



# Deutsche Bank 12th Annual Swiss Equities Conference

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Zurich, 18 May 2011



# Introduction to Swiss Re



## Swiss Re

### Swiss Re is a leading and highly diversified global re/insurance company

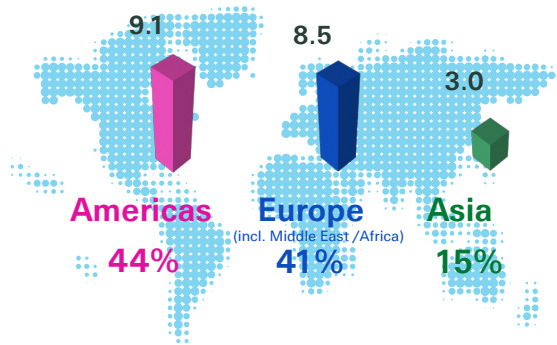
- **147 years of experience** in providing wholesale re/insurance and risk management solutions.
- **We deliver both traditional and innovative offerings** in Property & Casualty and Life & Health that meet our clients' needs.
- **A pioneer in insurance-based capital market solutions**, we combine financial strength and unparalleled expertise for the benefit of our clients.
- **Our financial strength** is currently rated:  
Standard & Poor's: A+/positive; Moody's A1/stable; A.M. Best: A/positive



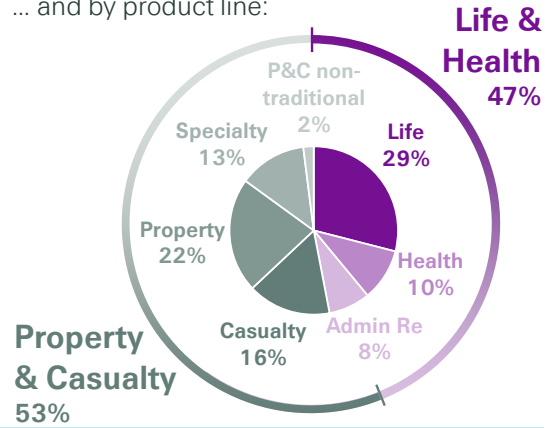
## Swiss Re is broadly diversified by geography and product line

### Premiums earned<sup>1</sup> 2010 (USD 20.6 billion)

by region (in USD bn)



... and by product line:



- Swiss Re benefits from geographic and business mix diversification and has the ability to reallocate capital to achieve profitable growth
- Combines accumulated expertise of over 147 years and continuing research with a widely recognised strong track record of innovation

<sup>1</sup> Includes fee income from policyholders



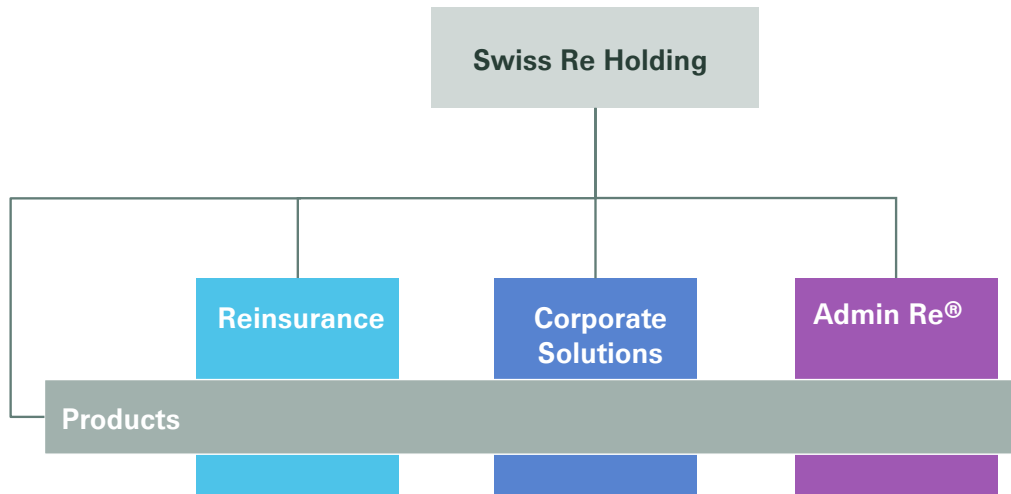
# Swiss Re's priorities and new corporate structure



