

**Swiss Re**



2006 Annual Report  
Shareholders' letter

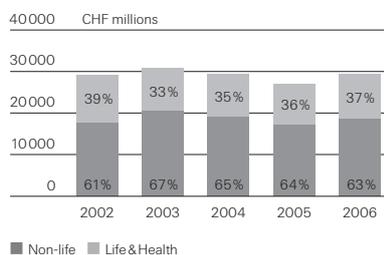
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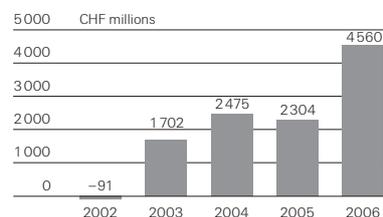
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# Key information

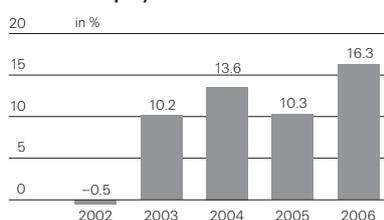
## Premiums earned<sup>1</sup>



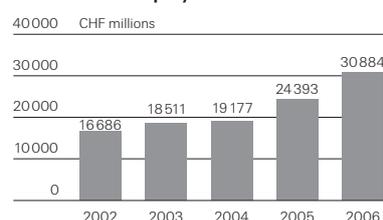
## Net income/loss<sup>1</sup>



## Return on equity<sup>1</sup>



## Shareholders' equity<sup>1</sup>



<sup>1</sup> 2006 and 2005 figures are based on US GAAP, and previous years on Swiss GAAP.

## Financial strength ratings

as of 23 February 2007

	S&P	Moody's	A.M. Best
Rating	AA-	Aa2	A+
Outlook	stable	negative	stable

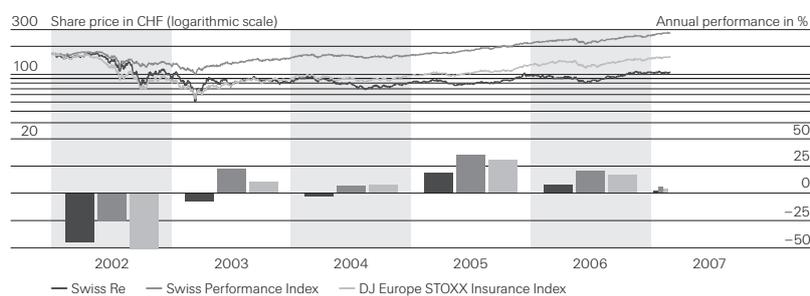
## Share performance

### Market information as of 23 February 2007

Share price (in CHF)	105.50
Market capitalisation (in CHF millions)	37,796

### Performance

	2002 – 23 February 2007 (p.a.)	2006
Swiss Re (in %)	-6.9	7.7
Swiss Performance Index (in %)	10.5	20.7
DJ Europe STOXX Insurance Index (in %)	-1.5	17.2



### Corporate highlights

- Excellent net income of CHF 4.6 billion with strong underlying performance from all businesses
- Successful acquisition and integration of GE Insurance Solutions
- Continued strong investment performance with return on investments of 5.3%
- Property & Casualty operating income improved to CHF 5.0 billion, reflecting strong performance across all lines of business and low levels of natural catastrophe claims; combined ratio improved to 90.4%
- Life & Health operating income of CHF 1.7 billion with return on operating revenues increasing to 10.0%
- Financial Services operating income grew 21% to CHF 460 million, driven by strong results in credit, trading and structuring businesses
- Shareholders' equity increased 27% to CHF 30.9 billion on excellent earnings as well as equity raised for the financing of the GE Insurance Solutions acquisition
- Return on equity increased to 16.3%
- Dividend increase of 36% from CHF 2.50 to CHF 3.40 per share, as well as a share buy-back programme

