insurance-linked Placement	2003	USD	4	6.99%	5
2007	Straight Bond	1997	CHF	500	3.75%	500
2007	Mandatory Convertible Bond	2004	EUR	672	6.13%	1,011
2007	EMTN	2005	GBP	30	3M Libor +1 bp	68
2007	EMTN	2005	CHF	250	3M Libor +0.5 bp	250
2008	Mandatory Convertible Bond	2005	CHF	1,000	6.00%	1,107
2008	Private Placement (step-up)	2001	CHF	100	3.60%	100
2008	EMTN	2005	GBP	90	3M Libor +5bp	204
2008	EMTN	2005	JPY	8,100	3M Libor	90
2008	EMTN	2005	USD	150	4.13%	197
2009	EMTN (Index-linked Notes)	2002	EUR	10	Index	16
2009	3 EMTN	2004	EUR	20	Various	31
2009	EMTN	2004	JPY	5,000	0.81%	56
2009	EMTN	2005	JPY	3,000	0.41%	34
2009	3 EMTN (Zero coupon Notes)	2004	USD	53	Various	69
2009	EMTN	2005	CHF	300	1.25%	298
2010	EMTN (Amortising Bond)	2003	GBP	50	4.38%	113
2010	EMTN	2005	CZK	300	2.88%	16
2010	2 EMTN	2005	CHF	625	Various	625
2013	EMTN (Index-linked Notes)	2001	USD	10	Index	13
2015	EMTN (Straight Bond)	2001	CHF	150	4.00%	150
2017	Credit-linked Note	2000	USD	9	Various	11
Various	CAD Cash Collateral	2004	CAD	560	Various	635
Various	Payment Undertaking Agreements	2000	USD	145	Various	231
Various	Payment Undertaking Agreements	2001	USD	100	Various	164
Various	Payment Undertaking Agreements	2002	USD	541	Various	790
Various	Payment Undertaking Agreements	2003	USD	181	Various	271
Various	Payment Undertaking Agreements	2004	USD	46	Various	63
Total senior debt as of 31 December 2005						**7,183**
Total senior debt as of 31 December 2004						5,436
Total senior debt as of 31 December 2003						4,695

1 Assumed in the acquisition of Life Re Corporation

Total senior debt as reported above is comprised of the following components:

	31 December 2003	31 December 2004	31 December 2005
		CHF in millions	
Senior financial debt	1,441	2,064	**2,794**
Senior operational debt	3,254	3,372	**4,389**
Total	4,695	5,436	**7,183**

Subordinated debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	To first reset in	Book value in CHF millions
2021	Convertible Bond	2001	USD	1,150	3.25%	2011	1,493
—	Subordinated Perpetual Loan	1998	DEM	340	6M Libor+ 40bp	2008	270
—	Subordinated Perpetual Loan	1998	DEM	400	5.71%	2008	318
—	Subordinated Perpetual Loan	1998	CHF	300	6M Libor +37.5bp	2008	300
—	Subordinated Perpetual Loan	1998	DEM	110	6M Libor + 45bp	2010	87
—	Subordinated Perpetual Bond (SUPERBs)	1999	CHF	600	3.75%	2011	590
Total subordinated debt as of 31 December 2005							**3,058**
Total subordinated debt as of 31 December 2004							3,232
Total subordinated debt as of 31 December 2003							3,366

Total financial debt reported in the financial statements as long-term debt is comprised of the following components:

	31 December 2003	31 December 2004	31 December 2005
		CHF in millions	
Senior financial debt	1,441	2,064	**2,794**
Subordinated financial debt	3,366	3,232	**3,058**
Total	4,807	5,296	**5,852**

Swiss Re uses debt to finance general corporate purposes but also to fund “Financial services assets and liabilities” (funded business). “Financial services assets and liabilities” are structured with the intention of creating assets and liabilities that generate offsetting market risks (foreign exchange, interest rate, equity, credit). Debt that is strictly used for funded business is classified as operational debt and is included in financial services liabilities. Operational debt is generally excluded from financial leverage calculations.

Interest expense on long-term debt

Interest expense on long-term debt for the years ended 31 December 2003, 2004 and 2005, respectively, was as follows:

	2003	2004	2005
		CHF in millions	
Senior financial debt	53	85	**105**
Senior operational debt	128	130	**146**
Subordinated financial debt	142	134	**124**
Total	323	349	**375**

In July 1997, the Group issued a straight bond with a face value of CHF 500 million, bearing interest at 3.75%, maturing on 2 July 2007, in exchange for proceeds of CHF 511 million.

In May 1998, the Group issued CHF 1,010 million of multi-currency subordinated debt with a perpetual term, bearing interest at the rate of six-month Libor plus 37.5 basis points for the first tranche of CHF 300 million, six-month Libor plus 40 basis points for a tranche of DEM 340 million, six-month Libor plus 45 basis points for a tranche of DEM 110 million, payable semi-annually, and 5.71% for a tranche of DEM 400 million, payable annually. The loan is subordinated in the event of liquidation to all senior creditors of Swiss Re Zurich, but will be paid in priority to all holders of its equity.

In June 1999, the Group issued CHF 600 million in subordinated perpetual debt, with an interest rate of 3.75% for 12 years, resetting to six-month Libor plus 100–140 basis points thereafter, depending upon the rating of Swiss Re.

In 2000, the Group entered into three Payment Undertaking Agreements (PUAs), which are a form of financing transaction in which a counterparty deposits funds with the Group having fixed repayment terms and interest rates on the deposited funds. In 2001 and 2002, respectively, three and seventeen additional PUAs were taken out by the Group. In 2003, the Group entered into sixteen PUAs. In 2004, the Group issued two PUAs for a total amount of USD 43 million with fixed interest rates of 5.23% and 5.24%. Both have maturities of 20 years. All interest rate risk is hedged to a one or three-month Libor benchmark.

During 2001 the Group issued a private placement in Switzerland, which is a form of financing transaction. The private placement was issued in June in the amount of CHF 100 million and is due in 2008 with a coupon of 3.60%.

In June 2001, the Group issued a straight bond under the European Medium Term Note (EMTN) programme, totalling CHF 150 million with a coupon of 4.00% and a 14-year maturity.

In October 2001, the Group issued USD 10 million of index-linked notes under the EMTN programme. The notes have a maturity of 12 years and interest payments based on the three-month Libor, as well as an index-related component.

In November 2001, concurrent with its global equity offering, the Group issued USD 1,150 million of subordinated convertible bonds. The bonds have a maturity of 20 years and a fixed coupon of 3.25% during the first 10 years, which will be reset to a floating six-month Libor plus 180 basis points for the last 10 years. Up to and including 21 November 2011, the bonds can be converted into Swiss Re shares at a price of CHF 207.19 per share with a fixed USD exchange rate of 1.6641. The bonds have been issued by the Group and are unconditionally and irrevocably guaranteed on a subordinated level.

In June 2002, the Group issued under the EMTN programme index-linked notes, totalling EUR 10 million with a seven-year maturity.

In August 2003, the Group issued a GBP 70 million bond under the EMTN programme, with a coupon of 4.38% which is repayable annually over 7 years, ending April 2010.

In the first half of 2004, the Group issued three zero coupon notes under the EMTN programme, totalling USD 56 million, with a five-year maturity.

In July 2004, the Group issued a mandatory convertible bond totalling EUR 672 million with an interest rate of 6.13% due in 2007. The securities will automatically convert into Swiss Re shares in three years (see note 9).

In the second half of 2004, the Group issued a note under the EMTN programme, totalling EUR 10 million with an interest rate of 6.00% for the first two years, and two notes totalling EUR 10 million with an interest rate of 4.00% for the first three years, due in 2009.

In October 2004, the Group issued a note under the EMTN programme, totalling JPY 5,000 million with an interest rate of 0.81% due in 2009.

In September and December 2004, the Group received cash collateral totalling CAD 560 million to secure counterparty risk arising from a basket of credit default swaps which mature in 2009 and 2010.

The Group recognised insurance-linked and credit-linked securities totalling USD 13 million because the Group was the primary beneficiary as of 1 January 2004.

In March 2005, the Group issued GBP 30 million under the EMTN programme, due in March 2007, bearing interest at a floating rate of three-month Libor plus 1 basis point and CZK (Czech Republic Crowns) 300 million, due in March 2010, with a fixed interest rate of 2.875%.

In April 2005, the Group issued CHF 600 million under the EMTN programme, with a five-year maturity and a coupon of 2%, and in May, CHF 25 million with a five-year maturity and a coupon of 1.765%.

In June 2005, the Group issued GBP 90 million under the EMTN programme, with a three-year maturity and a coupon of three-month Libor plus 5 basis points and a further JPY 3,000 million with a four-year maturity and a coupon of 0.41%.

In August 2005, the Group issued JPY 8,100 million under the EMTN programme, with a three-year maturity and a coupon of three-month Libor and a further CHF 300 million with a four-year maturity and a coupon of 1.25%.

In September 2005, the Group issued USD 150 million under the EMTN programme, with a three-year maturity and a coupon of 4.125%.

In October 2005, the Group issued CHF 250 million under the EMTN programme, with a two-year maturity and a coupon of three-month Libor plus 0.5 basis points.

In December 2005, the Group issued a mandatory convertible bond totalling CHF 1,000 million with an interest rate of 6% due in 2008. The securities will automatically convert into Swiss Re shares in three years (see note 9).

7. Unpaid claims and claim adjustment expenses

Asbestos and environmental claims exposure

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

A reconciliation of the beginning and ending reserve balances for asbestos, environmental and other long-latent liability claims and claim adjustment expenses for the periods presented is as follows:

	2003	2004	2005
	CHF in millions		
Balance as of 1 January	2,378	1,879	**1,524**
Reinsurance recoverable	(260)	(204)	**(167)**
Net claims reserve	2,118	1,675	**1,357**
Claims incurred	88	(20)	
Claims paid	(327)	(181)	**(187)**
Effect of foreign currency translation	(204)	(117)	**205**
Net claims reserve	1,675	1,357	**1,375**
Reinsurance recoverable	204	167	**186**
Balance as of 31 December	1,879	1,524	**1,561**

The Group maintains an active commutation strategy to reduce exposure. The number and amount of commutations were lower in 2004 compared to 2003, and paid claims decreased in 2004 versus 2003 due to the effect of this strategy. When commutation payments are made, the traditional "survival ratio" is artificially reduced by premature payments which should not imply a reduction in reserve adequacy.

The Group provisions are the undiscounted value of potential ultimate claims payments and claims settlement charges, less amounts paid to date.

Provisions for long-latent injury claims outstanding at 31 December 2005 reflect the estimated future trend of claims payments and claims settlement charges. Due to the inherent uncertainties and assumptions on which these estimates are based, however, the Group cannot exclude the need to make further additions to these provisions in the future.

8. Personnel expenses

	2003	2004	2005
		CHF in millions	
Salaries	1,443	1,383	**1,464**
Employee benefits	307	355	**375**

The Group had 8,882 employees at 31 December 2005, compared to 8,359 at 31 December 2004 and 7,949 at 31 December 2003. Employees as of 31 December 2005 include 295 employees relating to the first time inclusion of Pro Insurance Solutions.

9. Shareholders' equity

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

Share data

	2003	2004	2005
	CHF in millions (except share data)		
Basic earnings per share			
Income available to common shares	1,702	2,475	**1,451**
Weighted average common shares outstanding	310,379,068	309,274,654	**309,827,189**
Net income per share in CHF	5.48	8.00	**4.68**
Effect of dilutive securities			
Change in income available to common shares due to convertible bonds	33	48	**72**
Change in average number of shares due to convertible bonds and employee options	9,397,419	15,279,024	**23,025,708**
Diluted earnings per share			
Income available to common shares assuming debt conversion and exercise of options	1,735	2,523	**1,523**
Weighted average common shares outstanding	319,776,487	324,553,678	**332,852,897**
Net income per share in CHF	5.43	7.77	**4.58**

In 2004 Swiss Re purchased 9,236,800 call options to offset the exposure to deliver Swiss Re shares under the Convertible bond issued in 2001 (see "Treasury shares").

Treasury shares (and related instruments)

As of 31 December 2003, 2004 and 2005, the Group held 1,280,875, 933,128 and 206,449 treasury shares, respectively. These shares are available for stock-based compensation plans and other corporate purposes.

In 2005, 2,948,105 treasury shares were acquired at an average price of CHF 81.41 and 3,674,784 shares were sold at an average price of CHF 83.27, including 1,203,134 treasury shares delivered to employees in connection with stock-based compensation plans.

In 2004, 1,036,269 treasury shares were acquired at an average price of CHF 81.06 and 1,384,016 treasury shares were sold at an average price of CHF 87.43, including 698,561 treasury shares delivered to employees in connection with stock-based compensation plans.

As of 31 December 2003 and 2004, the Group was short 383,333 and 335,000 call options, respectively. In 2004, 2,255,000 call options were sold at an average price of CHF 1.04. In 2005, 2,880,000 call options were sold at an average price of CHF 0.95. As of 31 December 2005 the Group was not short any call options.

As of 31 December 2003, 2004 and 2005, the Group was short 666,666, 465,000 and 262,000 put options, respectively. In 2004, 1,360,000 put options were sold at an average price of CHF 7.30. In 2005, 1,505,000 put options were sold at an average price of CHF 5.26. Also, the Group was long no put options as of 31 December 2003 and 2004 and 262,000 put options as of 31 December 2005.

Furthermore, in 2004 Swiss Re purchased derivatives, indexed to Swiss Re shares, with respect to stock-based compensation plans and to offset the exposure to deliver Swiss Re shares under the convertible bond, issued in 2001. The underlying shares, previously committed to the convertible bond issued in 2001, were reallocated to the mandatory convertible bond, issued in 2004. In 2005, Swiss Re purchased derivatives with respect to stock-based compensation plans, indexed to Swiss Re shares. For the above hedging transactions, in 2004 and 2005, 10,436,524 and 1,200,000 call options were acquired at an average price of CHF 15.37 and CHF 22.67, respectively. As of 31 December 2003, 2004 and 2005, the Group held 1,000,000, 10,436,524 and 11,636,524 call options, respectively.

The mandatory convertible issued in 2005 includes a conversion feature which is bifurcated from the host contract for accounting purposes. In accordance with the Group's accounting policies, this bifurcation also impacts the 2004 mandatory convertible. The bifurcated conversion features total CHF 96 million.

10. Income taxes

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

	2003	2004	2005
		CHF in millions	
Current taxes	548	175	**534**
Deferred taxes	86	717	**(12)**
Income tax expense	634	892	**522**

The components of deferred income taxes were as follows:

	2003	2004	2005
		CHF in millions	
Deferred tax assets			
Technical provisions	918	952	**862**
Income accrued/deferred	355	481	**422**
Unrealised losses on investments	428	573	**408**
Benefit on loss carryforwards	2,163	2,298	**1,981**
Other	637	944	**1,196**
Gross deferred tax assets	4,501	5,248	**4,869**
Valuation allowance	(1,052)	(1,461)	**(1,175)**
Total	3,449	3,787	**3,694**
Deferred tax liabilities			
Present value of future profits	1,985	2,205	**2,272**
Income accrued/deferred	289	220	**459**
Bond amortisation	167	281	**326**
Deferred acquisition costs	465	414	**317**
Technical provisions	554	1,038	**936**
Unrealised gains on investments	459	611	**608**
Other	1,095	1,034	**901**
Total	5,014	5,803	**5,819**
Deferred income taxes	1,565	2,016	**2,125**

As of 31 December 2005, the Group had CHF 5,677 million foreign net operating tax loss carryforwards, expiring as follows: CHF 331 million in 2007, CHF 66 million in 2008, CHF 36 million in 2009, CHF 140 million in 2010 and CHF 5,104 million after 2010. The Group also had capital loss carryforwards of CHF 424 million, expiring as follows: CHF 2 million in 2006, CHF 21 million in 2007, CHF 5 million in 2008, CHF 384 million in 2009, CHF 3 million in 2010 and CHF 9 million after 2010.

Income taxes paid in 2003, 2004 and 2005 were CHF 309 million, CHF 421 million and CHF 282 million, respectively.

11. Benefit plans

Defined benefit pension plans and post-retirement benefits

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

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

The measurement date of these plans is 30 September for each year presented.

	Swiss plans pension benefits			Foreign plans pension benefits			Other benefits		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	CHF in millions								
Benefit obligation as of 1 January	2,062	2,321	**2,454**	972	1,115	**1,332**	523	517	**519**
Service cost	91	94	**96**	50	51	**49**	36	37	**28**
Interest cost	78	85	**90**	60	68	**80**	24	23	**21**
Amendments				4			(4)	(18)	**2**
Actuarial gains/losses	126	50	**257**	94	(18)	**188**	(34)	(19)	**42**
Benefits paid	(96)	(96)	**(94)**	(37)	(36)	**(48)**	(13)	(12)	**(12)**
Acquisitions/disposals					172				
Reclassification/curtailment	60					**(5)**			
Effect of foreign currency translation				(28)	(20)	**116**	(15)	(9)	**20**
Benefit obligation as of 31 December	2,321	2,454	**2,803**	1,115	1,332	**1,712**	517	519	**620**
Fair value of plan assets as of 1 January	1,958	2,240	**2,362**	652	734	**944**			
Actual return on plan assets	206	102	**283**	75	73	**146**			
Company contribution	114	116	**127**	60	72	**60**	13	12	**12**
Benefits paid	(96)	(96)	**(94)**	(37)	(36)	**(48)**	(13)	(12)	**(12)**
Acquisitions/disposals					131				
Reclassification	58								
Effect of foreign currency translation				(16)	(30)	**89**			
Fair value of plan assets as of 31 December	2,240	2,362	**2,678**	734	944	**1,191**			
Reconciliation of balance sheet									
Funded status	(81)	(92)	**(125)**	(381)	(388)	**(521)**	(517)	(519)	**(620)**
Unrecognised losses/gains	554	595	**656**	264	233	**344**	50	31	**73**
Unrecognised prior service cost	38	35	**32**	5	4	**4**	(52)	(62)	**(55)**
Unrecognised transition obligation/asset	(37)	(12)							
Additional minimum liability gross:									
Intangible assets				(4)	(4)	**(1)**			
Accumulated other comprehensive income				(125)	(95)	**(66)**			
Net amount recognised	474	526	**563**	(241)	(250)	**(240)**	(519)	(550)	**(602)**

	Swiss plans pension benefits			Foreign plans pension benefits			Other benefits		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	CHF in millions								
Amounts recognised in the balance sheet consist of									
Prepaid benefit cost	474	526	**563**	42	36	**127**			
Accrued benefit liability				(283)	(286)	**(367)**	(519)	(550)	**(602)**
Net amount recognised	474	526	**563**	(241)	(250)	**(240)**	(519)	(550)	**(602)**
Components of net periodic benefit cost									
Service cost (net of participant contributions)	91	94	**96**	50	51	**49**	36	37	**28**
Interest cost	78	85	**90**	60	68	**80**	24	23	**21**
Expected return on assets	(110)	(114)	**(114)**	(60)	(59)	**(68)**			
Amortisation of:									
Net gain/loss	3	22	**28**	1	12	**14**		1	**(2)**
Prior service cost	3	3	**3**	3	1	**2**	3	(5)	**(8)**
Transition obligation/asset	(25)	(25)	**(12)**				(5)		
Effect of settlement, curtailment and termination				(3)	6	**(5)**			
Net periodic benefit cost	40	65	**91**	51	79	**72**	58	56	**39**

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was CHF 3,046 million, CHF 3,350 million and CHF 3,973 million as of 31 December 2003, 2004 and 2005, respectively.

Principal actuarial assumptions

	Swiss plans pension benefits			Foreign plans pension benefits weighted average			Other benefits weighted average		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
a) Assumptions used to determine obligations at the end of the year									
Discount rate	3.8%	3.8%	**3.0%**	5.8%	5.8%	**5.2%**	4.5%	4.3%	**3.7%**
Rate of compensation increase	2.3%	2.3%	**2.3%**	4.6%	4.8%	**4.8%**			
b) Assumptions used to determine net periodic pension costs for the year ended									
Discount rate	3.8%	3.8%	**3.8%**	6.2%	5.8%	**5.8%**	4.5%	4.5%	**4.3%**
Expected long-term return on plan assets	5.0%	5.0%	**5.0%**	7.5%	7.0%	**6.8%**			
Rate of compensation increase	2.3%	2.3%	**2.3%**	4.7%	4.6%	**4.8%**			
c) Assumed medical trend rates at year end									
Medical trend – initial rate							7.2%	6.9%	**7.0%**
Medial trend – ultimate rate							4.5%	4.3%	**4.4%**
Year that the rate reaches the ultimate trend rate							2015	2015	**2015**

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

Assumed health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one percentage point change in assumed health-care cost trend rates would have had the following effects for 2005:

	1 percentage point increase	1 percentage point decrease
	CHF in millions	
Effect on total of service and interest cost components	12	(9)
Effect on post-retirement benefit obligation	111	(86)

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 2003, 2004 and 2005, and the target allocation for 2006 are as follows:

	Swiss plans actual allocation			Foreign plans actual allocation			Swiss Plans	Foreign plans
	2003	2004	2005	2003	2004	2005	target allocation	
Asset category								
Equity securities	30%	32%	**37%**	57%	56%	**58%**	**25%-45%**	**49%-61%**
Debt securities	50%	46%	**42%**	40%	40%	**40%**	**30%-65%**	**35%-52%**
Real estate	16%	17%	**17%**				**15%-25%**	
Other	4%	5%	**4%**	3%	4%	**2%**	**0%-5%**	**0%-17%**
Total	100%	100%	**100%**	100%	100%	**100%**	**100%**	**100%**

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

Equity securities include Swiss Re common stock of CHF 17 million (0.6% of total plan assets), CHF 10 million (0.3% of total plan assets) and CHF 12 million (0.3% of total plan assets) as of 31 December 2003, 2004 and 2005, respectively.

