



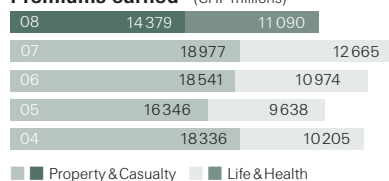
2008 Annual Report  
Shareholders' letter

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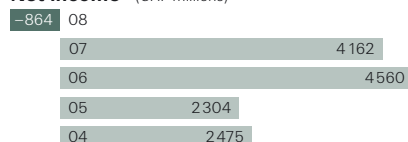
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# Key information

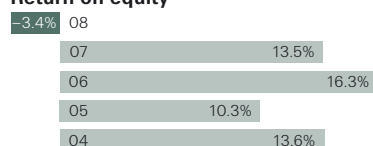
## Premiums earned<sup>1</sup> (CHF millions)



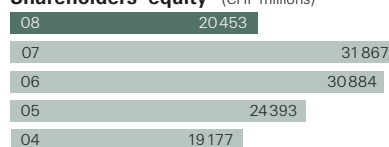
## Net income<sup>1</sup> (CHF millions)



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



## Shareholders' equity<sup>1</sup> (CHF millions)



<sup>1</sup> 2005–2008 figures are based on US GAAP, and 2004 on Swiss GAAP FER

## Financial highlights

CHF millions, unless otherwise stated	2007	2008	Change in %
<b>Property &amp; Casualty</b>			
Premiums earned	18 977	14 379	-24
Combined ratio, traditional business in %	90.1	97.9	
<b>Life &amp; Health</b>			
Premiums earned	12 665	11 090	-12
Benefit ratio in %	87.0	85.5	
<b>Asset Management</b>			
Assets under management, CHF billions	160	125	-22
Return on investments in %	5.3	4.7	
<b>Legacy</b>			
Operating loss	-1 505	-5 890	-
<b>Group</b>			
Premiums earned	31 664	25 501	-19
Net income	4 162	-864	-
Earnings per share in CHF	11.95	-2.61	-
Shareholders' equity	31 867	20 453	-36
Return on equity in %	13.5	-3.4	-
Number of employees <sup>1</sup> (31.12.2007/31.12.2008)	11 702	11 560	-1

<sup>1</sup> Permanent staff

## Share price (CHF)



## Share performance

in %	2004 – 13 Feb 2009 (p.a.)	2008
Swiss Re	-25.1	-61.54
Swiss Market Index	-1.3	-37.65
Dow Jones STOXX 600 Insurance	-7.8	-52.56

# Letter to shareholders



Peter Forstmoser

Jacques Aigrain

Stefan Lippe

## Dear shareholders

In view of extreme financial market turbulence and a higher natural catastrophe burden faced by the insurance industry, Swiss Re delivered a strong underwriting performance in our Property & Casualty and Life & Health business. However, the result was severely impacted by investment results. The sobering analysis is that even though we introduced corrective measures during 2008, in retrospect, we should have acted faster to de-risk the asset side of our balance sheet. All financial market activities that are not insurance-related have been terminated or put in run-off. We continue to focus on reduction of risk in our investment portfolio.

We are disappointed to have to report a loss for the year: 2008 ends with a net loss of CHF 0.9 billion and a severe reduction in the book value per share to CHF 60.96.

However, we take to heart the criticism that we have to further de-risk our investment portfolio. We must ensure the resilience of our balance sheet and protect the company's long-term financial strength. Our challenge is to ensure that we are taking the necessary actions to build a stronger firm for the years to come.

We propose to take a number of measures to reinforce our capital position in order to maintain the financial flexibility to capitalise on client opportunities. The total capital to be raised is likely to amount up to CHF 5.0 billion.

While we take no pleasure in reporting these results, we do wish to recognise the enormous effort of our employees to stay focused on delivering solid operational results and taking advantage of business opportunities that present themselves in the current market environment. Their dedication to meeting our clients' needs should not go unmentioned.

### **Business performance**

Our Property & Casualty segment delivered superior underwriting discipline. It achieved an excellent combined ratio of 97.9% for the fourth consecutive year, despite the impact of large natural catastrophes and the lack of material benefit from prior year reserve development. Our underwriting strength was rewarded by major new insurance transactions with clients seeking innovative insurance risk solutions.

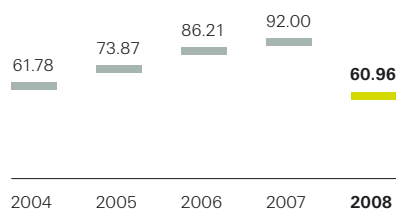
Life & Health produced a benefit ratio of 85.5% and it is encouraging that we expect higher return on capital employed from the new business written. In a highly competitive market for life reinsurance, we are proud to report that our market share of new business, coupled with better pricing, improved in the Americas.

### **Reduce asset risk**

We disbanded our former Financial Markets division to establish two new units: Asset Management and Legacy. Asset Management has two core strategic mandates: to manage the assets generated through (re)insurance activities and match them to the benchmark set by reinsurance liabilities; and to work closely with the Client Markets and Products Underwriting teams to provide insurance-related solutions to our clients.