## Swiss Re's priorities



## Organised to deliver consistent underwriting across the Group



- Underwriting quality is core to Swiss Re's DNA

## Objectives of new corporate structure

- **Sharpen focus on individual client needs** with three distinct Business Units with tailored strategies and differentiated product and service delivery to fully capitalize on attractive growth opportunities
- **Increase transparency** over allocated capital and assets, performance, and value of individual Business Units
- **Address proactively regulatory demand** for greater transparency on large international insurance groups
- **Increase accountability** through full accountability for the entire business performance including P&L and balance sheet
- **Strengthen flexibility** to capitalise on emerging opportunities
- **Deploy capital** to businesses with the most economic value potential

# Creating value in wholesale reinsurance

## Creating value in wholesale re/insurance

### Re/insurance value drivers

Market inefficiencies at a point in time

Market inefficiencies over time

Portfolio construction & efficiency

### Swiss Re capabilities

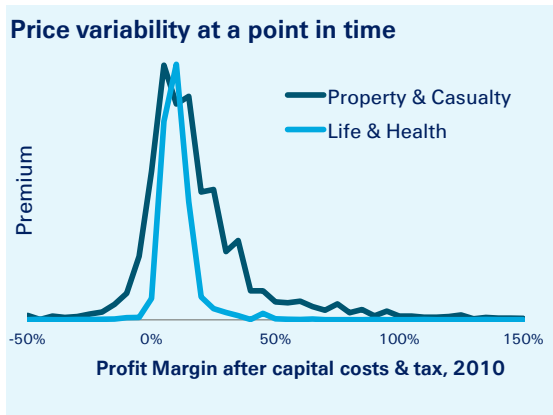
Client access & knowledge

UW insight & structuring

Global steering & delivery

- We aspire to capture value from market inefficiencies and portfolio efficiency, via fundamental analysis and execution

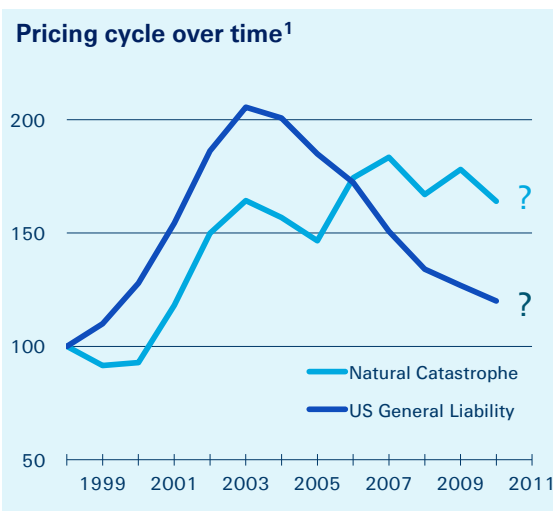
## Market inefficiencies at a point in time



- The market is inefficient at pricing
- Success drivers: critical mass and investment in
  - R&D into risk factors
  - Proprietary costing tools
  - UW training
  - Metrics and measurement
  - Leveraging skills across portfolios

■ Inefficiencies create the opportunity for investment in outperformance

## Market inefficiencies over time (1/2)



- The market is inefficient at pricing at a consistent profit margin over time
- The magnitude of the price cycle is extreme
- Success drivers
  - Accurate costing at time of sale
  - EVM: consistent and comparable metrics for a value creation UW-year basis, across all units
  - Structure allowing shifts between units and over time