The Group's pension plan investment strategy is based on a diversified mix of equities, debt securities, real estate and other investments. The strategic objective is to optimise the return on the plan assets, the pension expense and the funding status of the plans. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2006 to the defined benefit pension plans are CHF 181 million and to the post-retirement benefit plan are CHF 14 million.

As of 31 December 2005, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

	Swiss plans pension benefits	Foreign plans pension benefits	Other benefits
		CHF in millions	
2006	111	49	13
2007	111	53	14
2008	115	57	16
2009	121	61	17
2010	124	66	18
Years 2011-2015	666	415	114

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 2003, 2004 and in 2005 was CHF 15 million, CHF 16 million and CHF 19 million, respectively. 2003 was adjusted to reflect reclassifications.

12. Stock compensation plans

As of 31 December 2003, 2004 and 2005, the Group had the stock-based compensation plans described below.

Fixed option plan

Under the fixed option plan, the exercise price of each option equals 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 fixed stock option plan is as follows:

	Weighted average exercise price in CHF	2003 shares	Weighted average exercise price in CHF	2004 shares	Weighted average exercise price in CHF	2005 shares
Outstanding, 1 January	154	6,777,258	134	8,488,600	**128**	**9,388,984**
Options granted	68	2,049,900	93	1,301,150	**84**	**1,215,750**
Options exercised			60	(3,000)	**70**	**(13,500)**
Options sold			131	(52,500)	**155**	**(190,940)**
Options forfeited	146	(338,558)	130	(345,266)	**117**	**(142,250)**
Outstanding, 31 December	134	8,488,600	128	9,388,984	**122**	**10,258,044**
Exercisable, 31 December		1,456,540		2,769,840		**4,199,580**
Weighted average fair value of options granted during the year per share	16		27		**20**	

The following table summarises the status of fixed stock options outstanding as of 31 December 2005:

Range of exercise price in CHF	Number of options	Weighted average remaining contractual life in years	Weighted average exercise price in CHF
60-74	1,917,490	6.9	68
82-100	2,526,650	8.7	85
140-187	5,813,904	4.8	155
60-187	**10,258,044**	**6.2**	**122**

The fair value of each option grant is estimated on the date of the grant using a binomial option-pricing model, with the following weighted average assumptions used for grants in 2003, 2004 and 2005, respectively: dividend yield of 2.8%, 2.0% and 3.0%; expected volatility of 28.7%, 33.1% and 30.0%; risk-free interest rate of 2.3%, 1.7% and 1.9%; expected life of 6.0 years, 6.0 years and 6.0 years.

The Group does not recognise compensation expense at fair value for the fixed option plan. If compensation expense had been recognised at fair value, the Group's net income and earnings per share would approximate the pro-forma amounts in the following table:

	2003	2004	2005
	CHF in millions		
Net income, as reported	1,702	2,475	**1,451**
Less: total stock-based employee compensation expenses determined under the fair value method, net of related tax effects	(37)	(34)	**(31)**
Pro-forma net income	1,665	2,441	**1,420**
Earnings per share			
Basic – as reported	5.48	8.00	**4.68**
Basic – pro-forma	5.36	7.89	**4.58**
Diluted – as reported	5.43	7.77	**4.58**
Diluted – pro-forma	5.31	7.67	**4.48**

The employee compensation expense reflects the four-year vesting period of options.

Restricted Shares

The Group introduced a restricted share plan during 2004 to complement the fixed option plan. In addition, restricted bonus shares were issued during 2004 and 2005.

Under these plans, 301,251 and 361,929 restricted shares were granted in 2004 and 2005, respectively, at a price of CHF 93 and CHF 83 per share, which equals the market price of the shares on the date of grant. The shares issued vest at the end of the fourth year.

Employee participation plan

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

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

In 2003, 2004 and 2005, 1,381,951, 287,477 and 1,068,610 options, respectively, were issued to cover the duration of the schemes incepting in those years. The Group contributed CHF 14 million, CHF 17 million and CHF 15 million, respectively, to the plan.

13. Commitments and contingent liabilities

As of 31 December 2003, 2004 and 2005, the Group had outstanding guarantees of CHF 11,696 million, CHF 13,650 million and CHF 18,024 million, respectively.

At 31 December 2005, CHF 16,681 million (2004: CHF 12,242 million; 2003: CHF 9,173 million) were guarantees on all present and future obligations in respect of Sale & Repurchase Agreements or Global Master Securities Lending Agreements, with expiry dates up to 2036. CHF 1,343 million (2004: CHF 1,408 million; 2003: CHF 2,523 million) were guarantees issued to third parties in respect of obligations of a number of subsidiaries of the Group with varying expiry dates.

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 2003, 2004 and 2005 were CHF 835 million, CHF 586 million and CHF 869 million, respectively.

As part of its regular business, the Group makes capital (equity, debt) available to clients, contingent on the occurrence of a defined event.

The Group had four guarantees as of 31 December 2003, 2004 and 2005, which primarily indemnify the purchasers of former Group entities for possible run-off losses or claims for pending litigation.

The Group enters into a number of guarantees, limited by the underlying business, with purchasers of former Group entities, regulators and others, with varying terms in the ordinary course of business.

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 2005	**CHF in millions**
2006	53
2007	58
2008	33
2009	26
2010	24
After 2010	132
Total	**326**

The corresponding lease expenses incurred in 2003, 2004 and 2005 were CHF 43 million, CHF 48 million and CHF 53 million, respectively.

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.

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

11 September 2001

The Group directly underwrote approximately 25% of the excess coverage for the USD 3.5 billion in first party insurance obtained by the lessees of the World Trade Center.

After the destruction of the World Trade Center the Group initiated litigation against the lessees, its lenders and the Port Authority of New York and New Jersey in the United States District Court for the Southern District of New York to obtain a declaration of the Group's rights and obligations with respect to all parties in interest. The defendants filed counterclaims and joined other insurers in the lawsuit.

On 3 May 2004, a jury found that the Group had bound coverage on a policy form under which, according to a previous court decision, the insureds may recover from Swiss Re a maximum of Swiss Re's 25% share of the USD 3.5 billion policy limit. As a result, the Group's exposure for claims related to the attack on the World Trade Center remains consistent with the existing loss estimates. The court denied the defendants' post-verdict motions seeking to set aside the verdict. The defendants then filed a notice of appeal, which is scheduled to be heard by the appellate court on 7 March 2006. A decision on the appeal will be rendered sometime after the 7 March 2006 hearing.

The insureds have also claimed entitlement to an immediate lump sum distribution of a full policy limit plus approximately USD 250 million in prejudgment interest. On 8 June 2005, the court denied the insureds' motion for summary judgment that sought an order requiring Swiss Re to pay its full policy limit plus prejudgment interest. Swiss Re then moved for an order dismissing these claims. Swiss Re's motion remains pending without a hearing date.

The Group also provided approximately 25% of the USD 1.5 billion excess coverage to the Port Authority of New York and New Jersey. The Port Authority is the lessor of the World Trade Center and owns additional property in and around the World Trade Center complex. The Port Authority's separate property damage claim was being adjusted in the ordinary course until March 2005 when representatives of the Port Authority indicated the Port Authority intended to pursue a "two occurrence" claim under its separate property insurance coverage. Swiss Re filed a declaratory judgment action against the Port Authority on 27 September 2005 seeking to limit its liability under the Port Authority coverage to a single policy limit. The litigation against the Port Authority is in the earliest stages. The Port Authority has moved to dismiss or stay the case pending final resolution of the Silverstein litigation. Swiss Re has opposed the Port Authority's motion. No hearing date has been scheduled.

14. Assets under management

The Group acts as manager for certain pooled funds that operate similarly to mutual funds and for third-party invested assets. As of 31 December 2003, 2004 and 2005, net third-party assets under management at market value were CHF 57,546 million, CHF 58,649 million and CHF 72,447 million, respectively.

15. Information on business segments

The Group provides reinsurance and financial services throughout the world through three business segments. These business segments are determined by the organisational structure. The business segments in place as at 31 December 2005 are Property & Casualty, Life & Health and Financial Services, which includes the Credit Solutions, Capital Management and Advisory and Asset Management business sectors. The Risk Solutions business sector is included in the Property & Casualty business segment. The comparative business segment information is represented accordingly. The Corporate Centre provides direction and Group-level support to the business segments.

The main expenses excluded from the measurement of segments are goodwill amortisation, interest expenses, indirect taxes and income taxes.

Net investment income and realised investment gains are allocated to the business segments based on the net investment income and realised investment gains of the legal entities that are operated by these business segments. Where one entity is utilised by two or more business segments, the net investment income and realised investment gains are allocated to these business segments using technical reserves and other information as a key for the allocation. The Financial Services business segment provides investment management services to the other business segments, and includes the fees charged in net investment income. These fees are based on service contracts.

Financial Services provides structuring support for certain transactions, for example insurance-linked securities, issued on behalf of the business segments. The Financial Services business segment includes the fees charged in net investment income. The business segments provide origination services for certain transactions underwritten and accounted for within another business segment. The commissions are included in acquisition costs.

The Financial Services and Property & Casualty business segments present certain income statement items in a different format to the Group. These items are reclassified to the Group income statement format in the reconciliation column. The main reclassifications are to allocate certain fee income from fees and commissions to net investment income, and certain investment expenses from other operating costs and expenses to net investment income. The reclassifications do not affect operating income.

a) Business segment results

	2003						
	Property & Casualty	**Life & Health**	**Financial Services**	**Corporate Centre**	**Other**	**Reconciliation**	**Total**
	CHF in millions						
Revenues							
Premiums earned	19,655	10,229	856				30,740
Net investment income	1,436	3,085	48		30	7	4,606
Net realised investment gains/losses	395	55	15		(89)		376
Trading revenues	28		444				472
Fees, commissions and other revenues	8		415		24	(211)	236
Total revenues	21,522	13,369	1,778		(35)	(204)	36,430
Expenses							
Claims and claim adjustment expenses: life and health benefits	(14,491)	(9,085)	(454)			47	(23,983)
Acquisition costs	(4,051)	(2,479)	(304)			(20)	(6,854)
Amortisation of goodwill					(315)		(315)
Other operating costs and expenses	(856)	(587)	(769)	(403)	(504)	177	(2,942)
Total expenses	(19,398)	(12,151)	(1,527)	(403)	(819)	204	(34,094)
Operating income/loss	2,124	1,218	251	(403)	(854)	0	2,336

	2004						
	Property & Casualty	Life & Health	Financial Services	Corporate Centre	Other	Reconcilia-tion	Total
	CHF in millions						
Revenues							
Premiums earned	18,336	10,205	898				29,439
Net investment income	1,597	3,178	49		27	6	4,857
Net realised investment gains	927	133	30		26		1,116
Trading revenues	17		421				438
Fees, commissions and other revenues	11		344		39	(151)	243
Total revenues	20,888	13,516	1,742		92	(145)	36,093
Expenses							
Claims and claim adjustment expenses: life and health benefits	(13,408)	(9,331)	(445)				(23,184)
Acquisition costs	(3,834)	(2,177)	(314)				(6,325)
Amortisation of goodwill					(277)		(277)
Other operating costs and expenses	(919)	(704)	(666)	(343)	(453)	145	(2,940)
Total expenses	(18,161)	(12,212)	(1,425)	(343)	(730)	145	(32,726)
Operating income/loss	2,727	1,304	317	(343)	(638)	0	3,367

	2005						
	Property & Casualty	Life & Health	Financial Services	Corporate Centre	Other	Reconcilia-tion	Total
	CHF in millions						
Revenues							
Premiums earned	16,359	10,512	908				27,779
Net investment income	1,942	3,251	71		51	37	5,352
Net realised investment gains	810	401	20		18		1,249
Trading revenues	27		316				343
Fees, commissions and other revenues	72		379		20	(185)	286
Total revenues	**19,210**	**14,164**	**1,694**		**89**	**(148)**	**35,009**
Expenses							
Claims and claim adjustment expenses: life and health benefits	(13,851)	(9,521)	(327)				(23,699)
Acquisition costs	(3,414)	(2,229)	(295)				(5,938)
Amortisation of goodwill					(274)		(274)
Other operating costs and expenses	(920)	(771)	(706)	(401)	(475)	148	(3,125)
Total expenses	**(18,185)**	**(12,521)**	**(1,328)**	**(401)**	**(749)**	**148**	**(33,036)**
Operating income/loss	**1,025**	**1,643**	**366**	**(401)**	**(660)**	**0**	**1,973**

b) **Supplementary income statement information**

Premiums, claims and claim adjustment expenses and acquisition costs are reported net of retrocession in the Group's income statement. Gross, retroceded and net amounts for these items were as follows:

	2003			
	Property & Casualty	**Life & Health**	**Financial Services**	**Total**
	CHF in millions			
Premiums				
Premiums written, gross	20,747	11,669	922	33,338
Premiums written, retro	(1,057)	(1,453)	(48)	(2,558)
Premiums written, net	19,690	10,216	874	30,780
Change in unearned premiums, gross	109	13	(19)	103
Change in unearned premiums, retro	(144)		1	(143)
Change in unearned premiums, net	(35)	13	(18)	(40)
Premiums earned	19,655	10,229	856	30,740
Claims				
Claims paid, gross	(12,687)	(8,666)	(435)	(21,788)
Claims paid, retro	1,430	1,062	10	2,502
Claims paid, net	(11,257)	(7,604)	(425)	(19,286)
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	(2,777)	(1,759)	(61)	(4,597)
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	(382)	278	4	(100)
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	(3,159)	(1,481)	(57)	(4,697)
Change in equalisation reserves				
Claims and claim adjustment expenses; life and health benefits	(14,416)	(9,085)	(482)	(23,983)
Acquisition costs				
Acquisition costs, gross	(4,227)	(2,808)	(309)	(7,344)
Acquisition costs, retro	149	329	12	490
Acquisition costs, net	(4,078)	(2,479)	(297)	(6,854)

	2004			
	Property & Casualty	Life & Health	Financial Services	Total
	CHF in millions			
Premiums				
Premiums written, gross	18,944	11,721	1,067	31,732
Premiums written, retro	(980)	(1,515)	(59)	(2,554)
Premiums written, net	17,964	10,206	1,008	29,178
Change in unearned premiums, gross	528	(1)	(141)	386
Change in unearned premiums, retro	(156)		31	(125)
Change in unearned premiums, net	372	(1)	(110)	261
Premiums earned	18,336	10,205	898	29,439
Claims				
Claims paid, gross	(12,271)	(8,651)	(400)	(21,322)
Claims paid, retro	1,774	1,246	10	3,030
Claims paid, net	(10,497)	(7,405)	(390)	(18,292)
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	(1,587)	(2,165)	(29)	(3,781)
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	(1,565)	239	(26)	(1,352)
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	(3,152)	(1,926)	(55)	(5,133)
Change in equalisation reserves	241			241
Claims and claim adjustment expenses; life and health benefits	(13,408)	(9,331)	(445)	(23,184)
Acquisition costs				
Acquisition costs, gross	(4,008)	(2,519)	(316)	(6,843)
Acquisition costs, retro	174	342	2	518
Acquisition costs, net	(3,834)	(2,177)	(314)	(6,325)

	2005			
	Property & Casualty	Life & Health	Financial Services	Total
	CHF in millions			
Premiums				
Premiums written, gross	17,259	12,119	1,077	30,455
Premiums written, retro	(856)	(1,616)	(56)	(2,528)
Premiums written, net	16,403	10,503	1,021	27,927
Change in unearned premiums, gross	(3)	2	(113)	(114)
Change in unearned premiums, retro	(41)	7		(34)
Change in unearned premiums, net	(44)	9	(113)	(148)
Premiums earned	**16,359**	**10,512**	**908**	**27,779**

	2005			
	Property & Casualty	Life & Health	Financial Services	Total
	CHF in millions			
Claims				
Claims paid, gross	(11,937)	(9,068)	(395)	(21,400)
Claims paid, retro	596	1,306	6	1,908
Claims paid, net	(11,341)	(7,762)	(389)	(19,492)
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	(3,530)	(1,412)	(169)	(5,111)
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	407	(347)	231	291
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	(3,123)	(1,759)	62	(4,820)
Change in equalisation reserves	613			613
Claims and claim adjustment expenses; life and health benefits	**(13,851)**	**(9,521)**	**(327)**	**(23,699)**
Acquisition costs				
Acquisition costs, gross	(3,507)	(2,624)	(297)	(6,428)
Acquisition costs, retro	93	395	2	490
Acquisition costs, net	**(3,414)**	**(2,229)**	**(295)**	**(5,938)**

c) Supplementary balance sheet information

Unpaid claims and claim adjustment expenses, liabilities for life and health policy benefits and unearned premiums are reported gross in the Group's balance sheet. Gross and retroceded amounts for these and other items were as follows:

	2003			
	Property & Casualty	Life & Health	Financial Services	Total
	CHF in millions			
Assets				
Reinsurance recoverable				
Reinsurance recoverable on paid and unpaid claims	3,239	1,057	44	4,340
Reinsurance recoverable on life and health policy benefits		2,317		2,317
Total	3,239	3,374	44	6,657
Deferred acquisition costs	1,127	3,538	89	4,754
Prepaid reinsurance premiums[1]	281		10	291
Deferred expense on retroactive reinsurance[1]	1,239			1,239
Liabilities				
Provisions for profit commissions[2]	1,397	276	4	1,677
Unpaid claims and claim adjustment expenses				
Unpaid claims and claim adjustment expenses	48,748	11,349	1,388	61,485
Equalisation reserves				1,428
Total				62,913
Life and health policy benefits		37,244		37,244
Unearned premiums	6,018	162	277	6,457

1 These balances are included in other assets.

2 These balances are included in reinsurance balances payable.

	2004			
	Property & Casualty	Life & Health	Financial Services	Total
	CHF in millions			
Assets				
Reinsurance recoverable				
Reinsurance recoverable on paid and unpaid claims	1,694	1,090	12	2,796
Reinsurance recoverable on life and health policy benefits		3,519		3,519
Total	1,694	4,609	12	6,315
Deferred acquisition costs	1,109	3,658	108	4,875
Prepaid reinsurance premiums[1]	115		37	152
Deferred expense on retroactive reinsurance[1]	1,034			1,034
Liabilities				
Provisions for profit commissions[2]	989	352	3	1,344
Unpaid claims and claim adjustment expenses				
Unpaid claims and claim adjustment expenses	47,831	11,280	1,331	60,442
Equalisation reserves				1,177
Total				61,619
Life and health policy benefits		43,239		43,239
Unearned premiums	5,208	158	382	5,748

1 These balances are included in other assets.
2 These balances are included in reinsurance balances payable.

The Group has revised the classification of amounts between unpaid claims and claim adjustment expenses, funds held under reinsurance treaties and reinsurance balances payable (see Note 1).