## Book value

Per share (CHF), as of 31 December



Legacy manages specified products that Swiss Re no longer offers. These products comprise Structured CDS, Portfolio CDS, Financial Guarantee Re and former trading activities. The run-off or sale of discontinued businesses has been accelerated and we do not exclude the possibility of future disposal of other businesses.

We took further decisive action to de-risk the asset portfolio during 2008 through a combination of sales and hedging. Consequently, at the end of 2008 the portfolio was composed of more than 55% cash, short-term investments, treasuries or government-backed instruments, and only 1% remained invested in equity securities. New cash flow is invested in short-term investments, government and government-backed securities.

## Restore and maintain capital strength

In addition to reducing asset risk, we propose to raise capital to re-establish an appropriate buffer given the continuing uncertainties in the financial markets. We want to be a strong counterparty and retain the trust of our clients. The total amount of capital to be raised is likely to be up to CHF 5.0 billion. Subject to your approval, Berkshire Hathaway will invest CHF 3.0 billion in Swiss Re in the form of a convertible instrument. Subject to regulatory approval, the Group has also agreed to enter into an arrangement with Berkshire Hathaway to cover the potential effects of adverse developments, such as inflation, on its Property & Casualty reserves.

We are further seeking your approval to increase capital to provide the Board of Directors with the flexibility to raise up to CHF 2.0 billion. Given the need to strengthen the capital position of the Group, we propose to reduce the dividend to CHF 0.10.

This combination of actions is expected to allow us to continue to benefit from improvements in pricing in the reinsurance market, and to reinforce our capital strength.

## Our fundamental business is solid

Our business model is sound: we deliver insurance solutions to our clients and invest the premiums that we receive. Our vision has been based on fundamental trends such as primary insurance market consolidation and broader insurance risk transfer needs; changing roles of insurance brokers and intermediaries; and growing integration of capital and insurance markets. Given the substantial dislocations that we have seen in 2008, it makes sense to conduct a thorough review to make sure that we devote our resources to those areas where we can maximise returns.

## Appointments

On 11 February 2009, Swiss Re's Board of Directors accepted the resignation of Jacques Aigrain as Chief Executive Officer. The Board thanks Jacques Aigrain for his significant contributions and personal commitment to Swiss Re. Under his leadership, Swiss Re successfully completed several major acquisitions, including the Insurance Solutions operations from General Electric.

On 12 February 2009, the Board announced that Stefan Lippe, former Deputy Chief Executive Officer and Chief Operating Officer, assumes the position of Chief Executive Officer. The Board is confident that Stefan's proven track record in reinsurance will support our efforts to focus on the core business, while at the same time ensuring operational continuity.

The Board appointed Brian Gray, formerly head of Property and Specialty Underwriting, as Chief Underwriting Officer. Brian will ensure the continuity of Swiss Re's underwriting standards and focus on quality and selective underwriting.

We have also brought on board David Blumer, as our new Chief Investment Officer and Head of Asset Management. David, who has extensive expertise in asset management, has already been critical to a successful reorganisation of our Asset Management function.

### **Outlook**

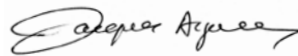
Swiss Re is one of the largest world-wide (re)insurance companies. Our scale and global reach mean that we are well positioned to assist our clients in achieving their ambitious goals in terms of insurance risk-taking or insurance sales growth. Recent transactions demonstrate Swiss Re's strong reputation and outstanding execution capabilities. This is the basis for the earnings power of the firm going forward.

Demand for reinsurance is growing as clients face capital constraints or pursue opportunities for consolidation. The 2009 January renewals were promising with rates and volume increasing. As the reinsurance premium cycle continues to harden, Swiss Re is well positioned to provide clients with effective solutions.

Zurich, 19 February 2009



**Peter Forstmoser**  
Chairman of  
the Board of Directors



**Jacques Aigrain**  
Chief Executive Officer  
(until 11 February 2009)



**Stefan Lippe**  
Chief Executive Officer  
(as of 12 February 2009)

# 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 direct and indirect impact of the continuing deterioration in the financial markets and the efficacy of efforts to strengthen financial institutions and stabilise the credit markets and the broader financial system;
- changes in global economic conditions and the effects of the global economic downturn;
- the occurrence of other unanticipated market developments or trends;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls under derivative contracts due to actual or perceived deterioration of Swiss Re's financial strength;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of Swiss Re's investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to its mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group;
- risks associated with implementing Swiss Re's business strategies;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- 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;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- political risks in the countries in which Swiss Re operates or in which it insures risks;
- 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.

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

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## Corporate calendar

### 13 March 2009

145th Annual General Meeting

### 7 May 2009

First quarter 2009 results

### 5 August 2009

Second quarter 2009 results

### 3 November 2009

Third quarter 2009 results

### 9 December 2009

Investors' Day

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Swiss Reinsurance Company Ltd

Title:

2008 Annual Report

Shareholders' letter

Original version in English.

The 2008 Annual Report Shareholders' letter is also available in German and French.

The web version of the 2008 Annual Report is available at: [www.swissre.com/annualreport](http://www.swissre.com/annualreport)

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