### Financial highlights

CHF millions unless otherwise stated	2005	2006	Change in %
<b>Non-life business<sup>1</sup></b>			
Premiums earned	17 253	18 541	7
Combined ratio, traditional business (in %)	112.3	90.4	
<b>Life &amp; Health business</b>			
Premiums earned	9 638	10 974	14
Return on operating revenues (in %)	9.6	10.0	
<b>Financial Services business</b>			
Total revenues	1 560	1 963	26
Operating income	379	460	21
<b>Group</b>			
Premiums earned	26 891	29 515	10
Net income	2 304	4 560	98
Earnings per share (in CHF)	7.44	13.49	81
Dividend per share (in CHF)	2.50	3.40 <sup>2</sup>	36
Shareholders' equity	24 393	30 884	27
Return on investments (in %)	6.3	5.3	
Return on equity (in %)	10.3	16.3	
Number of employees <sup>3</sup>	8 882	10 891	23

<sup>1</sup> Including Property & Casualty and Credit Solutions

<sup>2</sup> Subject to approval at the Annual General Meeting on 20 April 2007

<sup>3</sup> Permanent staff

# Letter to shareholders

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## Fellow shareholders, colleagues, ladies and gentlemen

2006 was an excellent year for Swiss Re, in which we made significant progress towards our goal of higher earnings, in terms of both absolute results and sustainability. It gives us great pleasure to report net income rising 98% to CHF 4.6 billion, or CHF 13.49 per share, resulting in a return on equity of 16.3%. These excellent results are the outcome of hard work by the entire Swiss Re community to drive our performance by seizing attractive opportunities, leveraging the integration of Insurance Solutions and constantly striving towards our strategic goal of organisational excellence.

All divisions contributed to the success of the 2006 results. Property & Casualty business delivered a strong operating income of CHF 5.0 billion and a combined ratio of 90.4%, an improvement of 23.7 percentage points compared with 2005. While the year benefited from a benign hurricane season, the underlying quality of our underwriting performance delivered substantially more value. Life & Health business continued to be a strong contributor to Swiss Re's earnings with operating income of CHF 1.7 billion. Within our Client Markets teams, Europe Division, the historical bedrock of our Group with its strong client franchise, maintained its profitability track record. In the Americas, we strengthened our client base, leveraging our leadership position while maintaining pricing discipline across all lines of business. Asia Division achieved further inroads in the Chinese market and continued to build on Swiss Re's leading presence in the region. In a highly competitive environment, Globals & Large Risks successfully grew the business, complemented by the industrial risk business of Insurance Solutions. Financial Services delivered strong results, with operating income of CHF 460 million, adding material value to the rest of the Group in terms of asset management, risk hedging and risk intermediation. The Group's active management of duration, credit spreads and equity exposure resulted in a strong return on investments of 5.3%. We would like to express our appreciation to the respective teams for these remarkable achievements.

Our strategic direction focuses on four key objectives to deliver enhanced sustainable returns for shareholders:

- Generate economic profit growth
- Reduce earnings volatility
- Enlarge market scope
- Advance organisational excellence

The 2006 results show how this powerful combination drives our performance, allowing us to deliver best in class client service and, ultimately, attractive shareholder returns.

Our strategic objectives have been embedded in all of Swiss Re's activities, helping us to further improve our economic efficiency. Our business goals are simple: to ensure sustainable earnings per share growth and to pursue high quality business rather than volume for volume's sake. This is further supported by continually expanding the scope and range of services we provide to clients in all lines of business and regions.

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In 2006, Swiss Re achieved a series of strategic milestones. The successful integration of Insurance Solutions marked the largest acquisition ever completed by Swiss Re, providing us with increased scale and an expanded talent pool. In December, we concluded our largest Admin Re<sup>SM</sup> transaction to date: the acquisition in the UK of GE Life business (which was not part of the acquisition of Insurance Solutions from General Electric). We also added several sizeable transactions to our securitisation strategy, structuring and selling pools of extreme mortality risk (Vita Capital), credit reinsurance (Crystal Credit) and natural catastrophe risks (Successor) to the capital markets. Finally, various efforts to advance our operational efficiency were successfully completed.

Each of these milestones was achieved smoothly, demonstrating the experience and organisational skills of the Group. Clients and brokers alike complimented our client teams on their ability to maintain a consistent and reliable partnership in the market. This resulted in highly successful renewals for 2007 with non-life premiums rising 14%.

The excellent earnings for 2006 considerably reinforced our strong capital position, and the Board of Directors will recommend both a dividend increase of 36% to CHF 3.40 per share (2006: CHF 2.50) and a share buy-back programme. This recommendation reflects Swiss Re's policy to focus on active capital management while maintaining superior capital adequacy and credit ratings.