	2005			
	Property & Casualty	Life & Health	Financial Services	Total
	CHF in millions			
Assets				
Reinsurance recoverable				
Reinsurance recoverable on paid and unpaid claims	2,276	1,506	259	4,041
Reinsurance recoverable on life and health policy benefits		8,058		8,058
Total	2,276	9,564	259	12,099
Deferred acquisition costs	1,231	3,989	158	5,378
Prepaid reinsurance premiums[1]	85		43	128
Deferred expense on retroactive reinsurance[1]	1,051			1,051
Liabilities				
Provisions for profit commissions[2]	966	566	4	1,536
Unpaid claims and claim adjustment expenses				
Unpaid claims and claim adjustment expenses	56,532	12,655	1,516	70,703
Equalisation reserves				569
Total				71,272
Life and health policy benefits		49,579		49,579
Unearned premiums	5,791	166	534	6,491

1 These balances are included in other assets.
2 These balances are included in reinsurance balances payable.

d) Property & Casualty business segment – by line of business (incl. Risk Solutions)

2003 (CHF in millions)

	Property Traditional	Liability Traditional	Motor Traditional	Accident Traditional	Specialty Lines Traditional	Property & Casualty Traditional excl. Risk Solutions	Risk Solutions Traditional	Total Traditional	Non-Traditional	Total
Revenues										
Premiums earned	5,084	4,068	2,345	860	2,444	14,801	1,801	16,602	3,053	19,655
Expenses										
Claims and claim adjustment expenses	(2,847)	(3,733)	(1,922)	(665)	(1,792)	(10,959)	(1,431)	(12,390)	(2,101)	(14,491)
Acquisition costs	(939)	(911)	(423)	(169)	(574)	(3,016)	(214)	(3,230)	(821)	(4,051)
Other operating costs and expenses	(262)	(212)	(54)	(41)	(110)	(679)	(86)	(765)	(91)	(856)
Underwriting result	1,036	(788)	(54)	(15)	(32)	147	70	217	40	257
Claims ratio in %	56.0	91.8	82.0	77.3	73.3	74.0	79.5	74.6		
Expense ratio in %	23.6	27.6	20.3	24.4	28.0	25.0	16.7	24.1		
Combined ratio in %	79.6	119.4	102.3	101.7	101.3	99.0	96.1	98.7		

2004 (CHF in millions)

	Property Traditional	Liability Traditional	Motor Traditional	Accident Traditional	Specialty Lines Traditional	Property & Casualty Traditional excl. Risk Solutions	Risk Solutions Traditional	Total Traditional	Non-Traditional	Total
Revenues										
Premiums earned	4,660	3,930	2,284	679	2,361	13,914	1,800	15,714	2,622	18,336
Expenses										
Claims and claim adjustment expenses	(2,516)	(3,612)	(1,872)	(355)	(1,724)	(10,079)	(1,346)	(11,425)	(1,983)	(13,408)
Acquisition costs	(898)	(876)	(410)	(145)	(488)	(2,817)	(206)	(3,023)	(811)	(3,834)
Other operating costs and expenses	(264)	(176)	(101)	(36)	(131)	(708)	(125)	(833)	(86)	(919)
Underwriting result	982	(734)	(99)	143	18	310	123	433	(258)	175
Claims ratio in %	54.0	91.9	81.9	52.3	73.0	72.4	74.8	72.7		
Expense ratio in %	24.9	26.8	22.4	26.6	26.2	25.4	18.4	24.5		
Combined ratio in %	78.9	118.7	104.3	78.9	99.2	97.8	93.2	97.2		

	2005									
	Property Traditional	Liability Traditional	Motor Traditional	Accident Traditional	Specialty Lines Traditional	Property & Casualty Traditional excl. Risk Solutions	Risk Solutions Traditional	Total Traditional	Non-Traditional	Total
	CHF in millions									
Revenues										
Premiums earned	4,649	3,492	2,072	812	2,189	13,214	1,657	14,871	1,488	**16,359**
Expenses										
Claims and claim adjustment expenses	(3,350)	(3,516)	(1,532)	(525)	(1,615)	(10,538)	(2,117)	(12,655)	(1,196)	**(13,851)**
Acquisition costs	(926)	(765)	(401)	(172)	(507)	(2,771)	(182)	(2,953)	(461)	**(3,414)**
Other operating costs and expenses	(256)	(132)	(119)	(42)	(125)	(674)	(127)	(801)	(119)	**(920)**
Underwriting result	117	(921)	20	73	(58)	(769)	(769)	(1,538)	(288)	**(1,826)**
Claims ratio in %	72.1	100.7	73.9	64.7	73.8	79.7	127.8	85.1		
Expense ratio in %	25.4	25.7	25.1	26.3	28.8	26.1	18.6	25.2		
Combined ratio in %	97.5	126.4	99.0	91.0	102.6	105.8	146.4	110.3		

e) **Life & Health business segment – by line of business**

	2003		
	Life	Health	Total
	CHF in millions		
Revenues			
Premiums earned	8,263	1,966	10,229
Net investment income	2,440	645	3,085
Net realised investment gains	41	14	55
Total revenues	10,744	2,625	13,369
Expenses			
Claims and claim adjustment expenses: life and health benefits	(7,225)	(1,860)	(9,085)
Acquisition costs	(1,924)	(555)	(2,479)
Other operating costs and expenses	(455)	(132)	(587)
Total expenses	(9,604)	(2,547)	(12,151)
Operating income	1,140	78	1,218
Operating result, excluding non-participating net realised investment gains[1]	1,099	64	1,163
Operating revenues[1]	10,703	2,611	13,314
Management expense ratio in %	4.3	5.1	4.4
Return on operating revenues in %	10.3	2.5	8.7

	2004		
	Life	Health	Total
	CHF in millions		
Revenues			
Premiums earned	8,417	1,788	10,205
Net investment income	2,557	621	3,178
Net realised investment gains	60	73	133
Total revenues	11,034	2,482	13,516
Expenses			
Claims and claim adjustment expenses: life and health benefits	(7,677)	(1,654)	(9,331)
Acquisition costs	(1,715)	(462)	(2,177)
Other operating costs and expenses	(584)	(120)	(704)
Total expenses	(9,976)	(2,236)	(12,212)
Operating income	1,058	246	1,304
Operating result, excluding non-participating net realised investment gains[1]	1,049	173	1,222
Operating revenues[1]	11,025	2,409	13,434
Management expense ratio in %	5.3	5.0	5.2
Return on operating revenues in %	9.5	7.2	9.1

	2005		
	Life	Health	Total
	CHF in millions		
Revenues			
Premiums earned	8,711	1,801	10,512
Net investment income	2,549	702	3,251
Net realised investment gains	321	80	401
Total revenues	**11,581**	**2,583**	**14,164**
Expenses			
Claims and claim adjustment expenses: life and health benefits	(7,813)	(1,708)	(9,521)
Acquisition costs	(1,745)	(484)	(2,229)
Other operating costs and expenses	(653)	(118)	(771)
Total expenses	**(10,211)**	**(2,310)**	**(12,521)**
Operating income	**1,370**	**273**	**1,643**
Operating result, excluding non-participating net realised investment gains[1]	**1,140**	**193**	**1,333**
Operating revenues[1]	11,351	2,503	13,854
Management expense ratio in %	5.8	4.7	5.6
Return on operating revenues in %	10.0	7.7	9.6

[1] Net realised investment gains in which policyholders directly participate of CHF 0, CHF 51 million and CHF 91 million for 2003, 2004 and 2005, respectively, are included in operating revenues and in the operating result.

f) Financial Services business segment – by business sector

	2003			
	Credit Solutions	Capital Management and Advisory	Asset Management	Total
	CHF in millions			
Revenues				
Premiums earned	851	5		856
Net investment income	48			48
Net realised investment gains/(losses)	15	(1)	1	15
Trading revenues	52	392		444
Fees and commissions		182	233	415
Total revenues	966	578	234	1,778
Expenses				
Claims and claim adjustment expenses	(454)			(454)
Acquisition costs	(277)	(27)		(304)
Operating costs	(68)	(461)	(240)	(769)
Total expenses	(799)	(488)	(240)	(1,527)
Operating income	167	90	(6)	251

	2004			
	Credit Solutions	**Capital Management and Advisory**	**Asset Management**	**Total**
		CHF in millions		
Revenues				
Premiums earned	883	15		898
Net investment income	47	2		49
Net realised investment gains	27	3		30
Trading revenues	98	323		421
Fees and commissions		128	216	344
Total revenues	1,055	471	216	1,742
Expenses				
Claims and claim adjustment expenses	(445)			(445)
Acquisition costs	(314)			(314)
Operating costs	(66)	(401)	(199)	(666)
Total expenses	(825)	(401)	(199)	(1,425)
Operating income	230	70	17	317

	2005			
	Credit Solutions	**Capital Management and Advisory**	**Asset Management**	**Total**
		CHF in millions		
Revenues				
Premiums earned	883	25		908
Net investment income	60	11		71
Net realised investment gains	20			20
Trading revenues	46	270		316
Fees and commissions	(4)	139	244	379
Total revenues	**1,005**	**445**	**244**	**1,694**
Expenses				
Claims and claim adjustment expenses	(327)			(327)
Acquisition costs	(295)			(295)
Operating costs	(78)	(414)	(214)	(706)
Total expenses	**(700)**	**(414)**	**(214)**	**(1,328)**
Operating income	**305**	**31**	**30**	**366**

The Asset Management business sector provides investment management services to other business sectors. These management services fees are included in fees and commissions.

g) **Gross premiums written by country**

	2003	2004	2005
		CHF in millions	
United States	15,191	15,172	**13,622**
United Kingdom	3,728	2,616	**2,744**
Germany	2,324	2,015	**1,866**
France	1,087	1,128	**1,221**
Switzerland	1,080	945	**1,202**
Canada	924	992	**968**
Italy	1,022	1,158	**908**
Australia	870	936	**845**
Netherlands	697	717	**666**
Other	6,415	6,053	**6,413**
Total	33,338	31,732	**30,455**

h) **Gross premiums written by line of business**

	2003	2004	2005
		CHF in millions	
Property	6,782	6,263	**6,282**
Liability	5,940	6,136	**4,294**
Motor	3,220	2,668	**2,350**
Engineering	1,207	1,131	**1,239**
Accident	1,171	807	**1,134**
Credit/surety	991	1,019	**1,052**
Marine	1,158	976	**1,027**
Aviation and space	831	555	**549**
Other lines	369	456	**409**
Total non-life	21,669	20,011	**18,336**
Life	9,501	9,798	**10,207**
Health	2,168	1,923	**1,912**
Total life/health	11,669	11,721	**12,119**
Total	33,338	31,732	**30,455**

16. Subsidiaries, equity investees and variable interest entities

Subsidiaries and equity investees

	Share capital (CHF millions)	Affiliation in % as of 31.12.2005	Method of consolidation
Europe			
Switzerland			
Diax Holding	9	37.26	e
European Reinsurance Company of Zurich	312	100	f
SR Institutional Funds[1]	12,854	99.65	f
Swiss Re Asset Management (Switzerland) AG	15	100	f
Swiss Re Partnership Holding AG	0	100	f
Xenum Finance AG	1	42.50	e
Germany			
Swiss Re Germany AG	70	100	f
Swiss Re Germany Holding AG	78	100	f
United Kingdom			
Aberdeen Far Eastern Emerging Economies Unit Trust[1]	1,998	32.8	e
Banian Investments UK Ltd.	1	100	f
Calico Leasing (GB) Ltd.	79	100	f
Cyrenaic Investments (UK) Ltd.	1,358	100	f
DexHold Ltd.	0	100	f
European Credit and Guarantee Insurance PCC Ltd.	10	100	f
Fox-Pitt, Kelton Group Ltd. and group companies	0	100	f
Life Assurance Holding Corporation Ltd.	165	100	f
Palatine Insurance Company Ltd.	17	100	f
Princess Management & Insurance Ltd.	3	49.99	e
Reassure UK Life Assurance Company Ltd.	228	100	f
SR Delta Investments (UK) Ltd.	15	100	f
SR International Business Insurance Company Ltd.	278	100	f
Swiss Re Capital Markets Ltd.	79	100	f
Swiss Re Financial Services Ltd.	16	100	f
Swiss Re GB Plc.	1,445	100	f
Swiss Re Life & Health UK Ltd.	430	100	f
Swiss Re Properties Ltd.	0	100	f
Swiss Re Services Ltd.	5	100	f
Swiss Re Specialised Investments Holdings (UK) Ltd.	2	100	f
Swiss Reinsurance Company UK Ltd.	1,072	100	f
The Mercantile & General Reinsurance Company Ltd.	316	100	f
XSMA Ltd.	34	100	f
Windsor Life Assurance Company Ltd.	7	100	f
Ireland			
Pegasus Strategic Investment Company Plc.[1]	357	100	f
Swiss Re International Treasury (Ireland) Ltd.	0	100	f
Swiss Re Ireland Ltd.	131	100	f
Swiss Re Life & Health (Ireland) Ltd.	1	100	f
Italy			
Swiss Re Italia SpA	23	100	f

	Share capital (CHF millions)	Affiliation in % as of 31.12.2005	Method of consolidation
Luxembourg			
Swiss Re Management (Luxembourg) S.A.	12	100	f
Swiss Re Treasury (Luxembourg) SA.	163	100	f
Netherlands			
Algemene Levensherverzekering Maatschappij N.V.	8	100	f
Atradius	88	34.95	e
Calam C.V.	0	100	f
Reassurantie Maatschappij Nederland N.V.	12	100	f
Swiss Re Life & Health Nederland N.V.	5	100	f
Swiss Re Nederland Holding B.V.	1	100	f
France			
Frasecur Societé d'Investissement à Capital Variable[1]	147	99.95	f
Hungary			
Swiss Re Treasury (Hungary) Ltd.	0	100	f
Malta			
Swiss Re Finance (Malta) Ltd.	2,980	100	f
North America			
Barbados			
Accra Holdings Corporation	21	100	f
Atlantic International Reinsurance Company Ltd.	6	100	f
European Finance Reinsurance Company Ltd.	7	100	f
European International Holding Company Ltd.	216	100	f
European International Reinsurance Company Ltd.	210	100	f
Gasper Funding Corporation	0	100	f
Stockwood Reinsurance Company, Ltd.	1	100	f
Underwriters Reinsurance Company (Barbados) Ltd.	21	100	f
Bermuda			
30 St Mary Axe (Bermuda) L.P.	192	100	f
Englewood Ltd.	0	100	f
Life Re International, Ltd.	0	100	f
Old Fort Insurance Company Ltd.	0	100	f
Securitas Allied (Bermuda) L.P.	0	58.55	f
Swiss Re Capital Management (Bermuda) Ltd.	0	100	f
Swiss Re Finance (Bermuda) Ltd.	0	100	f
Swiss Re Investments (Bermuda) Ltd.	0	100	f
Canada			
Swiss Re Holdings (Canada) Inc.	133	100	f
Swiss Re Life & Health Canada	128	100	f
Swiss Reinsurance Company Canada	12	100	f
Cayman Islands			
Ampersand Investments (UK) Ltd.	0	100	f
Dunstanburgh Finance (Cayman) Ltd.	0	100	f
Farnham Funding Ltd.	5	100	f
SR Cayman Holdings Ltd.	0	100	f
SV Corinthian Investments Ltd.	5	100	f

	Share capital (CHF millions)	Affiliation in % as of 31.12.2005	Method of consolidation
Swiss Re Dorus Investment Ltd.	5	100	f
Swiss Re Funding (UK) Ltd.	0	100	f
Swiss Re Hedge Funds SPC	395	100	f
Swiss Re Strategic Investments (UK) Ltd.	0	100	f
United States			
Conning & Company and group companies	0	100	f
Facility Insurance Corporation	1	100	f
Facility Insurance Holding Corporation	0	100	f
Fort Wayne Health &Casualty Insurance Company	7	100	f
Life Re Capital Trust I	4	100	f
North American Capacity Insurance Company	6	100	f
North American Elite Insurance Company	5	100	f
North American Specialty Insurance Company	6	100	f
Reassure America Life Insurance Company	3	100	f
Sage Life Holdings of America Inc.	16	100	f
Southwestern Life Insurance Company	4	100	f
Swiss Re Alternative Assets LLC	0	100	f
Swiss Re America Holding Corporation	0	100	f
Swiss Re Asset Management (Americas) Inc.	16	100	f
Swiss Re Atrium Corporation	1	100	f
Swiss Re Capital Markets Corporation	0	100	f
Swiss Re Financial Products Corporation	0	100	f
Swiss Re Financial Services Corporation	0	100	f
Swiss Re Life & Health America Holding Company	0	100	f
Swiss Re Life & Health America Inc.	5	100	f
Swiss Re Management Corporation	0	100	f
Swiss Reinsurance America Corporation	8	100	f
Valley Forge Life Insurance Company	3	100	f
Washington International Insurance Company	8	100	f
Australia			
Swiss Re Australia Ltd.	19	100	f
Swiss Re Life & Health Australia Ltd.	0	100	f
The Mercantile and General Reinsurance Company of Australia Ltd.	13	100	f
Africa			
South Africa			
Swiss Re Life & Health Africa Ltd.	0	100	f
Swiss Re Africa Ltd.	2	100	f

Method of consolidation:
f full
e equity
1 Net Asset value instead of share capital

Variable interest entities

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

The insurance-linked and credit-linked securitisations transfer pre-existing insurance or credit risk to the capital markets through the issuance of insurance-linked or credit-linked securities. In insurance-linked securitisations, the securitisation vehicle initially assumes the insurance risk through insurance contracts. In credit-linked securitisations, the securitisation vehicle initially assumes the credit risk through credit default swaps.

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

In other securitisations, the Group provides credit enhancement which is a variable interest in the securitisation vehicle.

The Group also invests in selected private equity limited partnerships to enhance the risk-adjusted overall investment result. The maximum exposure to loss relating to private equity limited partnerships is equal to the carrying amount of the Group's investment.

VIEs — primary beneficiary

As of 31 December 2005, the total assets of VIEs where the Group is the primary beneficiary amounted to CHF 6,109 million.

The consolidation of the VIEs results in a minority interest in the balance sheet of CHF 591 million mainly due to the modified coinsurance agreement. The minority interest is included in accrued expenses and other liabilities. The net minority interest in income related mainly to the modified coinsurance agreement is CHF 20 million, net of tax as of 31 December 2005. The income statement impacts are generally included in the relevant segment with the underlying movement in income or expenses.

VIEs — significant variable interest

As of 31 December 2005, the total assets and estimated maximum exposure to loss in VIEs in which the Group holds a significant variable interest amounted to CHF 9,951 million and CHF 8,171 million, respectively.

The assets and liabilities arising from the Group's variable interest in these VIEs are accounted for under applicable existing guidance.

17. Restructuring provision

In 2005 the Property & Casualty business segment set up and utilised provisions by CHF 4 million, mostly related to the closing of the Melbourne office. The Life & Health business segment utilised CHF 4 million for lease abandonment. The Financial Services business segment increased the provision by CHF 14 million due to a reorganisation and utilised CHF 15 million for severance, outplacement and other personnel related expenses.

	2003				2004				2005			
	Property & Casualty	Life & Health	Financial Services	Total	Property & Casualty	Life & Health	Financial Services	Total	Property & Casualty	Life & Health	Financial Services	Total
	CHF in millions											
Balance as of 1 January	16	30	52	98	10	22	67	99	**2**	**17**	**37**	**56**
Increase in provision			62	62	1			1	**4**		**14**	**18**
Costs incurred	(6)	(5)	(41)	(52)	(9)	(4)	(26)	(39)	**(4)**	**(4)**	**(15)**	**(23)**
Release in provision							(1)	(1)			**(1)**	**(1)**
Effect of foreign currency translation		(3)	(6)	(9)		(1)	(3)	(4)		**2**	**6**	**8**
Balance as of 31 December	10	22	67	99	2	17	37	56	**2**	**15**	**41**	**58**

REPORT OF INDEPENDENT ACCOUNTANTS

PRICEWATERHOUSECOOPERS

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Report of Independent Accountants

To the Board of Directors of
Swiss Reinsurance Company
Zurich

We have audited the consolidated financial statements (income statement, balance sheet, statement of shareholders' equity, statement of comprehensive income, statement of cash flow and notes to the Group financial statements) of Swiss Re Group on pages F-2 to F-51 of this Offering Memorandum for the three years ended 31 December 2005, 2004 and 2003.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position as of 31 December 2005, 2004 and 2003, and of the results of operations and the cash flows for each of the three years then ended in accordance with the Swiss GAAP FER and comply with Swiss law.

