Swiss Re

News release

Swiss Re's 2017 SONAR report examines top emerging risks the re/insurance industry and society are facing

- **Swiss Re's latest SONAR report features 20 new emerging risk themes and six emerging trend spotlights the re/insurance industry should have on its radar**
- **Reduced market access, regulatory fragmentation, the return of inflation, and cloud risk accumulation pose the largest challenges with the highest downside risk potential in the short term**
- **Other risks further out on the time scale are in the health and environmental area, such as the potency of underestimated infectious diseases and growing water stress**
- **The yearly SONAR report aims to spark an informed dialogue about what future risk landscape might lie ahead**

Zurich, 13 June 2017 – Reduced market access, regulatory fragmentation, the return of inflation, cloud risk accumulation, but also emerging liability legislation for artificial intelligence, are some of the key risks identified in this year's SONAR report published today. The publication is based on the SONAR process, a crowdsourcing tool drawing on Swiss Re's unique internal risk management expertise to pick up early signals of what lies beyond the horizon.

The report offers insights into emerging risks and highlights a number of emerging trend spotlights. Emerging risks are newly developing or evolving risks that are difficult to quantify and sometimes not fully understood, but potentially have an impact on the industry and society. Emerging trend spotlights examine early development, which may offer both opportunities and risks for the insurance industry in the future. The report is widely distributed among clients and the wider stakeholder community in order to inform the debate about emerging risks and facilitate the finding of solutions.

"Ignoring emerging risks is not an option, neither for political decision-makers, the insurance industry, nor society as a whole. The earlier we adapt to these changes, the better prepared we will be", says Patrick Raaflaub, Swiss Re's Group Chief Risk Officer. "Sharing knowledge through a proactive risk dialogue across stakeholders can help the insurance industry create a pro-active and pre-emptive risk management culture that enables disciplined risk-taking. That is an important step to help society as a whole to become more resilient", Raaflaub adds.

Media Relations, Zurich
Telephone +41 43 285 7171

New York
Telephone +1 914 828 6511

Singapore
Telephone +65 6232 3302

Hong Kong
Telephone +852 2582 3660

Investor Relations, Zurich
Telephone +41 43 285 4444

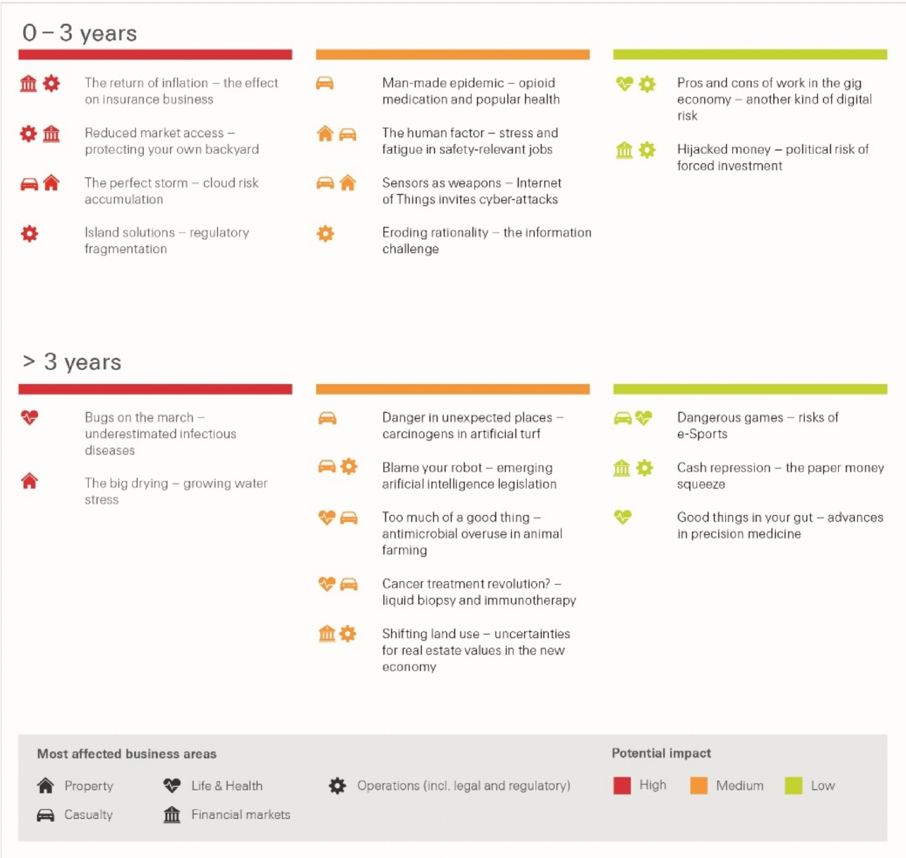
Swiss Re Ltd
Mythenquai 50/60
P.O. Box
CH-8022 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999

www.swissre.com
@SwissRe

The identified risks are relevant to life and non-life insurance areas as well as asset management. They are presented with the goal of helping industry players prepare for new scenarios by adapting their behaviour, market conduct and product portfolios.

Table: Overview of the 20 new emerging risks and their potential impact over time



The six top risks with the highest potential impact:

Reduced market access – protecting your own backyard: The use of regulation to control capital flows and encourage protectionism could eventually undermine the business models of international corporations.

Island solutions – regulatory fragmentation: Increased fragmentation in regulation could undermine re/insurers' ability to support economic activity and act as stabilizers in the financial markets. In a fragmented regulatory world there is also much less opportunity to efficiently pool risks.

The return of inflation – the effect on insurance business: After years of low inflation and even fears of deflation, we see signs of headline price increases here and there. Inflation can affect insurers' profitability, in particular on long-term liabilities (life, casualty). It can also have an adverse impact on asset management.

The perfect storm – cloud risk accumulation: Cloud services have become widespread, for business and households alike. But as the cloud accumulates data-sets and services on an ever-increasing scale, it also generates a variety of risks that may accumulate to a "perfect storm", e.g. by a cyber-attack or a power blackout.

The big drying – growing water stress: While the U.S. Southwest is in an on-going water crisis, similar situations can be found today and in the future around the world – from Southern Europe and the Mediterranean to Africa, parts of Asia and Latin America. The risks range from wildfires, competition for water among the energy and agricultural sectors to mass migration and wider conflict potentials.

Bugs on the march – underestimated infectious diseases: The question is not whether deadly infectious diseases will appear, but when and how society is prepared to cope with them. In an extreme scenario, each epidemic or pandemic has high relevance for life and health insurance and the financial markets.

Notes to editors

Join the discussion on Twitter: #SRSonar17 and check out our infographics.

About Swiss Re

The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients. From standard products to tailor-made coverage across all lines of business, Swiss Re deploys its capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend. Founded in Zurich, Switzerland, in 1863, Swiss Re serves clients through a network of around 80 offices globally and is rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "A+" by A.M. Best. Registered shares in the Swiss Re Group holding company, Swiss Re Ltd, are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange and trade under the symbol SREN. For more information about Swiss Re Group, please visit: www.swissre.com or follow us on Twitter @SwissRe.

For logos and photography of Swiss Re executives, directors or offices go to www.swissre.com/media

For media 'b-roll' please send an e-mail to media_relations@swissre.com

Swiss Re

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

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

- further instability affecting the global financial system and developments related thereto;
- further deterioration in global economic conditions;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in its investment policy or the changed composition of its 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 the Group's balance sheet equivalent to their 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 the Group's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies and the interpretation of legislation or regulations;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- 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. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.