Our executive management team was further strengthened in 2006 with the appointment of Roger Ferguson as Head of Financial Services and member of the Executive Committee, as well as Chairman of Swiss Re America Holding, succeeding Jacques Dubois. Roger's vision, managerial talent and experience as a former Vice Chairman of the US Federal Reserve are a strong addition to our team. We take this opportunity to thank Jacques, who retired at the end of 2006, for his outstanding contribution to Swiss Re and more recently for the key role he played in the acquisition of Insurance Solutions.

In December, the Executive Board was also reinforced with three additional appointments: Markus Diethelm, Group Chief Legal Officer, Philip Lotz, Head of Capital Management and Advisory, and Jonathan Isherwood, Global Head of Claims & Liability Management. Each of the new members brings deep experience and leadership to areas which are of critical value to the long-term success of Swiss Re.

In December, the Group announced that George Quinn will succeed Ann Godbehere as Group Chief Financial Officer (CFO) and member of our Executive Committee as of 1 March 2007. With his strong experience in all financial aspects of Swiss Re, George has already made a significant contribution to the success of our Group. In his recent role as regional CFO for the Americas and CFO of Financial Services, he played a leading role in the integration of Insurance Solutions and helped to make the acquisition a success for Swiss Re. We are gratified to have found the right talent within Swiss Re for this important position. The entire Board of Directors and Executive Board thank Ann for

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her dedication and commitment during the past four years as Group CFO and throughout her outstanding career, which spans more than 25 years with Swiss Re and the former Mercantile & General Re.

The executive management can count on the support and also the constructive challenge of an independent, diversified and experienced Board of Directors, including former General Electric Vice Chairman Dennis Dammerman, who was elected to the Board in February 2006. We are pleased that Hans Ulrich Maerki has made himself available to join our Board. His election will be proposed at the Annual General Meeting on 20 April 2007. Mr Maerki is currently Chairman of IBM Europe, Middle East and Africa, and will bring unique business insights to our Board.

Sadly, our friend and trusted Board member George Farr passed away in November. We would like to express our respect and admiration for his valuable guidance and leadership over the years.

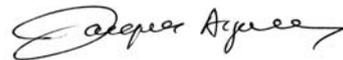
Swiss Re's success is built on superior client services, pro-active capital management, diligent and disciplined underwriting, and dynamic growth through new products and markets. Our focus is to deliver attractive risk-adjusted returns. Our leadership position has been reached thanks to the dedication and teamwork of over 10 000 colleagues in more than 25 countries, and we would like to thank all Swiss Re employees around the world for their invaluable contribution to our success.

We have embarked on 2007 with high confidence and even higher expectations for the continuing success of your company in delivering sustainable and strong earnings per share. With the conversion of our accounts to US GAAP and the adoption of quarterly financial disclosure, we look forward to providing you with a continuous flow of information throughout the year.

Zurich, 1 March 2007



Peter Forstmoser  
Chairman of the Board of Directors



Jacques Aigrain  
Chief Executive Officer

# Cautionary note on forward-looking statements/Information

## Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re's actual results, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Such factors include, among others:

- the impact of significant investments, acquisitions or dispositions, and any

delays, unexpected costs or other issues experienced in connection with any such transactions, including, in the case of acquisitions, issues arising in connection with integrating acquired operations;

- cyclicalities 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 our invested assets or changes in our 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;
- changes in rating agency policies or practices;
- the lowering or withdrawal of one or more of the financial strength or credit 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, such as bankruptcies and liquidations;
- 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
- changes in competitive pressures.

These factors are not exhaustive. We operate in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

## Information

### Important dates

20 April 2007  
143rd Annual General Meeting

25 April 2007  
Payment of dividend

8 May 2007  
First quarter results

7 August 2007  
Second quarter results

6 November 2007  
Third quarter results

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Title:  
2006 Annual Report  
Shareholders' letter

Original version in English

The 2006 Annual Report Shareholders' letter is also available in German and French.

The web version of the 2006 Annual Report is available at:  
[www.swissre.com/annualreport](http://www.swissre.com/annualreport)

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