PricewaterhouseCoopers AG

David JA Law Ray J Kunz

Zurich, 24 April 2006

SWISS REINSURANCE COMPANY, ZURICH
INCOME STATEMENT

	Notes	For the years ended 31 December 2003	2004	2005
		CHF in millions		
Reinsurance	1			
Premiums earned		17,254	17,767	**17,742**
Claims and claim adjustment expenses		(10,296)	(10,665)	**(12,434)**
Life and health benefits		(2,378)	(2,581)	**(3,323)**
Change in equalisation reserve		206	206	**–**
Acquisition costs		(3,382)	(4,056)	**(3,284)**
Other reinsurance costs		636	692	**520**
Operating costs		(1,189)	(1,162)	**(1,108)**
Allocated investment return		686	648	**917**
Reinsurance result		1,537	849	**(970)**
Investments	2			
Investment income		3,861	2,877	**4,525**
Investment expenses		(3,036)	(923)	**(1,453)**
Allocated investment return		(686)	(648)	**(917)**
Investment result		139	1,306	**2,155**
Other income and expenses				
Other interest income		42	52	**80**
Other interest expenses		(161)	(188)	**(194)**
Other income		214	255	**340**
Other expenses		(198)	(751)	**(200)**
Result from other income and expenses		(103)	(632)	**26**
Income before tax		1,573	1,523	**1,211**
Tax		(383)	(122)	**(142)**
Net income		1,190	1,401	**1,069**

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

SWISS REINSURANCE COMPANY, ZURICH
BALANCE SHEET

	Notes	As of 31 December 2003	2004	2005
		CHF in millions		
Invested assets				
Investments				
Investment real estate		1,261	1,205	**1,024**
Investments in subsidiaries and affiliated companies		14,817	13,945	**14,326**
Loans to subsidiaries and affiliated companies		4,309	5,135	**7,411**
Mortgages and other loans		711	724	**748**
Equity securities		5,533	6,590	**6,980**
Fixed income securities		9,209	14,052	**17,338**
Short-term investments		3,403	2,760	**3,661**
Assets in derivative financial instruments		1	113	**348**
Total investments		39,244	44,524	**51,836**
Tangible assets		787	780	**842**
Intangible assets		102	77	**69**
Total invested assets		40,133	45,381	**52,747**
Current assets				
Premiums and other receivables from reinsurance	3	5,680	5,783	**7,411**
Funds held by ceding companies	3	12,323	13,715	**18,908**
Deferred acquisition costs	3	1,226	1,422	**2,515**
Cash and cash equivalents		631	576	**796**
Other receivables		152	132	**121**
Other assets		20	15	**746**
Accrued income		171	278	**913**
Total current assets		20,203	21,921	**31,410**
Total assets		60,336	67,302	**84,157**

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

In 2005 the company has revised the classification between certain balance sheet categories, as described in the notes on page F-57, and adjusted the comparative balance sheet positions.

	Notes	As of 31 December 2003	2004	2005
		CHF in millions		
Liabilities and shareholders' equity				
Liabilities				
Technical provisions				
Unpaid claims	4	27,035	30,240	**39,245**
Liabilities for life and health policy benefits	4	6,599	8,696	**13,153**
Unearned premiums	4	3,948	3,662	**4,172**
Provisions for profit commissions	4	144	646	**516**
Equalisation reserve		206	–	**–**
Technical provisions		37,932	43,244	**57,086**
Non-technical provisions				
Provision for taxation		344	349	**356**
Provision for currency fluctuation		268	171	**1,101**
Other provisions		261	250	**274**
Non-technical provisions		873	770	**1,731**
Debt				
Debentures		2,468	2,458	**2,464**
Loans		402	328	**663**
Debt		2,870	2,786	**3,127**
Funds held under reinsurance treaties	4	328	1,455	**2,885**
Reinsurance balances payable	4	4,549	4,260	**5,115**
Liabilities from derivative financial instruments		948	831	**667**
Other liabilities		1,540	1,600	**630**
Accrued expenses		129	129	**114**
Total liabilities		49,169	55,075	**71,355**
Shareholders' equity				
Share capital	5	32	32	**32**
Reserve for own shares	5	110	80	**19**
Other legal reserves	5	650	650	**650**
Other reserves	5	9,178	10,004	**11,017**
Retained earnings brought forward	5	7	60	**15**
Profit for the financial year	5	1,190	1,401	**1,069**
Total shareholders' equity		11,167	12,227	**12,802**
Total liabilities and shareholders' equity		60,336	67,302	**84,157**

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

Significant accounting principles

Basis of presentation

The financial statements are prepared in accordance with Swiss Company Law. Swiss Reinsurance Company, Zurich, modified the presentation of its financial information. The previously reported 2003 and 2004 financial year figures have been adapted accordingly. Details on Balance sheet/Assets classification are shown on page F-57.

Time period

The financial years comprise the accounting period from 1 January to 31 December.

Income statement

The result of property and casualty reinsurance is based on actuarial estimates over the contract life. In addition to the recognition of the reinsurance accounts as reported by the ceding companies, empirical experience is taken into consideration. The allocation to the business year is in relation to the amount of reinsurance coverage provided.

The result of life and health reinsurance is the amount that has been earned over the coverage period. Provisions for life and health business are determined by actuarial methods.

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

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

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

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

Balance sheet/Assets

The following assets are carried at cost, less necessary and legally permissible depreciation:

– Investment real estate/own-use property (purchase or construction cost)

– Investments in subsidiaries and affiliated companies

– Equity securities and fixed income securities

– Investments in funds

– Derivative financial instruments

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

With the exception of own-use property, tangible assets are carried at cost, less individually scheduled straight-line depreciation over their useful lives. Items of minor value are not capitalised. The same principles apply to the capitalisation of software development expenses as intangible assets.

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

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

Balance sheet/Assets classification

Swiss Reinsurance Company, Zurich, has revised the classification between certain balance sheet categories. Specifically, short-term investments purchased with an original maturity of one year or less, but greater than three months, were reclassified from fixed income securities to short-term investments. Furthermore, the income and capital tax recoverables were reclassified from accrued income to other receivables. Therefore, the previously reported figures of fixed income securities (2004: CHF -1.5 billion; 2003: CHF -1.7 billion) and short-term investments (2004: CHF +1.5 billion; 2003: CHF +1.7 billion) and the corresponding income statement positions, income from fixed income securities (2004: CHF -4 million; 2003: CHF -7 million) and income from short-term investments (2004: CHF +4 million; 2003: CHF +7 million), and of accrued income (2004: CHF -6 million; 2003: CHF -13 million) and other receivables (2004: CHF +6 million; 2003: CHF +13 million) have been changed accordingly.

Balance sheet/Liabilities

Technical provisions are valued in accordance with the following principles:

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

Liabilities for life and health policy benefits are determined on the basis of actuarially calculated present values taking experience into account.

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

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

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

Other provisions are determined according to business principles and are based on estimated needs and in accordance with tax regulations. Provisions for taxation contain prospective taxes on the basis of the financial year just ended.

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

Debt and other liabilities are held at redemption value excluding liabilities from short sales, which are stated at the proceeds amount or increased to the higher market value of the underlying security.

Liabilities from derivative financial instruments are valued using the same principles applied for the derivative financial instruments included under investments.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange on the balance sheet date into Swiss francs. Revenues and expenses are translated at average exchange rates of the year under report into Swiss francs.

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

The currency exchange rates applicable for key currencies are shown on page F-12.

Additional information on the financial statements

1. Reinsurance result

	2003			2004			2005		
	Gross	Retro	Net	Gross	Retro	Net	Gross	Retro	Net
	CHF in millions								
Premiums written	18,602	(1,205)	17,397	19,668	(1,980)	17,688	**23,128**	**(5,261)**	**17,867**
Change in unearned premiums	(217)	74	(143)	(28)	107	79	**(484)**	**359**	**(125)**
Premiums earned	18,385	(1,131)	17,254	19,640	(1,873)	17,767	**22,644**	**(4,902)**	**17,742**
Claims paid and claim adjustment expenses	(7,564)	691	(6,873)	(5,988)	15	(5,973)	**(8,016)**	**886**	**(7,130)**
Change in unpaid claims	(3,139)	(284)	(3,423)	(5,655)	963	(4,692)	**(6,724)**	**1,420**	**(5,304)**
Claims and claim adjustment expenses	(10,703)	407	(10,296)	(11,643)	978	(10,665)	**(14,740)**	**2,306**	**(12,434)**
Life and health benefits	(2,382)	4	(2,378)	(2,492)	(89)	(2,581)	**(5,381)**	**2,058**	**(3,323)**
Change in equalisation reserve	206	-	206	206	-	206	**-**	**-**	**-**
Fixed commissions	(3,282)	156	(3,126)	(3,577)	301	(3,276)	**(3,426)**	**598**	**(2,828)**
Profit commissions	(264)	8	(256)	(806)	26	(780)	**(475)**	**19**	**(456)**
Acquisition costs	(3,546)	164	(3,382)	(4,383)	327	(4,056)	**(3,901)**	**617**	**(3,284)**
Other reinsurance income and expenses	144	(10)	134	102	(15)	87	**(30)**	**(10)**	**(40)**
Result from cash deposits	508	(6)	502	671	(66)	605	**600**	**(40)**	**560**
Other reinsurance result	652	(16)	636	773	(81)	692	**570**	**(50)**	**520**
Operating costs			(1,189)			(1,162)			**(1,108)**
Allocated investment return			686			648			**917**
Reinsurance result			1,537			849			**(970)**

2. Investment result

	2003	2004	2005
	CHF in millions		
Income from investment real estate	95	96	**95**
Income from subsidiaries and affiliated companies	1,192	928	**710**
Income from equity securities	161	167	**639**
Income from fixed income securities, mortgages and other loans	401	529	**660**
Income from short-term investments	40	30	**48**
Income from investment services	8	26	**60**
Realised gains on sale of investments	1,964	1,101	**2,313**
Investment income	3,861	2,877	**4,525**
Investment management expenses	(89)	(93)	**(125)**
Valuation adjustments on investments	(1,278)	(577)	**(1,137)**
Realised losses on sale of investments	(1,669)	(253)	**(191)**
Investment expenses	(3,036)	(923)	**(1,453)**
Allocated investment return	(686)	(648)	**(917)**
Investment result	139	1,306	**2,155**

In 2005 the company has revised the classification between certain balance sheet categories. as described in the notes on page F-57, and adjusted the comparative income statement positions.

3. Assets from reinsurance

	2003			2004			2005		
	Gross	Retro	Net	Gross	Retro	Net	Gross	Retro	Net
				CHF in millions					
Premiums and other receivables from reinsurance	5,552	128	5,680	5,593	190	5,783	**7,274**	**137**	**7,411**
Funds held by ceding companies	12,233	90	12,323	13,633	82	13,715	**18,833**	**75**	**18,908**
Deferred acquisition costs	1,256	(30)	1,226	1,467	(45)	1,422	**2,829**	**(314)**	**2,515**
Assets from reinsurance	19,041	188	19,229	20,693	227	20,920	**28,936**	**(102)**	**28,834**

4. Liabilities from reinsurance

	2003			2004			2005		
	Gross	Retro	Net	Gross	Retro	Net	Gross	Retro	Net
				CHF in millions					
Unpaid claims	28,454	(1,419)	27,035	32,604	(2,364)	30,240	**43,074**	**(3,829)**	**39,245**
Liabilities for life and health policy benefits	6,402	197	6,599	8,412	284	8,696	**14,981**	**(1,828)**	**13,153**
Unearned premiums	4,039	(91)	3,948	3,855	(193)	3,662	**4,741**	**(569)**	**4,172**
Provisions for profit commissions	145	(1)	144	647	(1)	646	**523**	**(7)**	**516**
Funds held under reinsurance treaties	–	328	328	49	1,406	1,455	**–**	**2,885**	**2,885**
Reinsurance balances payable	4,272	277	4,549	3,321	939	4,260	**3,654**	**1,461**	**5,115**
Equalisation reserve	206	–	206	–	–	–	**–**	**–**	**–**
Liabilities from reinsurance	43,518	(709)	42,809	48,888	71	48,959	**66,973**	**(1,887)**	**65,086**

5. Shareholders` equity

Change in shareholders' equity

	2003	2004	2005
		CHF in millions	
Shareholders' equity on 31 December (previous year)	10,287	11,167	**12,227**
Dividend paid for the previous year	(310)	(341)	**(497)**
Capital increase including premium	–	0	**3**
Profit for the financial year	1,190	1,401	**1,069**
Shareholders' equity on 31 December (before allocation of profit)	11,167	12,227	**12,802**
Dividend payment	(341)	(497)	**(776)** [1]
Shareholders' equity on 31 December (after allocation profit)	10,826	11,730	**12,026**

[1] Board of Directors' proposal to the Annual General Meeting of 21 April 2006

Source of shareholders' equity (after allocation of profit)

	2003	2004	2005
		CHF in millions	
From nominal capital	32	32	**32**
From share premium	5,769	5,771	**5,774**
From profit allocation	4,726	5,628	**5,921**
From other allocations	299	299	**299**
Shareholders' equity on 31 December (after allocation of profit)	10,826	11,730	**12,026**

Contingent liabilities

Contingent liabilities, mainly towards Group companies, amounted on 31 December 2005 to CHF 3,027 million (2004: CHF 2,546 million; 2003: CHF 2,450 million). In addition, there were 29 unlimited guarantees: 25 of these are for obligations of Group companies. No payments are expected under these guarantees.

Leasing commitments

	2003	2004	2005
	CHF in millions		
Remaining contract term up to 1 year	4	4	**2**
Remaining contract term from 1 to 5 years	15	18	**25**
Remaining contract term more than 5 years	—	—	**12**

These off-balance sheet commitments for the non-cancellable contract periods pertain primarily to office and apartment space rented by the company.

Security deposits

To secure the technical provisions on the 2005 balance sheet date, securities of CHF 11 112 million (2004: CHF 6,438 million; 2003: CHF 5,905 million) were deposited in favour of ceding companies, of which CHF 6,758 million (2004: CHF 3,352 million; 2003: CHF 4,410 million) was to Group companies.

Securities lending

Under securities lending agreements, on 31 December 2005, securities of CHF 6,048 million (2004: CHF 5,043 million; 2003: CHF 1,275 million) were lent with the right to be sold or pledged by the borrowing entity, of which CHF 4,542 million (2004: CHF 4,277 million; 2003: nil) was to Group companies. The securities which were held and lent by the Swiss Re Institutional Fund, a separate legal entity, are newly excluded. Due to this fact, the previously reported 2004 figures have been changed accordingly.

Investment funds

Equity securities of CHF 4,325 million (2004: CHF 4,155 million; 2003: nil) and fixed income securities of CHF 5,199 million (2004: CHF 4,451 million; 2003: nil) were held in investment funds, which are fully owned by Swiss Re Group companies and the Swiss Re Pension Fund. The securities in these funds and their revenues continue to be reported in the corresponding asset category.

Fire insurance value of tangible assets

The insurance value of tangible assets, comprising the real estate portfolio and other tangible assets, amounted on 31 December 2005 to CHF 2,453 million (2004: CHF 2,526 million; 2003: CHF 2,596 million).

Obligations towards employee pension funds

Other liabilities contain a payable to the employee pension funds of CHF 6 million (2004: CHF 10 million; 2003: CHF 23 million).

Bonds

"Debentures" includes: 3¾% interest CHF 500 million, 2 July 1997–2007.

3¾% interest CHF 600 million, perpetual from 15 June 1999 but not less than 12 years.

Investments in subsidiaries

Details on Swiss Re Group's subsidiaries are disclosed on pages F-48 to F-50.

Swiss Reinsurance Company, Zurich, sold in 2005 as part of a strategic restructuring its direct investment in Swiss Re Finance (Bermuda) Ltd. to Swiss Re Finance (Malta) Ltd., a newly formed 100% subsidiary of Swiss Re Treasury (Luxembourg) S.A. at fair value.

Treasury shares

Details on treasury shares held by Swiss Re Group companies are shown on pages F-28 to F-29.

Deposit account

Deposit arrangements generated the following balances which are included in:

	2003	2004	2005
	CHF in millions		
Reinsurance result	74	83	**10**
Premiums and other receivables from reinsurance	313	641	**378**
Funds held by ceding companies	2,478	1,912	**1,151**
Funds held under reinsurance treaties	63	110	**64**
Reinsurance balances payable	2,779	2,645	**1,580**

Claims on and obligations towards Group companies

	2003	2004	2005
	CHF in millions		
Premiums and other receivables from reinsurance	1,691	1,586	**2,510**
Funds held by ceding companies	5,371	7,426	**14,243**
Other receivables	73	49	**13**
Funds held under reinsurance treaties	158	1,181	**315**
Reinsurance balances payable	349	830	**2,535**
Loans	79	14	**332**
Other liabilities	743	1,196	**165**

Conditional capital and authorised capital

The Annual General Meeting on 31 May 2001 approved the creation of conditional capital as follows: an amount of CHF 900,000 for conversion rights and warrants granted in connection with bonds and similar financial instruments issued by the company or by Group companies; and an amount of CHF 700,000 for employee participation purposes of which, during the year 2003, CHF nil was issued.

The conditional capital outstanding as of 31 December 2003 amounted to CHF 1,563,052.

The Annual General Meeting 14 May 2004 approved an increase of conditional capital in the amount of CHF 1,100,000.

As of 31 December 2004, Swiss Re's total conditional capital outstanding amounted to CHF 2,662,222. CHF 2,000,000 were reserved for the exercise of conversion rights and warrants granted in connection with bonds and similar instruments and CHF 662,222 were reserved for employee participation purposes.

As of 31 December 2005, Swiss Re's total conditional capital outstanding amounted to CHF 2,659,565. CHF 2,000,000 were reserved for the exercise of conversion rights and warrants granted in connection with bonds and similar instruments and CHF 659,565 were reserved for employee participation purposes.

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

Change in undisclosed reserves

In the year under report no net undisclosed reserves on investments in securities, participations, real estate and on other financial provisions were released (2004: net decrease of CHF 225 million; 2003: net decrease of CHF 199 million).

Major shareholders

As of 31 December 2003, there were two shareholders with a participation exceeding the 5% threshold of Swiss Re's share capital.

The Capital Group Companies, Inc., domiciled in Los Angeles, informed SWX Swiss Exchange on 24 June 2002 that it held 5.06% of Swiss Re's voting rights on behalf of funds and clients.

Franklin Resources, Inc., Ft. Lauderdale, Florida, known as Franklin Templeton Investments, announced on 23 December 2003 that, in its capacity as investment manager for mutual funds and clients and through a number of its group companies, it has an aggregate voting right of 5.02 % which may be exercised autonomously of the beneficial owners.

As of 31 December 2004, there was one shareholder with a participation exceeding the 5% threshold of Swiss Re's share capital.

Franklin Resources, Inc., Ft. Lauderdale, Florida, known as Franklin Templeton Investments, announced that on 5 July 2004 it held, as investment manager for mutual funds and clients and through a number of its group companies, an aggregate voting right of 5.06 % which may be exercised autonomously of the beneficial owners.

The holdings of Capital Group Companies, Inc., Los Angeles, fell below 5% during 2004.

As of 31 December 2005, there were two shareholders with a participation exceeding the 5% threshold of Swiss Re's share capital.

Franklin Resources, Inc., Ft. Lauderdale, Florida, known as Franklin Templeton Investments, announced that on 5 July 2004 it held, as investment manager for mutual funds and clients and through a number of its group companies, an aggregate voting right of 5.06 % which may be exercised autonomously of the beneficial owners.

The Capital Group Companies, Inc., Los Angeles, informed SWX Swiss Exchange on 22 November 2005 that its holdings increased to 5.10 % of Swiss Re's voting rights.

As these shares have mostly not been registered under Franklin Resources or Capital Group Companies or any of their respective Group Companies, Swiss Re is unable to track, on its own, changes in these shareholders' aggregate holdings.

Personnel information

Swiss Reinsurance Company, Zurich, worldwide employed a staff of 3,696 on the balance sheet date (2004: 3,566; 2003: 3,520). Personnel expenses for the 2005 financial year amounted to CHF 871 million (2004: CHF 870 million; 2003: CHF 865 million).

Allocated investment return

The calculation of the allocated investment return was changed in 2005 and is newly based on investment balances covering average technical provisions. In previous years opening technical provisions balances were used as the calculation basis. In addition, cash deposits are newly excluded from the calculation basis, whereas in previous years they were included and the actual interest income on such deposits was deducted from the calculated return. As a consequence, allocated investment return for 2005 was CHF 155 million higher than it would have been under the previously applied calculation method.

REPORT OF INDEPENDENT ACCOUNTANTS

PRICEWATERHOUSECOOPERS

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Report of Independent Accountants

To the Board of Directors of
Swiss Reinsurance Company
Zurich

We have audited the accounting records and the financial statements (income statement, balance sheet and notes) of Swiss Reinsurance Company on pages F-53 to F-62 of this Offering Memorandum for the three years ended 31 December 2005, 2004 and 2003.

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

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

In our opinion, the accounting records and financial statements for the three years ended 31 December 2005, 2004 and 2003 comply with Swiss law and the company's Articles of Association.

PricewaterhouseCoopers AG

David JA Law Ray J Kunz

Zurich, 24 April 2006

GE INSURANCE SOLUTIONS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

The Board of Directors and Stockholders
GE Insurance Solutions Corporation:

We have audited the accompanying consolidated statements of financial position of GE Insurance Solutions Corporation and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GE Insurance Solutions Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the three-year period ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company in 2004 changed its method of accounting for nontraditional long-duration contracts.

