



Swiss Re



Swiss Re investors' and media meeting

Monte Carlo

8 September 2008

Swiss Re



Agenda

- **Market developments, focus topic inflation**
- **Swiss Re's business position**
- **Questions & answers**

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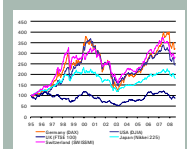
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Insurers are facing a more challenging business environment

Region	Property per risk		Property Cat		Casualty	
	Loss free	Loss free	Loss free	XL loss free	Loss free	XL loss free
US	-15%	-10%	-20%	-10%	-10%	-15%
Europe	-5%	-2.5%	-15%	-5%	-5%	-12.5%
Lat	5%	5%	5%	5%	5%	5%
Western East	-20%	-15%	-15%	-15%	-15%	-15%
Australia	0%	0%	0%	0%	0%	0%
Asia	-10%	-10%	-20%	-10%	-10%	-15%

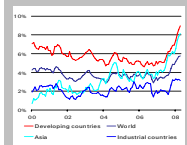
Softening (re)insurance markets

- pressure on premiums
- increasing risk of higher claims (broader terms & conditions)



Stock market turbulences

- reduction in equity capital
- more difficult financing environment
- squeeze of alternative capital
- regulatory repercussions



Deteriorating economic environment

- slowing GDP growth
- elevated inflation

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Market development 2008 Nat Cat – upward trend continues

Nat cat events in 2008	Region	Estimated insured loss (USD m)*
Hurricane Gustav	Gulf of Mexico, Caribbean	4'000 to 8'000
Winter storm Emma	Northern Europe	1'462
Snow storms, freezing rain	China	1'300
Tornadoes, rain, hail	US	1'200
Floods, mining firm suffers production delays	Australia (Queensland)	1'100
Tornadoes, winter storms, floods	Southeast US	955
Thunderstorms, hail	Central US	900
Storms, hail, heavy rain, floods	US (AR, TX, OK)	800
Winter storm, rain, snow, floods, mudslides	Western US	745
Storms, heavy rain, hail, floods and landslides	Central Europe	731

→ Insured losses up to 1 September 2008 increased by 20% relative to the same period in 2007 (based on the estimated Gustav loss)

→ 2008 figures confirm long-term trend towards higher nat cat claims

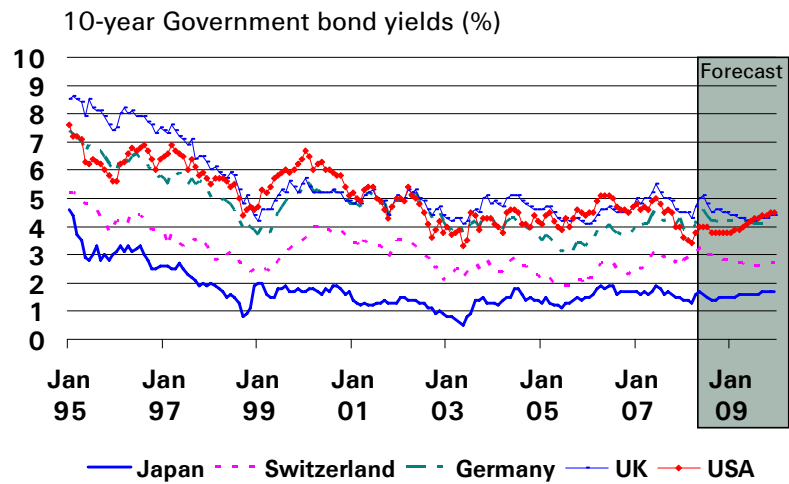
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*Property and business interruption, excluding liability and life insurance losses.
 US natural catastrophe figures: with the permission of Property Claim Services