/S/ **KPMG**

Kansas City, Missouri
February 10, 2006, except for note 17,
which is as of February 17, 2006

GE INSURANCE SOLUTIONS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

Consolidated Statement of Earnings

(In millions)	Year ended December 31, 2005	2004	2003
Revenues			
Net premiums written	$ 6,697	$ 8,173	$ 9,729
Net premiums earned	$ 7,136	$ 8,453	$10,001
Net investment income	1,303	1,273	1,203
Net realised gains on investments	210	198	224
Gain on disposition of subsidiary	92	–	–
Other revenues	147	202	193
Total revenues	8,888	10,126	11,621
Costs and Expenses			
Claims, claim expenses and policy benefits	9,612	7,508	7,912
Insurance acquisition costs	1,407	1,576	2,103
Amortization of intangibles	50	60	71
Interest expense	124	138	127
Loss on disposition of subsidiary	–	–	116
Other operating costs and expenses	738	829	647
Total costs and expenses	11,931	10,111	10,976
Earnings (loss) before income taxes	(3,043)	15	645
Income tax benefit (expense):			
Current	1,367	262	379
Deferred	201	(134)	(278)
Total tax benefit	1,568	128	101
Net earnings (loss)	$(1,475)	$ 143	$ 746

See Notes to Consolidated Financial Statements.

GE INSURANCE SOLUTIONS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

Consolidated Statement of Financial Position

(In millions)	December 31, 2005	December 31, 2004
Assets		
Investments	$28,274	$30,288
Cash	3,397	2,055
Securities and indebtedness of related parties	23	231
Accrued investment income	450	463
Premiums receivable, net	3,105	3,578
Funds held by reinsured companies	540	577
Reinsurance recoverables, net	8,687	8,941
Deferred insurance acquisition costs	2,007	2,095
Intangible assets	1,869	2,087
Other assets	2,311	2,471
Total Assets	$50,663	$52,786
Liabilities and equity		
Claims and claim expenses	$26,689	$25,316
Accumulated contract values	1,484	2,319
Future policy benefits for life and health contracts	4,284	4,362
Unearned premiums	2,428	3,003
Other reinsurance balances	4,533	4,290
Contract deposit liabilities	112	1,091
Other liabilities	997	1,113
Long-term borrowings	1,658	1,658
Indebtedness to related parties	227	219
Total liabilities	42,412	43,371
Preferred stock, $100,000 par value; authorized and issued - 1,500 shares; outstanding - zero in 2005 and 1,500 in 2004	–	150
Common stock, $5,000 par value; authorized, issued and outstanding - 1,747 shares in 2005 and 1,728 in 2004	9	9
Paid-in capital	5,683	4,723
Retained earnings	2,484	3,959
Accumulated unrealized gains on investment securities (a)	178	347
Accumulated foreign currency translation adjustments (a)	(71)	254
Additional minimum pension liability (a)	(32)	(25)
Derivatives qualifying as hedges (a)	–	(2)
Total stockholders' equity	8,251	9,415
Total liabilities and equity	$50,663	$52,786

(a) The sum of accumulated unrealized gains on investment securities, accumulated foreign currency translation adjustments, additional minimum person liability and derivatives qualifying as hedges constitutes "Accumulated nonowner changes other than earnings," as shown in the Consolidated Statement of Stockholders' Equity, and was $75 million and $574 million at year-end 2005 and 2004, respectively.

See Notes to Consolidated Financial Statements.

GE INSURANCE SOLUTIONS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

Consolidated Statement of Stockholders' Equity

(In millions)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Cumulative Nonowner Changes Other than Earnings	Total
Balances, January 1, 2003	$ 150	$ 9	$ 4,388	$ 3,262	$ 22	$ 7,831
Changes other than transactions with share owner:						
Net earnings	–	–	–	746	–	746
Net unrealized gains on investment securities (a)	–	–	–	–	269	269
Foreign currency translation adjustments (b)	–	–	–	–	195	195
Derivatives qualifying as hedges (d)	–	–	–	–	(4)	(4)
Additional minimum pension liability (e)	–	–	–	–	(10)	(10)
Reclassification adjustments (c)	–	–	–	–	(155)	(155)
Total						1,041
Capital contribution received in the form of shares of Coregis Group, Inc.	–	–	335	–	–	335
Dividends paid	–	–	–	(97)	–	(97)
Balances, December 31, 2003	150	9	4,723	3,911	317	9,110
Changes other than transactions with share owner:						
Net earnings	–	–	–	143	–	143
Net unrealized gains on investment securities (a)	–	–	–	–	210	210
Foreign currency translation adjustments (b)	–	–	–	–	197	197
Derivatives qualifying as hedges (d)	–	–	–	–	(9)	(9)
Additional minimum pension liability (e)	–	–	–	–	(15)	(15)
Reclassification adjustments (c)	–	–	–	–	(126)	(126)
Total						400
Dividends paid				(95)		(95)
Balances, December 31, 2004	150	9	4,723	3,959	574	9,415
Changes other than transactions with share owner:						
Net loss	–	–	–	(1,475)	–	(1,475)
Net unrealized losses on investment securities (a)	–	–	–	–	(39)	(299)
Foreign currency translation adjustments (b)	–	–	–	–	(325)	(325)
Derivatives qualifying as hedges (d)	–	–	–	–	2	2
Additional minimum pension liability (e)	–	–	–	–	(7)	(7)
Reclassification adjustments (c)	–	–	–	–	(130)	130
Total						(1,974)
Redemption of preferred stock in exchange for common stock	(150)	–	150	–	–	–
Capital contribution	–	–	810	–		810
Balances, December 31, 2005	$ –	$ 9	$ 5,683	$ 2,484	$ 75	$ 8,251

(a) Presented net of taxes of $20 million, $(123) million and $(95) million in 2005, 2004 and 2003, respectively.

(b) Presented net of taxes of $188 million, $(114) million and $(101) million in 2005, 2004 and 2003, respectively.

(c) Presented net of taxes of $80 million, $72 million and $69 million in 2005, 2004 and 2003, respectively.

(d) Presented net of taxes of $(1), $5 and $2 million in 2005, 2004 and 2003, respectively.

(e) Presented net of taxes of $3, $8 and $5 million in 2005, 2004 and 2003, respectively.

See Notes to Consolidated Financial Statements.

GE INSURANCE SOLUTIONS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

Consolidated Statement of Cash Flows

(In millions)	Year ended December 31,		
	2005	2004	2003
Cash Flows From Operating Activities			
Net earnings (loss)	$(1,475)	$ 143	$ 746
Adjustments to reconcile net earnings (loss) to cash from operating activities, net of acquisitions and dispositions:			
Claims and claim expenses	3,348	(8)	(163)
Future policy benefits for life and health contracts	(79)	562	639
Unearned premiums	(294)	(235)	(44)
Funds held by reinsured companies	37	42	(9)
Reinsurance recoverables	(748)	669	744
Deferred income taxes	(201)	134	278
Income taxes receivable	368	15	(316)
Amortization of insurance acquisition costs	1,407	1,576	2,103
Insurance acquisition costs deferred	(1,372)	(1,806)	(2,210)
Net realized gains on investments	(210)	(198)	(224)
Other reinsurance balances	273	(172)	225
(Gain) loss on disposition of subsidiary	(92)	–	116
Other, net	710	90	(744)
Cash from operating activities	1,672	812	1,141
Cash Flows From Investing Activities			
Debt securities:			
Purchases	(8,641)	(12,137)	(21,564)
Sales	5,397	10,069	13,543
Maturities	1,845	2,455	3,700
Equity securities:			
Purchases	(977)	(689)	(592)
Sales	814	1,082	718
Net sales (purchases) of short-term investments	294	(311)	3,495
Net cash received on disposition of subsidiary	753	–	151
Other investing activities	223	(246)	(352)
Cash from (used for) investing activities	(292)	223	(901)
Cash Flows From Financing Activities			
Change in contract deposits	(979)	(56)	(52)
Net contract accumulation payments	(118)	(141)	(192)
Net proceeds (payments) under related party credit facility	207	(307)	564
Proceeds from short-term borrowings	7	102	–
Principal payments on short-term borrowings		–	(80)
Proceeds from sale-leaseback transaction		–	78
Capital contribution received	810	–	–
Payments made to redeem minority interests in subsidiary	–	(11)	(7)
Dividends paid	–	(7)	(7)
Cash from (used for) financing activities	(73)	(420)	304
Effect of exchange rate changes on cash	35	(81)	66
Increase in cash	1,342	534	610
Cash at beginning of year	2,055	1,521	911
Cash at end of year	$ 3,397	$ 2,055	$ 1,521

See Notes to Consolidated Financial Statements.

GE INSURANCE SOLUTIONS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Basis of Presentation

Principles of Consolidation

All of the outstanding stock of GE Insurance Solutions Corporation ("GE Insurance Solutions"), referred to as "we", "us" or "our" in this report, is owned by General Electric Capital Services, Inc. ("GE Capital Services") and GE Capital Corporation, which are both wholly-owned, directly or indirectly, by General Electric Company ("GE Company"). Our financial statements consolidate the accounts and operations, after intercompany eliminations, of all of our subsidiaries and affiliates – companies that we control and hold a majority of voting interest. Our significant U.S. domiciled operating subsidiaries include Employers Reinsurance Corporation ("ERC"), Employers Reassurance Corporation ("ERAC"), GE Reinsurance Corporation ("GE Re"), Westport Insurance Company and First Specialty Insurance Company. The majority of our non-U.S. property and casualty business is conducted through the GE Frankona Reinsurance group of companies. Our non-U.S. life business is conducted primarily through Employers Re Corporation (UK) Limited.

Other affiliates, generally companies in which we own 20 to 50 percent of the voting rights or otherwise have significant influence, are included in other invested assets (a component of our investment portfolio) and valued at the appropriate share of equity plus loans and advances.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ("GAAP"), which, as to our insurance company businesses, often vary from statutory accounting practices prescribed or permitted by insurance regulatory authorities. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Certain reclassifications of prior year balances have been made to conform to the current year presentation.

Change in Reporting Entity

In an effort to simplify our capital structure, GE Capital Corporation—through a series of transactions executed in the first quarter of 2005—converted its preferred stock investment in ERC into a direct common stock investment in GE Insurance Solutions. In connection with these transactions, we issued 128 new shares of common stock to GE Capital Corporation. As all of the entities that were a party to these transactions were under the common control of GE Company for the entire period covered by the accompanying financial statements, this reorganization is considered to represent a change in reporting entity.

Accordingly, we have restated the financial statements of all prior years presented herein in order to reflect financial information as though the new capital structure existed for all periods. Specifically, GE Capital Corporation's ownership interest in ERC—that was previously classified as minority interest—was reclassified to stockholders' equity, with related dividends recharacterized from expenses to distributions of equity. These adjustments increased previously reported net earnings for 2004 and 2003 by $88 million and $90 million, respectively, but had no effect on previously reported retained earnings as of December 31, 2004.

2. Summary of Significant Accounting Policies

Investments

We report investments in debt and marketable equity securities at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with credit quality and maturity of the investment. Substantially all investment securities are designated as available for sale with unrealized gains and losses included in stockholders' equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment based on criteria that include the extent to which the investment's carrying value exceeds its related market value, the duration of the market decline, our ability and intent to hold to recovery and the financial health and specific prospects of the issuer. Unrealized losses that are deemed other than temporary are recognized in earnings. For investment securities designated as trading, unrealized gains and losses are recognized currently in earnings. Realized gains and losses are accounted for on the specific identification method.

Premium Income

For short-duration insurance contracts (including property and casualty, accident and health, and financial guaranty insurance), we report premiums as earned income, generally on a pro-rata basis, over the terms of the related agreements. For retrospectively rated reinsurance contracts, we record premium adjustments based on estimated losses and loss expenses, taking into consideration both case and incurred-but-not-reported (IBNR) reserves.

For traditional long-duration insurance contracts (including term and whole life contracts and annuities payable for the life of the annuitant), we report premiums as earned income when due. For universal life contracts and investment contracts, we report premiums received as liabilities, not as revenues. Universal life contracts are long-duration insurance contracts with terms that are not fixed and guaranteed; for these contracts, we recognize revenues for assessments against the policyholder's account, mostly for mortality, contract initiation, administration and surrender. Investment contracts are contracts that have neither significant mortality nor significant morbidity risk, including annuities payable for a determined period; for these contracts, we recognize revenues on the associated investments and amounts credited to policyholder accounts are charged to expense.

Liabilities for Claims and Claim Expenses

Liabilities for claims and claim expenses represent our best estimate of the ultimate obligations for both reported and unreported claims plus the related estimated claim settlement expenses for all claims incurred through December 31 of each year. Specific reserves – also referred to as case reserves – are established for reported claims using case-basis evaluations of the underlying claim data and are updated as further information becomes known. IBNR reserves are determined using generally accepted actuarial reserving methods that take into account historical loss experience data and, as appropriate, certain qualitative factors. IBNR reserves are adjusted to take into account certain additional factors that can be expected to affect the liability for claims over time, such as changes in the volume and mix of business written, revisions to contract terms and conditions, changes in legal precedents or developed case law, trends in healthcare and medical costs, and general inflation levels. Settlement of complex claims routinely involves threatened or pending litigation to resolve disputes as to coverage, interpretation of contract terms and conditions or fair compensation for damages suffered. These disputes are settled through negotiation, arbitration, or actual litigation. Recorded reserves incorporate our best estimate of the effect that ultimate resolution of such disputes have on both claims payments and related settlement expenses. Liabilities for claims and claim expenses are continually reviewed and adjusted; such adjustments are included in current operations and accounted for as changes in estimates.

Included in the liabilities for claims and claim expenses are $1,575 million and $1,490 million at December 31, 2005 and 2004, respectively, of long-term disability claims and certain workers' compensation claims (limited to run-off business in a Bermuda-domiciled subsidiary) that are accounted for on a discounted basis. Discount rates used ranged from 3-5% for both years. The accretion recorded related to these discounted reserves was $48 million, $54 million and $41 million in 2005, 2004 and 2003, respectively.

Deferred Insurance Acquisition Costs

Costs that vary with and are directly related to the acquisition of new and renewal insurance and investment contracts are deferred and amortized as follows:

Short-Duration Contracts. Acquisition costs consist of commissions, brokerage expenses and premium taxes and are amortized ratably over the contract periods in which the related premiums are earned.

Long-Duration Contracts. Acquisition costs consist of first-year commissions in excess of recurring renewal commissions, certain variable sales expenses and certain support costs such as underwriting and policy issue expenses. For traditional long-duration insurance contracts, we amortize these costs over the respective contract periods in proportion to either anticipated premium income, or, in the case of limited-payment contracts, estimated benefit payments. For investment contracts and universal life contracts, amortization of these costs is based on estimated gross profits and is adjusted as those estimates are revised.

We review deferred insurance acquisition costs periodically for recoverability considering anticipated investment income. No impairment of our recorded deferred insurance acquisition costs was recognized in 2005, 2004 or 2003.

Present Value of Future Profits

The actuarially determined present value of anticipated net cash flows to be realized from insurance, annuity and investment contracts in force at the date of acquisition is recorded as the present value of future profits (PVFP) and is amortized over the respective policy terms in a manner similar to deferred insurance acquisition costs. We adjust unamortized balances to reflect experience and impairment, if any. No impairment of our recorded PVFP was recognized in 2005, 2004 or 2003.

Funds Held by Reinsured Companies

Funds held by reinsured companies represent ceded premiums retained by the ceding companies according to contractual terms. Investment income is generally earned on these balances during the periods that the funds are held.

Allowance for Doubtful Accounts

We establish an allowance for uncollectible premiums receivable, reinsurance recoverables and other doubtful accounts at the time such losses are estimated to have been incurred. The nature of our operations is such that we generally expect to receive amounts due and our historical charge-off ratio is relatively low. As a result, our general reserving approach is to only establish reserves for specifically identified disputes or collection issues. In establishing required allowances, we give consideration to relevant observable data as to the nature of the dispute, the overall financial health of the counterparty, collateral value (such as letters of credit and funds held balances) and legal right-of-offset of related claim liabilities. The allowance totaled $296 million and $206 million at December 31, 2005 and 2004, respectively.

Intangible Assets

We do not amortize goodwill but test it annually for impairment using a fair value approach, at the “reporting unit” level. A reporting unit is the operating segment, or a business one level below that operating segment (the “component” level) if discrete financial information is prepared and regularly reviewed by management at the component level. However, components are aggregated as a single reporting unit if they have similar economic characteristics. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit’s goodwill exceeds its fair value. We use discounted cash flows to establish fair values. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value methodology.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

Statement of Cash Flows

Cash includes cash on hand, demand deposits, certificates of deposit and investments in money-market mutual funds. Investment securities with an original maturity greater than three months but less than one year are classified as short-term investment securities (a component of our investment portfolio) in the consolidated statement of financial position and transactions as such are considered investing activities in the consolidated statement of cash flows.

Reinsurance

Reinsurance contracts that do not both transfer significant insurance risk and result in the reasonable possibility that the reinsurer (or retrocessionaire) may realize a significant loss from the transaction are accounted for as deposits. These deposits are classified as contract deposit assets (included in "other assets") or "contract deposit liabilities" and are generally accounted for similar to financing transactions with interest income or expense credited or charged to the contract deposits.

Income Taxes

GE Insurance Solutions, together with its domestic property and casualty insurance/reinsurance subsidiaries, domestic life insurance subsidiary, various non-insurance subsidiaries and its owners, GE Capital Services and GE Capital Corporation, are included in the consolidated federal income tax return of GE Company.

Our international insurance company businesses file separate income tax returns in the countries where they are domiciled or operate.

We utilize the liability method in accounting for income taxes, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws. We establish a "valuation allowance" for any portion of the deferred tax asset that is not believed to be realizable.

Benefit Plans

The majority of our U.S. employees participate in a trusteed, contributory defined benefit pension plan and certain postretirement plans sponsored by GE Company. GE Company, in turn, charges us for our relative share of the costs associated with the overall GE Company Group Pension and Postretirement Plans. Additionally, employees of ERC and its subsidiaries, excluding foreign subsidiaries, were covered by a trusteed noncontributory defined benefit plan for employment through September 30, 1999. Certain of our international businesses also sponsor noncontributory defined benefit pension plans for their employees or participate in GE Company sponsored contributory defined benefit plans. The net effect of all benefit plans on the consolidated statement of financial position and statement of earnings for 2005, 2004 and 2003 was not material.

We have recorded an additional net minimum pension liability for ERC's pension plan of $45 million ($32 million net of tax) and $38 million ($25 million net of tax) at December 31, 2005 and 2004, respectively, as required by Financial Accounting Standards Board Statement No. 87. The adjustment is reflected in other comprehensive income, as appropriate, and was required as a result of the accumulated benefit obligation in such plan exceeding the fair value of the underlying pension plan assets and accrued pension liabilities.

Accounting Changes

In 2004, we adopted the American Institute of Certified Public Accountants' Statement of Position 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* ("SOP 03-1"). While the adoption of the provisions of SOP 03-1 did not have a material impact on our reported operating results, it did result in certain adjustments within our consolidated statement of financial position. SOP 03-1 defines specific conditions that must be met in order to apply the separate accounts accounting model; previously, authoritative GAAP literature provided only limited guidance as to when it was appropriate to utilize this accounting model. Application of this guidance resulted in us reclassifying approximately $310 million previously classified as "separate account" assets (a component of "other assets") into "investments" in our consolidated statement of financial position. SOP 03-1 also resulted in a change in the manner in which we account for certain annuity contracts that provide for potential incremental benefits that are only payable upon annuitization by the annuity holder. Application of this guidance resulted in a reduction in "deferred insurance acquisition cost" assets of approximately $30 million, with a corresponding decrease in "accumulated contract values" liabilities.

3. Dispositions

In June 2005, we sold 100% of the common stock of Medical Protective Corporation (“Medical Protective”), a subsidiary principally involved in providing medical professional liability insurance, to Columbia Insurance Company, a unit of Berkshire Hathaway, Inc. The transaction resulted in a pre-tax gain on sale of $92 million. Total assets of Medical Protective were approximately $2.7 billion, of which $2.0 billion represented investment securities. Total liabilities were approximately $2.0 billion, almost all of which represented insurance liabilities, reserves and annuity benefits.

In December 2003, we sold 95% of the common stock of ERC Life Reinsurance Corporation (“ERC Life”)—a U.S. domiciled operating life reinsurance entity—to Scottish Re Holdings. The transaction produced a $116 million pretax loss. However, a significant tax benefit resulted from this sale due to the tax basis of ERC Life being substantially in excess of its book basis. Total assets of ERC Life were approximately $1.4 billion at the date of sale. In order to facilitate the disposition of ERC Life, in October 2003, we distributed 100% of the common stock of ERC Life’s wholly-owned subsidiary, Employers Re Corporation (UK) Limited, to ERC. ERC subsequently distributed the stock of this subsidiary to its parent, GE Insurance Solutions.

4. Investments

The amortized cost, estimated fair value and gross unrealized gains and losses for the various components of our investments are summarized as follows:

(In millions)	December 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Debt securities:				
U.S. corporate	$ 5,215	$ 133	$ (90)	$ 5,258
State and municipal	8,684	111	(88)	8,707
Mortgage-backed	1,558	22	(26)	1,554
Asset-backed	627	21	(2)	646
Corporate – non-U.S.	4,231	111	(37)	4,305
Government – non-U.S.	6,473	190	(42)	6,621
U.S. government and federal agency	163	3	(2)	164
Equity securities	586	46	(9)	623
Short-term investment securities	185	–	–	185
Other invested assets	211	–	–	211
Total investments	$ 27,933	637	$ (296)	$ 28,274

(In millions)	December 31, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Debt securities:				
U.S. corporate	$ 4,891	$ 215	$ (42)	$ 5,064
State and municipal	9,112	156	(34)	9,234
Mortgage-backed	1,736	44	(12)	1,768
Asset-backed	727	26	(2)	751
Corporate – non-U.S.	4,578	139	(17)	4,700
Government – non-U.S.	6,943	160	(23)	7,080
U.S. government and federal agency	214	7	(1)	220
Equity securities	397	28	(6)	419
Short-term investment securities	487	–	–	487
Other invested assets	343	–	–	343
Trading securities	(a)	(a)	(a)	222
Total investments	$ 29,428	$ 775	$ (137)	$ 30,288

(a) Not applicable.

Investment securities included in our general account portfolio and designated as trading represent debt and equity securities for certain non-U.S. insurance contract holders who direct the investment strategy and retain the related risks and rewards, except in the event of our bankruptcy or liquidation.

The following tables present the estimated fair value and gross unrealized losses on our available-for-sale investment securities, aggregated by investment category and length of time that individual investment securities have been in a continuous unrealized loss position, at December 31, 2005 and 2004, respectively.

(In millions)	Less than 12 months		12 months or more	
December 31, 2005	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Debt securities:				
U.S. corporate	$ 2,128	$ 49	$ 1,056	$ 41
State and municipal	4,199	47	1,655	41
Mortgage-backed	589	14	317	12
Asset-backed	81	1	18	1
Corporate – non-U.S.	1,018	20	508	17
Government – non-U.S.	2,010	30	596	12
U.S. government and federal agency	43	1	36	1
Equity securities	115	8	7	1
Total	$ 10,183	$ 170	$ 4,193	$ 126

(In millions)	Less than 12 months		12 months or more	
December 31, 2004	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
Debt securities:				
U.S. corporate	$ 1,431	$ 31	$ 292	$ 11
State and municipal	3,496	32	59	2
Mortgage-backed	408	5	189	7
Asset-backed	66	1	10	1
Corporate – non-U.S.	655	8	413	9
Government – non-U.S.	930	7	1,108	16
U.S. government and federal agency	19	–	30	1
Equity securities	98	6	1	–
Total	$ 7,103	$ 90	$ 2,102	$ 47

Of the $126 million of investment securities in an unrealized loss position for twelve months or more at December 31, 2005, the majority reflects the impact of rising market interest rates on our fixed-rate debt portfolio. We review all of our investment securities routinely for other-than-temporary impairment. In accordance with that policy, we provide for all amounts that we do not expect either to collect in accordance with the contractual terms of the instruments or to recover based on underlying collateral values.

At December 31, 2005 and 2004, we had investments in fixed maturity securities with a carrying amount of $2,252 million and $1,991 million, respectively, on deposit with state and provincial insurance departments to satisfy regulatory requirements.

The amortized cost and estimated fair value of debt securities at December 31, 2005 are summarized, by stated maturity, as follows:

(In millions)	**Amortized Cost**	**Estimated Fair Value**
Maturity:		
2006	$ 1,255	$ 1,255
2007-2010	7,562	7,518
2011-2015	8,874	8,873
2016 and later	7,075	7,409
	24,766	25,055
Mortgage-backed and asset-backed securities	2,185	2,200
Total debt securities	$ 26,951	$ 27,255

The foregoing data is based on the stated maturities of the securities. Actual maturities will differ for some securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Major categories of investment income are summarized as follows:

(In millions)	For the years ended 31 December, 2005	2004	2003
Gross investment income:			
Debt securities	$ 1,158	$ 1,132	$ 1,049
Equity securities	16	21	23
Short-term investment securities	80	36	28
Securities and indebtedness of related parties	–	21	22
Other	71	92	110
	1,325	1,302	1,232
Investment expenses	(22)	(29)	(29)
Net investment income	$ 1,303	$ 1,273	$ 1,203

The sales proceeds and realized gains and losses on investment securities are summarized as follows:

(In millions)	For the years ended 31 December, 2005	2004	2003
Sales proceeds from investment securities	$ 6,211	$11,151	$14,261
Net realized gains on investments before income taxes:			
Debt securities:			
Gross realized gains	201	$ 226	$ 376
Gross realized losses	(24)	(20)	(39)
Equity securities:			
Gross realized gains	59	43	55
Gross realized losses	(26)	(51)	(168)
Total net realized gains before income taxes	210	198	224
Provision for income taxes	(80)	(72)	(69)
Net realized gains on investments after income taxes	$ 130	$ 126	$ 155

5. Intangible Assets

(In millions)	At December 31, 2005		At December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangibles Subject to Amortization				
Present value of future profits ("PVFP")	$ 456	$ (181)	$ 460	$ (168)
Capitalized software	232	(165)	228	(141)
All other	26	(12)	26	(7)
	714	(358)	714	(316)
Intangibles Not Subject to Amortization				
Goodwill	2,125	(612)	2,352	(663)
Total	$ 2,839	(970)	$ 3,066	$ (979)

Except for those attributable to movements in foreign currency exchange rates, the only changes to recorded goodwill during the year ended December 31, 2005 were reductions due to the sale of Medical Protective (see Note 3). Changes to recorded goodwill during the year ended December 31, 2004 are primarily attributed to movements in foreign currency exchange rates.

Amortization expense related to intangible assets for 2005, 2004 and 2003 were $50 million, $60 million and $71 million, respectively. There was no impairment of goodwill recognized in 2005, 2004 or 2003.

The estimated percentage of the December 31, 2005, net PVFP balance to be amortized over each of the next five years follows:

2006	5.30%
2007	4.82%
2008	5.03%
2009	5.03%
2010	3.04%

The PVFP was determined using risk adjusted discount rates from 8% to 15%, with the interest rates selected for the valuation being determined based on the applicable interest rates in the country of risk and the risk inherent in the realization of the estimated future profits at the date of the respective acquisitions. PVFP is being amortized using the interest method over the duration of the related life business, approximately 20-30 years, as the premiums or gross profits on the books of business are recognized. Amortization expense for PVFP in future periods could be affected by acquisitions, realized capital gains/losses or other factors affecting the ultimate amount of gross profits realized from certain lines of business. Interest accretion on PVFP totaled $17 million, $17 million and $22 million during 2005, 2004 and 2003, respectively. PVFP amortization totaled $28 million, $34 million and $56 million for the same respective periods.

6. Claims and Claim Expenses

The reconciliation of beginning and ending claims and claim expense liabilities, net of reinsurance, is summarized as follows:

(In millions)	Year ended December 31,		
	2005	2004	2003
Balance at January 1 – gross	$ 25,316	$ 25,324	$ 25,157
Less reinsurance recoverables	(7,000)	(7,930)	(9,070)
Balance at January 1 – net	18,316	17,394	16,087
Claims and expenses incurred:			
Current Year	5,569	5,794	6,753
Prior years	3,807	1,414	897
	9,376	7,208	7,650
Claims and expenses paid:	(1,153)	(1,517)	(1,045)
Current year	(5,754)	(5,281)	(6,313)
Prior years	(6,907)	(6,798)	(7,358)
Claim reserves related to acquired/contributed companies	–	–	378
Claim reserves related to company dispositions	(1,300)	–	(26)
Foreign exchange and other	(465)	512	663
Balance at December 31 – net	19,020	18,316	17,394
Add reinsurance recoverables	7,669	7,000	7,930
Balance at December 31 – gross	$ 26,689	$ 25,316	$ 25,324

There is a high degree of uncertainty inherent in the estimates of ultimate losses underlying the liability for unpaid claims and claim expenses. This inherent uncertainty is particularly significant for liability-related exposures, including latent claim issues (such as asbestos, environmental and mass tort related coverage disputes) due to the extended period, often many years, that transpires between a loss event, receipt of related claims data from policyholders and/or primary insurers and ultimate settlement of the claim. This situation is then further exacerbated for reinsurance entities (as opposed to primary insurers) due to lags in receiving current claims data. Because reinsurance protection is often provided on an "excess-of-loss" basis whereby the reinsurer is only obligated to pay losses in excess of pre-established limits, notification is only required to be provided to the reinsurer when the claim is assessed as having a reasonable possibility of exceeding the primary insurer's retention thresholds. This notification can often be years after the loss event was initially reported to the primary insurer.

We continually update loss estimates using both quantitative information from our reserving actuaries and qualitative information derived from other sources. While detailed analysis is performed on a quarterly basis to assess the overall adequacy of recorded claim reserves, a more comprehensive evaluation is undertaken on an annual basis. These more comprehensive reviews were completed during the third and fourth quarters of 2005 using both reported and paid claims data from all major reserve segments, with specific additional emphasis focused on those lines of business in which recent reported claims activity differed significantly from anticipated levels.

In the preceding table, "Claims and expenses incurred—prior years" represents additional losses (adverse development) recognized in any year for loss events that occurred before the beginning of that year. Such adverse development amounted to 21%, 8% and 6% of beginning of year net loss reserves in 2005, 2004 and 2003, respectively.

During 2002, principally in response to a prolonged period of reported claims activity exceeding expected amounts determined based on our recorded level of claim reserves, we decided to re-baseline a number of underlying claim development assumptions. This decision resulted in reserve strengthening actions of approximately $2.5 billion being recognized in the fourth quarter of 2002. During 2003 and 2004, we continued to experience reported claims activity in certain lines of business exceeding the revised expected amounts. As reflected in the previous table, we took reserve strengthening actions in response to this higher than expected claims activity. In 2005—as part of the annual comprehensive reserve study—it was again highlighted that certain lines of business continued to experience escalated levels of reported claims activity. It was ultimately determined that a re-baselining of reserve development factors was warranted and recorded reserve levels were adjusted accordingly. As a result, recorded reserves related to prior year loss events were strengthened by approximately $3.8 billion during 2005. The asbestos and environmental, workers' compensation and U.S. professional liability reserving segments were most heavily impacted, with non asbestos and environmental reserve strengthening being primarily related to the 2000 to 2002 accident years.

Asbestos and Environmental Exposure. The gross liabilities for claims and claim adjustment expenses and the related reinsurance recoverable were $1,614 million and $519 million, respectively, at December 31, 2005. These claims and claim adjustment expenses are primarily related to policies written prior to 1986 as the policies written since 1986 have tended to explicitly exclude asbestos and environmental risks from coverage and most of the asbestos and environmental exposures arise from risks located in the United States. As part of the decision made in the fourth quarter of 2005 to re-baseline reserve development factors, it was also decided to incorporate greater reliance on our internal claims-based, ground up analysis for establishing reserves allocated to asbestos and environmental related exposures. This resulted in prior year loss strengthening of approximately $600 million, which is included in the total $3.8 billion strengthening referenced above. In prior years, our reserving approach was largely predicated on maintaining certain targeted "survival ratios" determined by dividing recorded reserves by recent average annual payment levels (generally excluding large onetime settlements such as those involving a commutation of a block of business).

We continue to compute survival ratios as a useful means of benchmarking our recorded asbestos and environmental reserves against our industry competitors. As of December 31, 2005, our recorded reserves allocated to asbestos-related and environmental-related exposures reflect an approximately 17-year and 12-year, respectively, survival ratio (computed on a three year average payment basis), which is believed to be within the range of insurance industry norms.

We actively monitor evolving case law and its effect on asbestos and environmental related illness claims and have implemented an active commutation program to lessen these exposures. While we have recorded our best estimate of liabilities for asbestos and environmental related illness claims based on currently available information, it is possible that additional liabilities may arise in the future. There are many factors that may significantly affect our asbestos and environmental related claim development and the resulting liability for those claims. Among these factors are changing domestic and foreign government regulations and legislation, newly reported claims, and new contract interpretations. We believe the recorded reserves represent our best estimate of ultimate liability based on information known to date; however, there remains the risk that such exposures could develop unfavorably in future years.

Other Mass Tort Exposures. In addition to asbestos and environmental risks, we also have exposures to other mass torts involving primarily liability issues such as tobacco products, gun manufacturers, silicone breast implants and the effects of household mold. Of recent concern is the increase in class-action litigation surrounding pharmaceutical-related products and against financial advisors (e.g., investment banks, accountants and attorneys) related to financial reporting errors and irregularities. We attempt to closely monitor legal developments pertaining to such issues and establish specific reserves (including the cost of related litigation) for individual actions when such legal proceedings have progressed to the point indicating that some level of liability is likely and we can reasonably estimate such liability. Additionally, we have established amounts to cover additional exposures on both known and unassorted claims. We believe the recorded reserves represent our best estimate of ultimate liability based on information known to date; however, there remains the risk that such exposures could develop unfavorably in future years.

7. Income Taxes

The impact of income taxes on our consolidated operating results is summarized below (with income tax benefits reflected as positive amounts and income tax expenses reflected as negative amounts):

(In millions)	Year ended December 31,								
	2005			2004			2003		
	United States	International	Total	United States	International	Total	United States	International	Total
Current	$ 1,333	$ 34	$ 1,367	$ 509	$ (247)	$ 262	$ 369	$ 10	$ 379
Deferred	55	146	201	(67)	(67)	(134)	(135)	(143)	(278)
Total	$ 1,388	$ 180	$ 1,568	$ 442	$ (314)	$ 128	$ 234	$ (133)	$ 101

Income taxes paid (received) totaled $(1,679) million, $(284) million and $152 million in 2005, 2004 and 2003, respectively.

Our effective income tax rate on pre-tax income differs from the prevailing 35% U.S. corporate federal income tax rate and is summarized as follows:

	Year ended December 31,					
	2005		2004		2003	
	Amount	Rate	Amount	Rate	Amount	Rate
Corporate federal income tax rate	$ (1,065)	(35)%	$ 5	35%	$ 226	35%
Tax-exempt investment income	(91)	(3)	(106)	(707)	(91)	(14)
Intercompany tax settlement	(365)	(12)	-	-	-	-
Sale of ERC Life	-	-	-	-	(228)	(36)
Change in valuation allowance	-	-	(31)	(207)	-	-
Intercompany dividend payments	-	-	(7)	(47)	(8)	(1)
Other items, net	(47)	(2)	11	73	-	-
Effective tax rate	$ (1,568)	(52)%	$ (128)	(853)%	$ (101)	(16)%

We hold a significant portion of our overall investment portfolio in securities that are substantially exempt from U.S. taxation (principally state and municipal bonds). This represents a significant factor for all years presented in reconciling the prevailing 35% U.S. corporate federal income tax rate to our lower effective tax rate. In 2005, we entered into an intercompany tax settlement agreement with GE Company that resolved certain existing tax uncertainties and resulted in us being allocated additional tax benefits related to prior tax years. In addition, during 2004, a valuation allowance related to deferred Canadian tax credits was released when we made certain modifications to our tax elections in response to a change in the U.S. tax code.

The significant components of our net deferred tax assets and liabilities – presented as a component of "other assets" or "other liabilities" in the consolidated statement of financial position – are summarized as follows:

(In millions)	December 31, 2005	December 31, 2004
Deferred tax assets:		
Claims and claim expenses	$ 450	$ 367
Unearned premiums	56	106
Foreign currency translation	162	22
Contract deposit assets	110	89
Intangibles	156	219
Net operating loss carryforwards	505	196
Other	103	93
Total deferred tax assets	1,542	1,092
Valuation allowance	(32)	(28)
Total deferred tax assets, after valuation allowance	1,510	1,064
Deferred tax liabilities:		
Deferred insurance acquisition costs	(516)	(515)
Net unrealized gains on investment securities	(100)	(200)
U.S. shareholder deferred foreign income	(344)	(259)
Software	(22)	(30)
Other	(211)	(202)
Total deferred tax liabilities	(1,193)	(1,206)
Net deferred tax asset (liability)	$ 317	$ (142)

The valuation allowance established against deferred tax assets at December 31, 2005 relates to concerns as to the ultimate realizability of certain German loss carry forwards, a deferred loss on an intercompany transaction and a basis difference on a common stock investment. Income taxes receivable – presented as a component of "other assets" in the consolidated statement of financial position – totaled $138 million and $502 million at December 31, 2005 and 2004, respectively.

As of December 31, 2005, we have net operating loss carryforwards related to our U.K., German and U.S. operations of $8 million, $945 million and $357 million, respectively. The U.K. and German carryforwards have no expiration date. The U.S. carryforwards expire in 2022, 2023 and 2025.

8. Indebtedness to/from Related Parties

We, along with GE Capital Corporation, are participants in a revolving credit agreement that involves an international cash pooling arrangement on behalf of certain of our European affiliates. In such roles, either participant may make short-term loans to the other as part of the cash pooling arrangement. Each such borrowing shall be repayable upon demand, but not to exceed 364 days. This unsecured line of credit has an interest rate per annum equal to GE Capital Services' cost of funds for the currency in which such borrowing is denominated. This credit facility has a current expiration date of September 30, 2006, but is automatically extended for successive terms of one year each, unless terminated in accordance with the terms of the agreement. We had net receivables of $23 million and $196 million under this credit facility at December 31, 2005 and 2004, respectively.

A revolving credit agreement is in place with GE Capital Services for an amount up to $600 million that expires January 1, 2007, with an interest rate per annum equal to GE Capital Services' cost of funds. This agreement is automatically extended for successive terms of one year each, unless terminated in accordance with the terms of the agreement. The total amount outstanding on this credit facility, including accrued interest payable, was $221 million and $213 million as of December 31, 2005 and 2004, respectively. Interest accrued on such borrowings at an annual weighted-average interest rate of 3.3% and 1.5% for the years ended December 31, 2005 and 2004, respectively. No interest was paid in 2005, 2004 or 2003.

9. Borrowings

In February 1996, we issued $600 million of senior unsecured debt securities at 7% per annum, which are not redeemable prior to maturity on February 15, 2026. We received $556 million in net proceeds from these notes (after deduction of underwriting discounts, commissions, the original issue discount and cost of an interest rate "lock" contract).

In March 1999, we issued $400 million of redeemable senior unsecured debt securities at 6.45% per annum that are scheduled to mature on March 1, 2019. We received $395 million in net proceeds from the issuance of these notes (after deduction of underwriting discounts and commissions).

In June 2000, we issued $350 million of redeemable senior unsecured debt securities at 7.5% per annum, that are scheduled to mature on June 15, 2010 and $350 million of redeemable senior unsecured debt securities at 7.75% per annum that are scheduled to mature on June 15, 2030. We received $691 million in net proceeds from the issuance of these notes (after deduction of underwriting discounts and commissions).

Total interest paid on the above borrowings was $121 million in each of the years 2005, 2004 and 2003.

We entered into a one year $600 million letter of credit facility on November 30, 2005 with a syndicate of banks led by SunTrust Bank as the issuing bank. The facility is fully allocated to provide collateral with respect to amounts due from foreign reinsurers to avoid a reduction in statutory capital in certain of our domestic insurance subsidiaries.

10. Supplemental Financial Statement and Reinsurance Data

Insurance premiums written and earned in 2005, 2004 and 2003 and life insurance in-force as of December 31, 2005, 2004 and 2003 are summarized as follows:

(In millions)	Insurance Premiums Written		
	Property/ Casualty	Life	Total
2005:			
Direct	$ 1,863	$ -	$ 1,863
Assumed	4,413	2,289	6,702
Ceded	(1,791)	(77)	(1,868)
Net	$ 4,485	$ 2,212	$ 6,697
2004:			
Direct	$ 2,752	$ -	$ 2,752
Assumed	4,469	2,410	6,879
Ceded	(1,354)	(104)	(1,458)
Net	$ 5,867	$ 2,306	$ 8,173
2003:			
Direct	$ 2,971	$ -	$ 2,971
Assumed	5,221	3,367	8,588
Ceded	(1,432)	(398)	(1,830)
Net	$ 6,760	$ 2,969	$ 9,729

(In millions)	Insurance Premiums Earned			Life Insurance In-Force
	Property/ Casualty	Life	Total	
2005:				
Direct	$ 2,054	$ -	$ 2,054	$ -
Assumed	4,116	2,667	6,783	1,117,737
Ceded	(1,624)	(77)	(1,701)	(326,915)
Net	$ 4,546	$ 2,590	$ 7,136	$ 790,822
2004:				
Direct	$ 2,845	$ -	$ 2,845	$ -
Assumed	4,662	2,360	7,022	973,862
Ceded	(1,382)	(32)	(1,414)	(328,196)
Net	$ 6,125	$ 2,328	$ 8,453	$ 645,666
2003:				
Direct	$ 2,755	$ -	$ 2,755	$ -
Assumed	5,486	3,389	8,875	827,533
Ceded	(1,283)	(346)	(1,629)	(229,997)
Net	$ 6,958	$ 3,043	$ 10,001	$ 597,536

Claims, claim expenses and policy benefits incurred in 2005, 2004 and 2003 are summarized as follows:

(In millions)	Property/ Casualty	Life	Total
2005:			
Direct	$ 1,707	$ -	$ 1,707
Assumed	8,122	2,136	10,258
Ceded	(2,350)	(3)	(2,353)
Net	$ 7,479	$ 2,133	$ 9,612
2004:			
Direct	$ 1,959	$ -	$ 1,959
Assumed	3,924	2,299	6,223
Ceded	(286)	(388)	(674)
Net	$ 5,597	$ 1,911	$ 7,508
2003:			
Direct	$ 1,709	$ -	$ 1,709
Assumed	4,395	2,772	7,167
Ceded	(644)	(320)	(964)
Net	$ 5,460	$ 2,452	$ 7,912

We routinely cede a portion of the risk underwritten by our insurance and reinsurance businesses to other reinsurers—retrocession—as part of our overall risk management strategy. Our coordinated retrocession program ranges from the ceding of individual risks that we are not prepared to accept in part or whole; to portfolio arrangements designed to address concentrations of specified risks above our agreed-upon retention thresholds; to aggregate excess-of-loss treaties (utilized in certain prior years) principally designed to reduce company-wide volatility associated with large unanticipated insurance events.