Market development

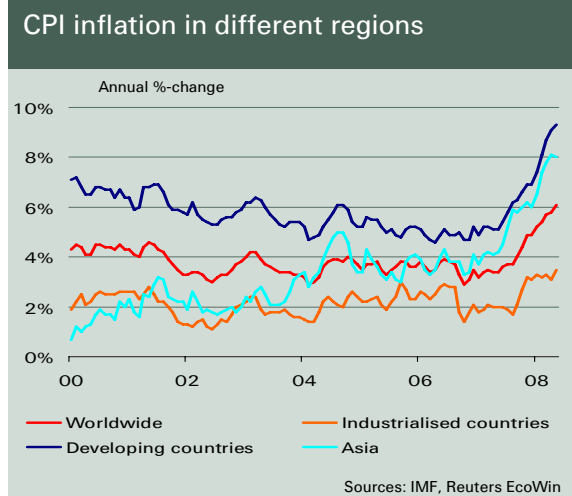
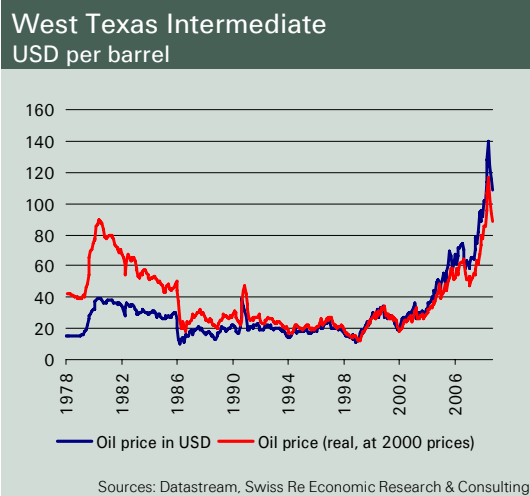
Meagre investment returns due to low interest rates



→ Bond yields not expected to return to high levels in the near future

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Inflation up, driven largely by oil and food prices



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What does inflation mean for the different stakeholders?

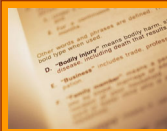
Illustration referring to a casualty contract



Injured
 May not be fully compensated



Policyholder
 Is underinsured and needs to draw from personal wealth to pay for the claim



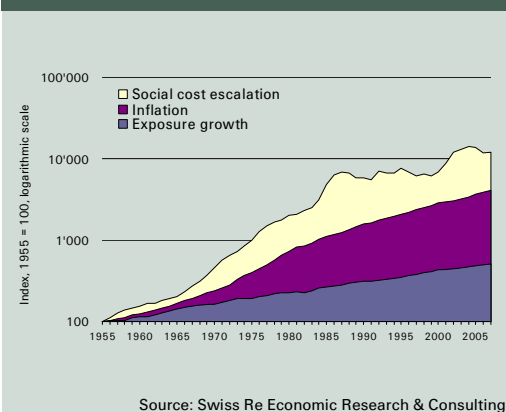
(Re)insurer
 Uncompensated higher claims cost for existing business, risk of under pricing new business

All stakeholders are negatively affected by inflation, if it is not taken into account appropriately

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Not every type of inflation impacts claims the same way

US commercial liability claims growth



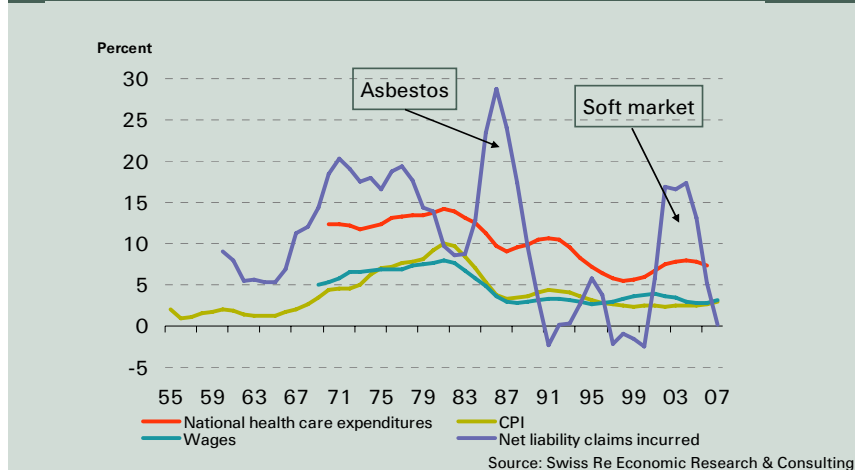
Types of "inflation" and impact on claims "inflation"

<u>Inflation</u>	<u>Impact</u>
■ Commodity/food inflation	low/medium
■ Medical cost escalation	high
■ Wage inflation	high
<u>Social cost escalation</u>	
■ Pain & suffering	high
■ Compensation for foregone wages	high

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Liability claims volatile, though trends with medical inflation

USA year-over-year growth in 5-year moving average



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Insurers have the tools to deal effectively with inflation