In 2003 and certain prior years, we entered into aggregate excess-of-loss reinsurance treaties providing coverage when company-wide accident year loss ratios exceed the attachment point specified in the respective contracts. In general, the terms of these aggregate treaties require the payment of an initial premium to our reinsurers upon inception of the contract. On these contracts, we also pay additional contingent premiums when we incur losses that are subject to recovery under the treaty. Alternatively, certain contracts allow for the required additional contingent premiums to be paid to our reinsurers (plus financing charges) when we settle the related losses and loss expenses (often many years after the incurred date). Other than the referenced contingent premiums paid or accrued at the time a claim for recovery is recognized (plus financing costs, if applicable), we are not obligated to pay any additional future premiums under the terms of these aggregate treaties. In addition, certain of these contracts contain provisions that limit recoveries to a specified economic loss to the retrocessionaire, including financing income earned. As a result, we are required to continually monitor the timing of estimated recovery, and make changes to recorded coverable amounts.

During 1999 through 2001, accident year loss ratios exceeded the attachment point specified in our aggregate excess-of-loss reinsurance contracts and, accordingly, we have accrued for the expected recovery on an undiscounted basis (consistent with our establishment of the related undiscounted reserves—a GAAP requirement). Additionally, during 2002, 2001 and 2000 the recognition of adverse development related to prior year loss events resulted in additional recoveries being accrued under the aggregate contracts. We have no significant remaining coverage under any aggregate treaties as the available coverage under the 1999 to 2001 contracts has been substantially exhausted and the other years in which we purchased coverage have been commuted.

Our insurance businesses remain liable to their policyholders if the reinsurers they cede to are unable to meet their contractual obligations under the applicable reinsurance agreements. To minimize our exposure to significant losses from reinsurance insolvencies, we adhere to strict policies with respect to minimum credit ratings for counter-parties to whom we cede business and routinely evaluate the financial condition of our reinsurers and monitor concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Of the $8.7 billion of consolidated reinsurance recoverables at December 31, 2005, approximately 34% is due from 4 specific retrocessionaires, primarily in connection with our aggregate excess of loss retrocession program. All of these retrocessionaires are large, highly rated reinsurance entities or members of similarly rated reinsurance groups. At this time, we do not anticipate that any significant portion of recorded reinsurance recoverables will be uncollectible. In addition, a portion of these recoverables are secured by funds held balances.

11. Stockholders' Equity

During 2005, we received capital contributions from GE Capital Services and GE Capital Corporation totaling $810 million.

In September 2005, GE Insurance Solutions converted its 1,500 shares of $100,000 par value, non-voting, cumulative preferred stock held by GE Capital Corporation to 19 additional shares of $5,000 par value common stock.

In December 2003, GE Capital Services contributed 100% of the outstanding stock of Coregis Group, Inc. ("Coregis") to us. We accounted for Coregis prospectively, using the carrying values on the books of GE Capital Services. Coregis was not material to our financial position or operations for any previous period, and we therefore did not restate our financial statements to reflect the combination before December 2003.

The Company and certain of its insurance subsidiaries are beneficiaries of capital maintenance agreements provided by GE Capital Corporation in support of financial strength ratings assigned by external rating agencies. These capital maintenance agreements commit GE Capital Corporation to make future capital contributions sufficient for the Company and certain of its insurance subsidiaries to maintain risk-adjusted capitalization at specified levels.

12. Statutory Accounting Practices

ERC and its U.S. insurance company subsidiaries are domiciled in Missouri, Kansas and Vermont; GE Re is domiciled in Illinois; and Coregis Insurance Corporation ("Coregis," a subsidiary of Coregis Holding Corporation) is domiciled in Indiana. U.S statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the respective state insurance departments. "Prescribed" statutory accounting practices include state laws, regulations and general administrative rules, as well as the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual. "Permitted" statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, may differ from company to company within a state and may change in the future. As of December 31, 2005, there were no significant permitted accounting practices that vary from prescribed accounting practices being utilized by our U.S. insurance company subsidiaries.

Our international insurance company businesses prepare statutory financial statements based on local laws and regulations. Some jurisdictions, such as the United Kingdom, impose complex regulatory requirements on reinsurance companies, while other jurisdictions, such as Germany, impose fewer requirements. Local reinsurance business conducted by our insurance company entities in some countries requires licenses issued by governmental authorities. These licenses may be subject to modification or revocation dependent on such factors as amount and types of reserves and minimum capital and solvency tests. Jurisdictions may also impose fines, censure and/or criminal sanctions for violation of regulatory requirements.

Statutory surplus for the directly owned insurance subsidiaries of GE Insurance Solutions is summarized in the following chart.

(In millions)	December 31, 2005	2004
Statutory surplus: (a)		
U.S. Entities:		
ERC and subsidiaries	$ 5,389	$ 5,513
GE Re	1,041	689
Medical Protective Company (b)	–	511
Coregis Insurance Company	212	200
Non-U.S. Entities: (c)		
Employers Re Corporation (UK) Limited	522	430
Core Reinsurance Company Limited	103	68
Total statutory surplus	$ 7,267	$ 7,411

(a) Based on approvals received from the respective domiciliary state Departments of Insurance, the capital contributions referenced in Note 17 that were received after December 31, 2005 but before filing of the 2005 Statutory Annual Statements were included as statutory surplus as of December 31, 2005 and, accordingly, are also reflected in the amounts presented herein.

(b) Medical Protective Company was sold during 2005. See Note 3.

(c) Employers Re Corporation (UK) Limited is domiciled in England whereas Core Reinsurance Company Limited is domiciled in Bermuda and are both direct subsidiaries of GE Insurance Solutions. The statutory surplus disclosed herein represents each companies U.S. GAAP equity converted to an estimated U.S. statutory-basis.

Statutory net income (loss) for the U.S. directly owned insurance subsidiaries of GE Insurance Solutions is summarized in the following chart.

(In millions)	Year ended December 31, 2005	2004	2003
Net income (loss):			
ERC and subsidiaries	$ (583)	$ (110)	$ 793(a)
GE Re	(459)	(110)	(63)
Medical Protective Company (b)	–	89	43
Coregis Insurance Company	16	7	10

(a) Adjusted to include $1,548 unrealized gain effect from sale of ERC Life, which is reported directly to surplus for statutory purposes.

(b) Medical Protective Company was sold during 2005. See Note 3.

The payment of stockholder dividends by U.S. insurance companies without the prior approval of regulators is only allowed from available unassigned surplus and is further limited to formula amounts based on net investment income and/or net income, capital and surplus determined in accordance with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding 12 months. ERC and GE Re had negative statutory unassigned surplus as of December 31, 2005 and therefore cannot pay dividends during 2006 without the approval of the Department of Insurance in the state in which they are domiciled. The maximum amount available for the payment of dividends during 2006 by Coregis Insurance Company, without prior regulatory approval, is $18 million.

Each of our U.S. domiciliary state regulators have adopted the NAIC minimum risk-based capital requirements which are used by regulators to evaluate the adequacy of statutory capital and surplus in relation to an insurance company's risk profile. Regulatory compliance with risk-based capital requirements is defined by a ratio of a company's regulatory total adjusted capital to its authorized control level risk-based capital, as defined by the NAIC. Each of our U.S. insurance company subsidiaries exceeded the minimum risk-based capital requirements at December 31, 2005.

Certain of our international operations (licensed in the European Union ("EU") member states) are required to comply with the EU Directive on Supplementary Supervision of Insurance Undertakings in an Insurance Group. This directive is designed to address solvency issues for groups of insurance companies and supplements the solvency tests historically performed on individual insurance companies. The primary objective of this directive is to assess the overall capital available to the group, rather than on an individual company basis and identify potential risks. At December 31, 2005, our international insurance businesses that are subject to the EU Directive are in compliance with such, on both an individual and group basis.

13. Contingencies

There are no pending legal proceedings beyond the ordinary course of business that, in our opinion, based on information available at the date of this report, would have a material adverse effect on our consolidated results of operations or financial condition, except as noted in the following paragraphs.

As a result of the terrorist act of September 11, 2001, the World Trade Center (WTC) complex in New York City was destroyed. Industrial Risk Insurers (IRI), an affiliate of GE Insurance Solutions, was one of the primary insurers of the WTC with a policy limit of approximately $237 million. The principal lessee of the WTC is alleging that the damage to (i.e., the loss of) each of the "twin towers" was a separate occurrence, requiring payment of up to two times the policy limits. The insurers contend the loss constituted one occurrence. Suit was filed by the insured in the United States District Court in New York seeking a declaratory judgment on this question. In February 2004, the first phase of a three-part trial to determine the amount of property insurance coverage on the WTC complex began in New York City. Phase I of the trial was limited to the issue of whether the parties agreed to bind coverage under the policy form originally provided by the insured's broker. IRI is bound under its own policy language and therefore, IRI was not an active participant in this phase of the trial. However, IRI is actively involved in Phase II of the trial, pertaining to the number of occurrences, and Phase III, pertaining to damages. With respect to Phase II, on December 6, 2004, the federal jury returned a verdict in favor of the insureds and against all nine insurers, finding that the parties intended to treat the attack on the WTC as two occurrences. The insurers, including IRI, filed post-trial motions seeking to overturn the jury's verdict and prevail as a matter of law. These motions were denied, and the insurers appealed to the U.S. Court of Appeals for the Second Circuit. These appeals are expected to be decided in 2006. The Phase II jury was not asked to decide the amount of the loss, as this issue will be subject to a separate appraisal proceeding and the trial court's interpretation of various policy provisions relating to calculation of the loss (Phase III). It will take several months, and perhaps over a year, to resolve these issues, and the outcome can result in many different payment scenarios to IRI. The Company has recorded its best estimate of ultimate liability with respect to this matter and will update such estimate as the referenced litigation proceeds and further information becomes known.

In connection with the September 11, 2001 terrorist attack, we accrued a reinsurance recoverable of approximately $70 million under an arrangement with two retrocessionaires. During 2003, the retrocessionaires denied coverage on the grounds that they interpreted the underlying contracts to only provide coverage for natural events. We believe that there is compelling evidence supporting our position that such contracts also extended to certain other than natural events. This matter was presented to an arbitration panel in the first quarter of 2005. The panel issued its decision in the second quarter of 2005, finding that these retrocession contracts cover only natural events, thereby excluding the September 11, 2001 terrorist attack. The Company disputes this decision and is taking steps to minimize its impact. The Company has recorded its best estimate of ultimate liability with respect to this matter and will update such estimate as the referenced litigation proceeds and further information becomes known.

Recently, a number of governmental entities have launched industry-wide investigations and filed lawsuits involving certain practices by insurers, reinsurers and brokers relating to broker compensation and other arrangements between brokers and insurers and their dealings with their clients. As a result of these investigations, several state Departments of Insurance and State Attorneys General have issued subpoenas and document requests to insurers relating to their business and broker practices, and some individual and class actions lawsuits have been instituted seeking relief for certain policyholders or policyholder groups. Our insurance subsidiaries have received subpoenas from the Attorneys General of New York, Massachusetts and Kansas and the Insurance Departments of Illinois, West Virginia, North Carolina and Missouri and one indirect insurance subsidiary has been named as a defendant in a purported class action lawsuit in Massachusetts. Additionally, as part of a separate industry-wide investigation initiated by the New York Attorney General, one of our insurance subsidiaries received a subpoena relating to the provision of legal malpractice insurance. We have responded in full to each regulatory request and, to date, no further action has resulted. In addition, we have engaged independent outside counsel to conduct an extensive internal investigation. Although we believe that these ongoing governmental investigations will not directly affect us, nor will any laws or regulations arising out of those investigations, and we believe that we will not be subject to any significant, if any, adverse result in the current or any future lawsuit, we cannot assure you that these or any other governmental investigations, laws, regulations or suits will not negatively affect future operations or profitability.

14. Lease and Other Commitments

Our net rental expense under operating leases totaled $30 million, $32 million and $26 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Following is a summary of the future minimum lease payments under operating leases as of December 31, 2005.

(In millions)	Operating Leases
2006	$ 34
2007	31
2008	26
2009	24
2010	21
Thereafter	87
Total	$ 223

During 2003, we completed a sale-leaseback transaction involving two of our principal headquarters buildings. This transaction generated a $50 million gain, which was deterred and is being amortized as an offset to rent expense over the 15 year life of the new operating leases.

In the normal course of business, we make commitments to fund future investments in certain venture capital partnerships. Such unfunded commitments totaled approximately $43 million at December 31, 2005 and are expected to be funded over the next 1-5 years.

15. Derivatives and Other Financial Instruments

Our global business activities are impacted by fluctuations in interest rates, currency exchange rates and certain other asset prices. We apply strict policies to managing each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities. These policies require the use of derivative instruments in concert with other techniques to reduce or eliminate these risks.

Cash Flow Hedges

Under SFAS 133, cash flow hedges are hedges that use simple derivatives to offset the variability of expected future cash flows. Variability can arise from changes in interest rates or currency exchange rates. For example, certain loans used to finance our foreign operations are denominated in functional currencies other than the U.S. dollar reporting currency. To eliminate the currency exposure, we will contractually commit to pay a fixed rate of interest in the functional currency to a counterparty who will pay us a fixed rate of interest in the reporting currency (a "currency swap"). These currency swaps are then designated as a cash flow hedge of the associated foreign currency fixed rate loan. If, as would be expected, the derivative is effective in offsetting variability due to changes in currency exchange rates on the loans, changes in its fair value are recorded in a separate component in equity and released to earnings contemporaneously with the earnings effects of the hedged item. In 2005 and 2004, there were no amounts excluded from the measure of effectiveness and no earnings effect from ineffectiveness of cash flow hedges.

All previously outstanding cash flow hedges expired in July 2005 and no new cash flow hedging relationships were put in place. As a result, the $2 million debit balance that existed in equity as of December 31, 2004 was charged to income during 2005. There were no forecasted transactions subject to cash flow hedges that failed to occur in either 2005 or 2004.

Net Investment Hedges

The net investment hedge designation under SFAS 133 refers to the use of derivative contracts or cash instruments to hedge the foreign currency exposure of a net investment in a foreign operation. We principally manage currency exposures that result from net investments in affiliates by funding assets denominated in local currency with liabilities denominated in that same currency. In certain circumstances, such exposures are also managed using currency forwards.

Derivatives Not Designated as Hedges

We must meet specific criteria in order to apply any of the three forms of hedge accounting provided for in SFAS 133. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. We use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting. Derivatives that do not qualify for hedge accounting are marked to market through earnings.

We use option contracts, including caps, floors and collars, as an economic hedge of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. Although these instruments are considered to be derivatives, their economic risk is similar to, and managed on the same basis, as other equity instruments that we hold.

Fair Value of Derivatives

At December 31, 2005, the fair value of derivatives in a gain position and recorded in "other assets" was $1 million and the fair value of derivatives in a loss position and recorded in "other liabilities" was $32 million.

Counterparty Credit Risk

The risk that counterparties to derivative contracts will be financially unable to make payments to us according to the terms of the agreements is counterparty credit risk. We are exposed to credit-related losses in the event of non-performance by the counterparties to various contracts, but we do not expect the counterparties to fail to meet their obligations due to rigid counterparty credit exposure policies employed.

Financial Instruments

Assets and liabilities that are reflected in the accompanying financial statements at fair value or for which fair values are disclosed elsewhere in the notes to the financial statements are not included in the following disclosure; such items include investments, cash, amounts due from or to related parties, accrued investment income, separate accounts, other receivables and payables and derivative financial instruments. Apart from certain of our borrowings and marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using models. Although we have made every effort to develop the fairest representation of fair values for this section, it would be unusual if the estimates could actually have been realized at December 31, 2005 or 2004. Other assets and liabilities—those not carried at fair value—are discussed below.

Borrowings - Based on discounted cash flows using current market rates that are comparable to market quotes.

Investment Contracts - Based on expected future cash flows, discounted at currently offered interest rates for similar contracts with maturities consistent with those remaining for the contracts being valued.

Financial guaranty reinsurance - Based on estimated premium rates that would be charged and commissions that would be allowed at the financial statement date.

All other instruments - Based on comparable transactions, market comparables, discounted future cash flows, quoted market prices and/or estimates of the cost to terminate or otherwise settle obligations to counterparties.

	December 31, 2005			December 31, 2004		
		Assets (Liabilities)			Assets (Liabilities)	
	Notional Amount	Carrying Amount	Estimated Fair Value	Notional Amount	Carrying Amount	Estimated Fair Value
Assets:						
Other cash financial instruments	(a)	$ 41	$ 42	(a)	$ 87	$ 90
Liabilities:						
Borrowings (b)	(a)	(1,658)	(1,896)	(a)	(1,658)	(1,907)
Investment contracts	(a)	(1,148)	(1,134)	(a)	(1,378)	(1,359)
Financial guaranty reinsurance	$ 624	(5)	(5)	$ 1,190	(6)	(6)

(a) These financial instruments do not have notional amounts.
(b) See *Note 9*.

16. Definitive Sale Agreement

On November 18, 2005, GE Company announced that it had entered into a definitive agreement involving the sale of GE Insurance Solutions and its consolidated subsidiaries (excluding ERAC and certain other specified North American life and health business) to Swiss Reinsurance Company. The transaction is subject to various regulatory approvals and is expected to be completed sometime in mid-2006. Prior to closing, it is contemplated that certain specified disability and long-term care business will be reinsured by ERC to ERAC, with the investment in the common stock of ERAC subsequently being transferred to another affiliate of GE Company.

17. Subsequent Events

On February 17, 2006, the Company received capital contributions totaling $890 million—$815 million from GE Capital Services and $75 million from GE Capital Corporation. On this same day, $405 million of such amounts were in turn contributed to ERC and $470 million to GE Re. ERC then contributed $10 million of the amount it received to ERAC. These capital contributions were made principally to restore capital positions to desired levels and comply with the capital support arrangements referenced in Note 11 following the significant reserve actions undertaken in the fourth quarter of 2005.

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SWISS RE GROUP'S LIFE AND HEALTH BUSINESS EMBEDDED VALUE AND EMBEDDED VALUE EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2004 AND INDEPENDENT REPORT TO THE DIRECTORS OF SWISS REINSURANCE COMPANY ON THE SUPPLEMENTARY FINANCIAL INFORMATION

Swiss Re Group's Life and Health Business Embedded Value and Embedded Value Earnings for the year ended 31 December 2005

Introduction

The Swiss Re Group is presenting additional information on its Life and Health operations to that shown in its 2005 published financial statements, which were prepared on a Swiss GAAP basis.

An alternative method of reporting the financial results of the life and health insurance operations of an insurance company is to use an embedded value method. This method is used by a number of life insurance groups and bancassurance groups to provide supplementary information to that shown in their published accounts.

The embedded value is an estimate of the value of shareholders' interests in the life and health insurance operations of Swiss Re, excluding any value attributable to future new business.

Value added by new business and embedded value earnings, which together are equal to the change in the embedded value over the year, after adjustment for any capital movements such as dividends and capital injections, provide a measure of the performance of the life and health insurance operations of an insurance company.

The 2005 embedded value supplementary information has been calculated in accordance with the European Embedded Value ("EEV") principles issued in May 2004 by the European Chief Financial Officers' Forum ("CFO Forum"). This alternative basis of presentation is not considered a generally accepted accounting principle or another comprehensive basis of accounting. Accordingly, this additional information should not be relied upon by those that are not familiar with the principles issued by the CFO Forum.

Embedded value highlights

	Year Ended December 31,	
	2004*	2005
	(CHF in millions)	
Embedded value	17,059	20,065
Value added by new business	666	283
Embedded value operating profit	1,100	1,519
Embedded value earnings excl. new business	1,335	1,437

* Not restated to EEV methodology. See next section.

Impact of implementing European Embedded Values

In May 2004 the CFO Forum, a group representing 19 major European insurers, issued a set of principles according to which embedded value results should be produced. Swiss Re has adopted these principles in respect of the calculation of its 2005 year-end results.

In order to reflect the implementation of the EEV principles, certain adjustments to methodology and assumptions were made. These changes and the impact on the EV are summarised below:

- The cost of financial options and guarantees has been explicitly calculated using risk neutral stochastic investment scenarios. The previous methodology had a combination of some explicit allowance (CHF 97 million) as well as implicit allowance within the risk discount rate. The net result of these changes was to reduce the embedded value by CHF 378 million.

- The approach taken in determining the risk discount rate has been refined. The approach continues to be "bottom up". However exposure of the in-force business to equity market risk is now taken into account explicitly. At the same time the equity risk premium has been adjusted. The net result of these changes was to increase the embedded value by CHF 539 million.

The net result of the above changes was to increase the opening embedded value as at 1 January 2005 by CHF 161 million.

All of the above impacts were calculated using opening exchange rates.

The 2004 embedded value earnings and value added by new business have not been restated to the revised EEV consistent methodology as the differences are relatively small. Estimates of the impact of the revised methodology on the 2005 EV operating profits are contained in this report.

Coverage

The embedded value results cover all the life and health business written by Swiss Re. This is defined as the "Covered Business". It encompasses:

- all life, health and disability business written through Swiss Re's Life & Health ("L&H") business segment consistent with the primary accounts;
- current and projected future expenses incurred by Swiss Re's L&H business segment on a look through basis; and
- the portion of investment management charges and Group overheads allocated to the L&H business segment consistent with the primary accounts.

Embedded value

The embedded value of Swiss Re's covered business at 31 December 2005 was CHF 20.1 billion, an increase of CHF 3.0 billion since the previous year end.

	Year Ended December 31,	
	2004*	2005
	(CHF millions)	
Free surplus	1,079	2,134
Required capital	6,648	7,266
Adjusted net worth	7,728	9,400
Value of in-force business	10,758	12,248
Cost of holding required capital	(1,427)	(1,583)
Embedded value	17,059	20,065

* Not restated to EEV methodology.

The time value of financial options and guarantees as at 31 December 2005 included in the value of in-force at that date, was as follows:

GMDB business	CHF 205m
US interest spread business	CHF 102m
Other business **	CHF 49m
Total time value	CHF 356m

** Approximate methods used

The change in the embedded value over the year is broken down in the table below. The EEV adjustment is the impact on the embedded value of adjusting the methodology and assumptions in order to comply with the EEV Principles and Guidance. This impact has been calculated as at 31 December 2004, and using the exchange rates applicable at that date.

	Year Ended December 31,	
	2004	2005
	(CHF in millions)	
Opening embedded value	16,003	17,059
EEV adjustment	—	161
Value added by new business	666	283
Embedded value earnings	1,335	1,437
Exchange rate movements	(862)	1,910
Capital movements	(83)	(785)
Closing embedded value	17,059	20,065

Value added by new business and embedded value earnings

The 2004 and 2005 after-tax embedded value earnings of the Covered Business operations of the Swiss Re Group are shown below.

	Year Ended December 31,	
	2004	2005
	(CHF in millions)	
Value added by new business	666	283
Profit from existing business		
– expected return	783	923
operating assumption changes	(192)	42
experience variances	187	237
Expected return on shareholders' net worth	322	317
Operating profit	1,100	1,519
Investment variances	250	234
Economic assumption changes	(15)	(316)
Embedded value earnings excl. new business	1,335	1,437

The 2004 value added by new business and EV earnings have not been restated to the revised EEV compliant methodology as differences are not material. As an indication, the impact of calculating certain components of the 2005 earnings on the previous methodology, using assumptions consistent with the previous methodology, have been estimated: Value added by new business would have been CHF 20 million lower. Expected return from existing business would have been CHF 10 million higher.

The 2005 operating assumptions of positive CHF 42 million relates mainly to mortality assumption changes, partially offset by reserve strengthening for discontinued health lines in the US.

The positive experience variance of CHF 237 million relates mainly to mortality experience.

Embedded value compared to the Group balance sheet

Part of the embedded value of the covered business is already recognised in the Swiss Re Group consolidated balance sheet, for example it includes an asset reflecting the present value of future profits in respect of acquired business.

Valuing the covered business on an embedded value basis recognises additional shareholders' equity of CHF 1,765 million.

	Year Ended December 31,	
	2004	2005
	(CHF in millions)	
Value of in-force business	10,758	12,248
Adjusted net worth	7,728	9,400
Cost of holding solvency capital	(1,427)	(1,583)
Embedded value	17,059	20,065
Shareholders' equity recognised in the Group balance sheet	(15,457)	(18,300)
Embedded value not recognised in the balance sheet	1,602	1,765

The shareholders' equity attributed to the Covered Business does not include any allocation of Group long-term debt or goodwill.

Alternative assumptions

The risk adjusted discount rate appropriate to any investor will depend on the investor's own requirements, tax position and perception of risks associated with the realisation of future regulatory profits. In order that potential investors may judge the effect of using other risk adjusted discount rates, and the effect of alternative mortality, morbidity and reinvestment yield assumptions, the estimated sensitivity of the embedded value and the value added by new business to changes in these assumptions is shown below:

	Change in embedded value	Change in value added by new business
	(CHF millions)	
Base value—2005	**20 065**	**283**
Change in risk adjusted discount rate		
– Reduced by 100bps	**1,500**	**90**
– Increased by 100bps	**(1,300)**	**(80)**
Change in reinvestment rate [1]		
– Reduced by 100bps	**(1,100)**	**(90)**
– Increased by 100bps	**1,100**	**90**
Equity market shock [2]		
– 10% fall	**(200)**	**(10)**
Reduce Required Capital to minimum level [3]	**700**	**40**
Reduce Lapse Rates by 10%	**(200)**	**10**
Decrease maintenance expenses by 10%	**200**	**20**
Mortality and morbidity rates reduced by 5% [4]		
– Mortality	**2,600**	**100**
– Morbidity	**400**	**10**
Remove all allowance for future mortality improvement [5]	**(3,500)**	**(170)**
Increase mortality improvements to 1% per annum [6]	**2,000**	**90**

In calculating the impact of each of the above alternative assumptions, all of the other assumptions have been left unchanged.

1 The change in the assumed reinvestment rate illustrates the impact of assuming a 100bps higher/lower return on future investment in fixed interest bonds, and an equivalent increase/decrease in the assumed equity earned rate. No account has been taken of possible future changes in reserving bases which may result from changes in future fixed interest yields. The illustration for new business assumes that all new business cash flows are invested at the alternative rate.

2 Assumes returns in percentage terms unchanged after the fall.

3 The minimum required capital is the amount of capital below which the insurer would be in breach of its minimum statutory capital requirements. Most regulators require an insurer to hold capital in excess of this amount.

4 The assumption is that future mortality/morbidity rates are lower than those assumed in the base calculations, by a uniform 5% in all future years. The related impacts on profit share agreements and changes in premium rates at future renewal dates allow for the current premium rates to be maintained.

5 In certain territories the projected regulatory profits allow for future gradual improvements in mortality rates. The impact of excluding such future improvements is illustrated here. The related impacts on profit share agreements and changes in premium rates at future renewal dates have been allowed for.

6 This illustrates the impacts of allowing for a compound 1% pa improvement in mortality rates at all ages throughout the projections, for all life business, in place of the allowance made in the base calculations. The related impact on profit share agreements and changes in premium rates at future renewal dates have been allowed for.

External audit

PricewaterhouseCoopers LLP have carried out an audit of the 2005 Embedded Value and Embedded Value Earnings calculations.

Their full opinion is attached below.

11 April 2006

Appendix: Embedded value methodology and assumptions

Embedded value

The embedded value on the covered business is the sum of:

- the value of shareholders' interests in the in-force business (the value in-force), which includes a deduction for the time value of financial options and guarantees,

- the capital required to support the in-force business (the required capital) less a charge for the cost to shareholders of holding the required capital, and

- the free surplus held within the L&H companies.

The adjusted net worth of the covered business is equal to the sum of the free surplus and the required capital on the business.

Value in force

The value of in force is the present value of future profits less a deduction for the time value of financial options and guarantees.

Present value of future after tax regulatory profits

The value of shareholders' interests in the in-force covered business is the present value of the projected stream of future after-tax regulatory profits that are expected to be generated from the policies in-force at the valuation date. This present value is calculated using risk adjusted discount rates consistent with the economic assumptions and which reflect the risks associated with the emergence of distributable earnings not allowed for elsewhere in the calculations.

The projected stream of future after-tax regulatory profits is computed using best estimate assumptions with regard to future mortality, morbidity, lapse rates, maintenance expenses and taxation.

Financial options and guarantees

The cost of all material financial options and guarantees have been taken into account. The most material of these are in respect of:

- Guaranteed minimum death benefits on North American business (GMDB). All of this business is in run-off. Future premiums and sums assured depend on investment market performance and contain guarantees which result in an asymmetric distribution of possible outcomes.
- US interest sensitive business (Universal Life and Deferred Annuity), which incorporates guaranteed minimum crediting rates.

Both the intrinsic and the time value of these options and guarantees are taken into account in the calculation of the value of in-force.

For these products the value of future regulatory profits has been determined using stochastic techniques which project regulatory cash flows under a significant number of stochastic scenarios to determine a stochastic present value of future profits. The stochastic investment scenarios are risk neutral and market consistent. Consistent with that, regulatory profit projections use risk neutral investment assumptions for returns on equities and for future investment in (disinvestment of) fixed interest investments.

The stochastic present value of future profits includes both the intrinsic and the time value of embedded options and guarantees. The time value has been calculated separately for information and disclosure purposes. This is the difference between the stochastic value and a single deterministic value using consistent risk neutral investment assumptions.

The projection models make allowances where appropriate for the effect of expected policyholders' behaviour in different economic scenarios.

There is a partial hedge in place against GMDB downside risk, using long equity put options. The hedge cash flows and market values are taken into account in calculating both the EV and the EV earnings.

Adjusted net worth

The adjusted net worth comprises the required capital plus free surplus. The assets underlying the adjusted net worth are adjusted to reflect their market value.

Required capital

Required capital is the capital the Swiss Re Group allocates to its life and health operations to demonstrate security to its cedants, to satisfy local regulatory solvency requirements and to ensure that overall Group solvency and rating agency requirements are met. This approach generally results in capital well in excess of the minimum local regulatory solvency requirements. The financial impact of this excess is set out in this report in the section dealing with alternative assumptions.

Assets backing required capital may be regarded as being locked-in and are projected to earn an after-tax investment return which is less than the risk adjusted discount rates used in the calculation of the value of in-force business.

The annual charge for the cost to shareholders of maintaining required capital is the difference in the year between the after-tax amount earned on assets supporting required capital and the amount expected in accordance with the risk adjusted discount rate. The charge for the cost to shareholders of holding required capital over the outstanding life of in-force policies is the present value of these annual charges.

Free surplus

The free surplus is the amount of capital and surplus allocated to, but not required to support, the in-force covered business.

No free surplus is allocated to the life and health insurance operations in the composite insurance companies.

Value added by new business

The value added by new business is defined as the value added to shareholders' interests by new business written during the year, after an allowance for the cost of holding required capital, using closing assumptions and including the value added between the point of sale and the end of the year.

New business includes: new individual business cessions in the year, new group schemes and increments to existing group schemes, new blocks of Admin Re℠ business and new cessions in the year on any Admin Re℠ blocks still open to new business, and the full value of business that is subject to active annual renewal (e.g. annual stop-loss covers). This is unchanged from 2004.

The value added by new business is calculated at year-end and includes the statutory cash flows generated by the business during the year.

Embedded value earnings

Embedded value earnings are defined as the change in the embedded value over the year after adjustment for any capital movements and excluding value added by new business. Consistent with the end of year values these earnings are after-tax.

For the life and health insurance companies, capital movements comprise dividends paid and other capital movements between the life and health insurance companies and the ultimate holding company of the Swiss Re Group. For composite insurance companies, capital movements comprise: life and health regulatory profits arising during the year; changes in required capital and allocated investment returns on required capital in the year; and other relevant capital movements between the composite insurance companies and the ultimate holding company of the Swiss Re Group.

Embedded value earnings comprises the following components, the first two of which in aggregate are referred to as operating profit:

- the profit to shareholders from the existing business equal to:
  - the expected return on the value of the shareholders' interests in the in-force business, including allowance for the cost of holding required capital,
  - current year experience variances caused by the differences between the actual experience during the year and the expected experience, based on the year end operating assumptions,
  - the impact of changes in the assumptions for future operating experience;
- the expected investment return on the shareholders' net worth, based upon the year end economic assumptions;
- investment variances caused by differences between the actual or, in the case of composite insurance companies, the allocated investment return in the year and the expected experience, based on the year end economic assumptions;
- the impact of changes in economic assumptions in the year (e.g. changes in discount rates and future investment rates).

The effect of currency exchange movements is generally not included as a component of embedded value earnings and is instead shown separately as a movement in embedded value. There are some exceptions involving business written in minor currencies where exchange effects are included in embedded value earnings as part of experience variances. This treatment is consistent with the Swiss Re Group accounting policies.

Expenses

All expenses incurred during the year are included in the embedded value earnings.

No allowance has been made for future productivity improvements in the expense assumptions.

Acquisition expenses relating to Admin ReSM business are allocated in proportion to the amount of capital invested, averaged over a period. Differences in a particular year resulting from this approach are included in current year in-force earnings as experience variances.

Post-Retirement benefit costs

The full cost of post retirement benefits has been taken into account, including any deficits and/or surpluses in any underlying Funds. The costs are based on those calculated for inclusion in the Group's primary accounts. Allocations to the Covered Business are consistent with the allocations used for the L&H segment of the primary accounts.

Securitisation

In 2005 Swiss Re securitised the future profits being generated by several blocks of in-force life policies. The impact of these securitisations on the current year and future projected regulatory profits has been taken into account in calculating the embedded value and embedded value earnings. The impact of the 2005 securitisations (Queensgate and ALPS) on the EV earnings are not material. The main impact other than in the composite insurance companies was a transfer of value of in-force (VIF) to adjusted net worth.

Assumptions—General

The embedded value method, in common with any valuation method based on projections about the future, involves judgement when establishing the assumptions to be used. The Swiss Re Group actively and carefully reviews assumptions, selecting those which are considered to be appropriate and seeking consistency among operations, whilst reflecting local business portfolios, experience and market environments.

Assumptions such as mortality, morbidity, lapse rates and maintenance expenses are chosen to reflect recent and expected future experience.

Regulatory technical provisions have been projected using current methods except where it is known that these will change. In certain territories the projected regulatory profits allow for future gradual improvements in mortality rates, together with the related impact on regulatory technical provisions, profit share agreements and changes in non-guaranteed premium rates at future renewal dates.

Projected tax has been allowed for on the basis that applies to each legal entity within the Swiss Re Group. Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates or bases have been announced. Appropriate allowance has been made for accrued tax losses and other tax assets.

Economic assumptions—General

The investment return assumptions used for life and health insurance companies are consistent with the asset valuation basis used in the regulatory accounts of those companies. In the case of composite insurance companies, the asset allocations and investment return assumptions used are consistent with investment return allocations underlying the regulatory accounts for their life and health insurance business. There is no allocation in the regulatory accounts for the investment return on required capital, so for the purposes of the embedded value and embedded value earnings calculations, a combination of government and corporate bonds and equities is assumed to be hypothecated to cover required capital in the composites, and the allocated investment return on assets backing required capital is based on the actual performance of these asset classes.

Economic assumptions—Risk discount rate

Future shareholder profits or losses generated by the in-force business have been discounted at the risk adjusted discount rate ("RDR"). Swiss Re calculates the RDR using a bottom up approach which is set separately for each major currency. The RDR is equal to the sum of:

- the risk free rate, based on yield to maturity on 10 year benchmark government fixed income security. The risk free rate is adjusted to allow for the average duration of profit emergence in certain cases (e.g. 15 years for Canada).
- an addition of 0.35% to allow for the non-diversifiable risk, within the projected future after-tax regulatory profits, associated with exposure to equity markets. This reflects a Beta of 10% in respect of the future regulatory profits of in-force Covered business and an equity risk premium of 3.5%. This applies to the restatement of the 2004 closing embedded value as well as to the 2005 closing embedded value. The low level of Beta reflects the predominance of non-economic risks (such as mortality and morbidity) within the policies reinsured by Swiss Re, and the low equity holdings backing adjusted net worth. The non-diversifiable equity risk within the GMDB products is not taken into account as that risk is taken into account explicitly elsewhere in the calculations (refer to Financial Options and Guarantees sub-section above).
- a 2.5% points margin judged to be appropriate for the additional capital costs required to cover insurance risks, agency costs, and the illiquidity of the profit streams.

The principal economic assumptions are listed below for the major currencies.

	Euro (%)	**UK (%)**	**USA (%)**	**Canada (%)**
Risk adjusted discount rate				
2005	6.1	7.0	7.3	7.0
2004[1]	6.5	7.4	7.1	7.5

	Euro (%)	UK (%)	USA (%)	Canada (%)
Risk free rate[2]				
2005	3.3	4.1	4.4	4.2
2004	3.7	4.6	4.2	4.4
Fixed interest reinvestment rate (pre-tax)				
2005	3.5	4.1	5.3	4.7
2004	4.0	4.6	5.5	5.5

Equity rate of return assumed to be equal to risk free plus 350 basis points.

1 Based on revised EEV compliant methodology

2 Based on 10 year government bonds.

For products with significant financial options and guarantees the above fixed interest reinvestment rates and equity return assumptions are not used. Instead returns consistent with risk neutral stochastic scenarios are used. These scenarios are based on the term structure of risk free rates and market consistent volatilities at the date of calculation and the following volatility assumptions.

Exchange rates

The embedded value is calculated using closing exchange rates. Value added by new business and embedded value earnings are calculated using the average exchange rate over the previous year.

The key exchange rates used in embedded value results are shown in the table below:

	CHF per 1 unit of:			
	EUR	GBP	USD	CAD
2004 Closing FX	1.55	2.18	1.14	0.95
2005 Average FX	1.55	2.26	1.24	1.03
2005 Closing FX	1.55	2.26	1.32	1.13

Reinsurance business and data

In common with other reinsurance groups, the business written by Swiss Re Group is more diverse than that written by most primary insurance companies. In addition, in calculating the EV, valued added by new business and EV earnings, less data is usually available than is the case for primary insurance companies and this data is sometimes not available when the financial statements and embedded value calculations are finalised. This means that more estimates must be made in calculating the embedded value and embedded value earnings (including the value added by new business) than is the case for primary insurance companies and that more approximate methods are used where the data does not support full projections of regulatory profits. Consequently, the results should be regarded as less precise than those of some primary insurance groups.

The report issued by PricewaterhouseCoopers LLP on page A-11 has been issued in accordance with international standards on auditing. As the basis of presentation is not in accordance with a comprehensive basis of accounting or other comprehensive basis of accounting, the auditors would not be able to issue such a report under auditing standards generally accepted in the United States of America.

PricewaterhouseCoopers

Independent report to the Directors of Swiss Reinsurance Company on the supplementary financial information

We have audited the financial information provided in the document entitled “Swiss Re Group’s Life and Health Business: Embedded value and embedded value earnings for the year ended 31 December 2005”, dated 11 April 2006 (“the supplementary financial information”) which has been prepared in accordance with the basis set out therein.

The supplementary financial information is the responsibility of the Board of Directors. Our responsibility is to express an opinion on the supplementary financial information based on our examination.

Our responsibilities in relation to the supplementary financial information are, as set out in our letter of engagement, to report to you our opinion as to whether the supplementary financial information has been properly prepared in accordance with methods and assumptions described therein and that these are consistent with the European Embedded Value Principles (“EEV Principles”) as promulgated by the European Chief Financial Officers’ Forum (“CFO Forum”).

This report, including the opinion, has been prepared for and only for the Company in accordance with our letter of engagement and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the supplementary financial information. The evidence included an assessment of the significant estimates and judgements made by the Company in the preparation of the supplementary financial information, and of whether the accounting policies are appropriate to the Group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the supplementary financial information is free from material misstatement.

In our opinion:

The supplementary financial information has been properly prepared in accordance with the basis of preparation.

The methods and assumptions, in all material respects and with due regard to the nature of the business, are consistent with the EEV Principles as promulgated by the CFO Forum.

PricewaterhouseCoopers LLP, London

11 April 2006

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