Inflation mechanics



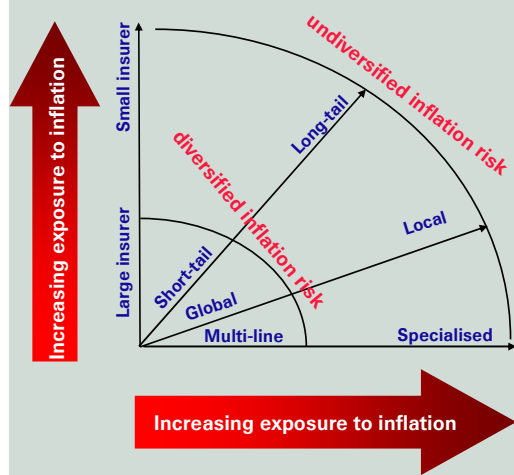
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Risk mitigation possibilities

- Regularly review and adjust covers
- Introduce restrictive limits
 (in certain US lines low upper limits for claims protect (re-)insurers from inflation)
- Use index clauses to avoid disproportional loss increases in non-proportional covers
- Adjust (re)insurance rates
 (if covers are not adjusted)
- Invest reserves in inflation-linked bonds and other inflation hedges to protect own balance sheet

Reinsurance helps insurers to cope efficiently with inflation

Exposure to inflation risk



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The inflation value proposition of reinsurance

- Protecting insurers against inflation risk is part of reinsurers' value proposition.
- Reinsurance covers the risk that frequency and severity of claims exceed expectations – also in case of inflation.
- Diversification also applies in the case of inflation as it allows a better absorption and management of inflation risk (ie matching inflation on the asset side, inflation hedging with eg inflation-linked bonds).

Claims cost exposure is highest in the US

Size of non-life claims reserves 2006 numbers

	Net claims reserves USD bn	as a % of invested assets	as a % of shareholders' equity
US	484	45%	117%
Japan	197	69%	259%
Canada	38	67%	160%
UK	76	44%	124%
France	87	40%	94%
Germany	80	38%	83%
World (estimate)	1400		

World reserves are extrapolated, applying the share of the selected countries in overall non-life premiums
 Source: Swiss Re, *sigma* No 2/2008

2% **additional** claims escalation for 2 years would cost the global insurance industry between USD 55-60bn.

→ Monitoring of US claims development is key

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Agenda

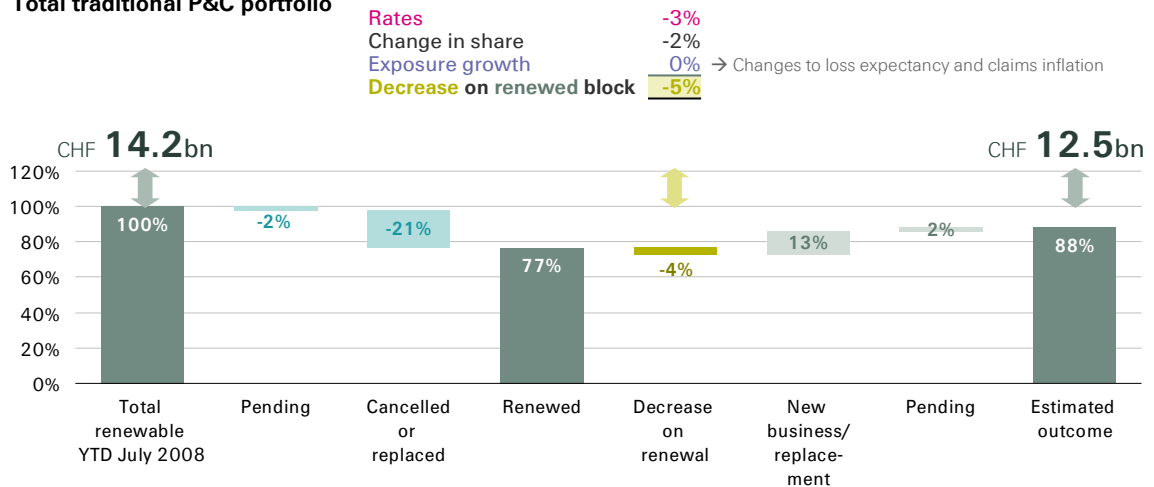
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Renewal 2008 YTD July

Maintaining margins requires disciplined selection,
 in the face of significant market declines

Total traditional P&C portfolio



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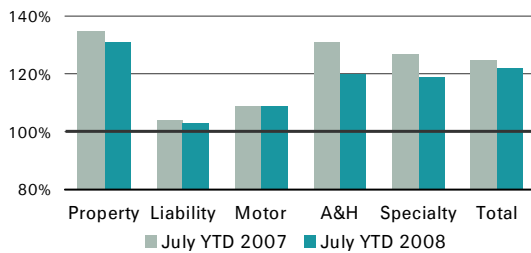
All renewal figures are estimated and calculated at constant foreign exchange rates; includes credit business

Renewal 2008 YTD July

Non-proportional business with higher price adequacy

P&C Non-proportional

Achieved price as % of technical reference price

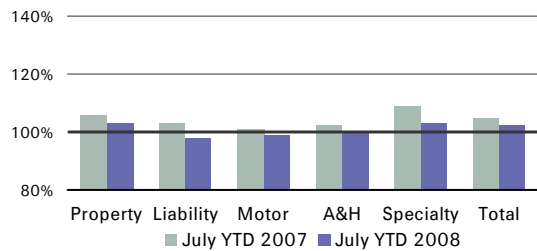


- **Property** prices maintained at good level for risk profile, through careful selection and shifting of portfolio
- **Liability** suffered price pressure but still renewed above technical reference level
- **Motor** saw unchanged stable profitability level
- **A&H** margins continue at favourable levels
- **Specialty** clearly lower, but profitable on accounts renewed

"Specialty" includes marine, engineering and aviation, excludes credit which was renewed at unchanged rates

P&C Proportional

Achieved price as % of technical reference price



- **Property** challenging; near technical reference level
- **Liability** faces ongoing pressure on rates and dropped below technical reference level
- **Motor** below technical reference price
- **A&H** at technical reference level
- **Specialty** rates fell sharply, especially for Engineering, although careful selection kept portfolio above technical reference level

Renewal 2008 – 2009

Expected trend overall

- Reinsurance rates still trending down, but first signs of stability emerging

- Trends per line of business in a nutshell:

Property Europe – non-proportional



Property Europe – proportional



Property Europe – Nat Cat



Casualty – excluding motor



Casualty – Motor



Marine and Engineering



Aviation



Renewal 2008 – 2009

Line of business trends – Property & Casualty

■ Property

- Excess market capacity
- Demand growth for Nat Cat continues
- Retention levels vary with clients' loss experiences and financial health

→ Swiss Re seeks to deploy its capacity at appropriate premiums and contract terms

■ Casualty

- Ample capacity available
- Sub prime crisis stays on the agenda
- Inflation trends need to be monitored

→ Swiss Re strives to engage clients to share long-term focus and responsibility

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Renewal 2008 – 2009

Line of business trends – Motor and Specialty

■ Motor

- Continued competition in primary markets
- Higher claims inflation needs to be monitored
- Ongoing pressure on price and terms and conditions

→ Swiss Re continues to focus on cycle management

■ Specialty

- Marine shows signs of consistent deterioration
- Engineering very soft, with some positive sub-segments
- Aviation now likely near bottom of cycle

→ Swiss Re scouts opportunities based on its technical expertise to benefit both the client and us

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Renewal 2008 – 2009

Swiss Re's priorities

- Continue stringent underwriting; quality not volume
- Deploy capacity to adequately priced business with core clients
- Identify and support clients who have a strong cycle management focus
- Ensure strong costing and premium forecast accuracy
- Optimize portfolios by markets / clients
- Proactively explore or quickly respond to the whole range of client needs, e.g. capital management, hedging, risk transfer or run-off solutions

→ Swiss Re: a business partner with very strong capitalization and financial flexibility

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Questions & answers

Participants

- Jacques Aigrain, CEO
- Michel Liès, Head of Client Markets
- George Quinn, CFO



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Corporate calendar & contacts

Corporate calendar

25 September 2008 **Investors' day (Zurich)**
 04 November 2008 **Third Quarter 2008 Results (Conference Call)**

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- changes in global economic conditions and the risk of a global economic downturn;
- direct and indirect impact of continuing deterioration in the credit markets, and further adverse rating actions by credit rating agencies in respect of structured credit products or other credit-related exposures and of monoline insurance companies;
- the occurrence of other unanticipated market developments or trends;
- the ability to maintain sufficient liquidity and access to capital markets;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, currency values and other market indices;
- changes in Swiss Re's investment results;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- 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 loss of one of the financial or claims-paying ratings of one or more of Swiss Re's subsidiaries;
- political risks in the countries in which Swiss Re operates or in which it insures risks;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- risks associated with implementing Swiss Re's business strategies;
- the impact of current, pending and future legislation, regulation and regulatory and legal actions;
- 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;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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