■ Market inefficiencies create opportunity for outperformance

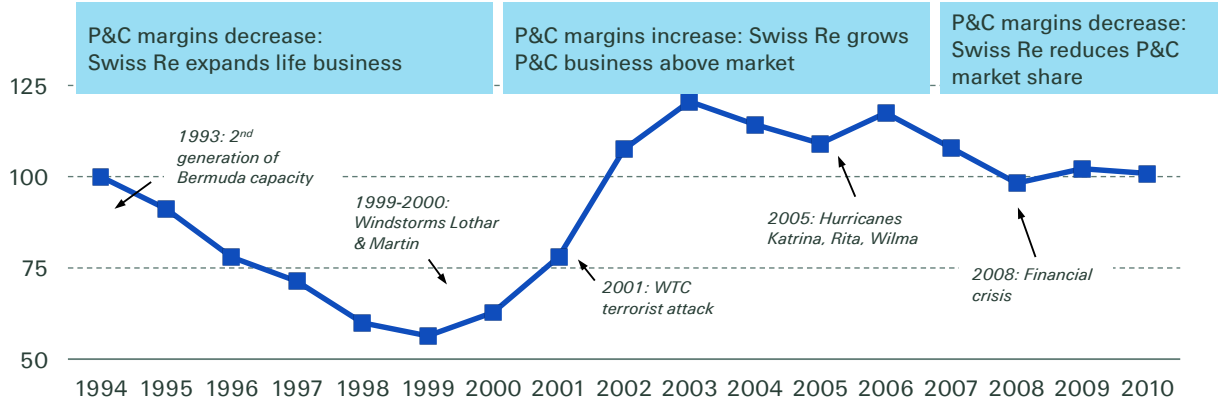
<sup>1</sup> Source: Camares, Council of Insurance Agents & Brokers



## Market inefficiencies over time (2/2)

### Capturing value from the cycle: A track record of steering over time

P&C pricing index<sup>1</sup> (1994=100)



Swiss Re share of global P&C reins. market

Period	Swiss Re share of global P&C reins. market	Net Premium CAGR
1994-1999	9.7%	5%
2000-2006	10.9%	6.5%
2007-2010	~ 7%	3.5%

Segment	1994-1999	2000-2006	2007-2010
Non-life reinsurance market	5%	6.5%	3.5%
Swiss Re P&C	-0.2%	13%	-7% <sup>2</sup>
Swiss Re L&H	41%	10%	0%

<sup>1</sup> Source: Swiss Re Economic Research & Consulting

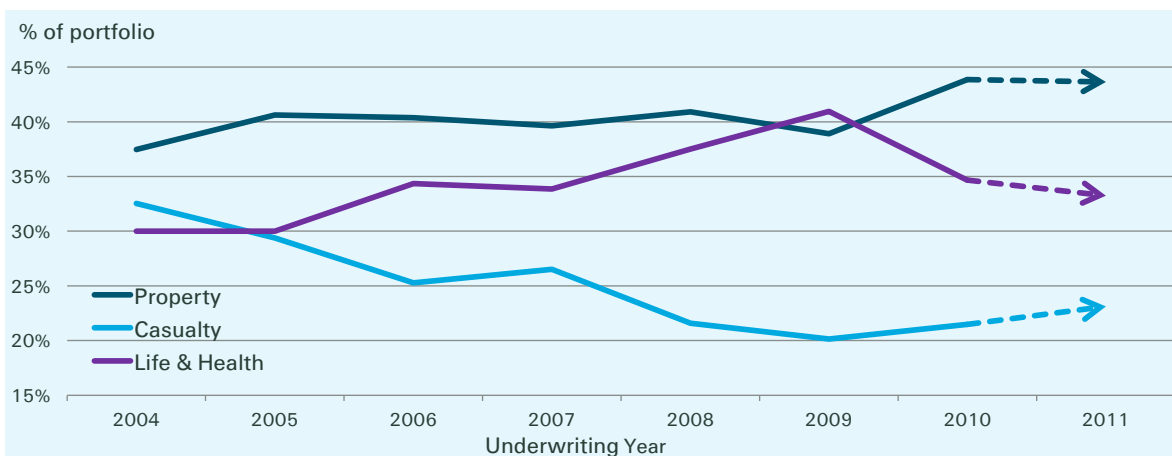
<sup>2</sup> Includes effect of 20% P&C quota share beginning in 2008



## Portfolio construction

### Steering towards segments offering most value

#### Net present value of premiums written



- Steering is enabled by consistent, Group wide, value-driven metrics
- Swiss Re has steered away from Casualty in recent years





# First quarter 2011



## Q1 2011 Highlights

### High level of natural catastrophes

- **Net loss USD 0.7bn** vs net income USD 0.2bn in Q1 2010
- **P&C combined ratio 163.7%**
  - Nat cats account for 89.4% pts
  - Combined ratio adjusted for normal expected level of nat cats and reserve development 90.1%
- **L&H impacted by less favourable mortality**
- **Strong Asset Management performance**
  - RoI 4.0%
- **Book value per share CHF 65.19 (USD 71.26)** vs book value per share of CHF 68.99 (USD 74.02) at end December 2010

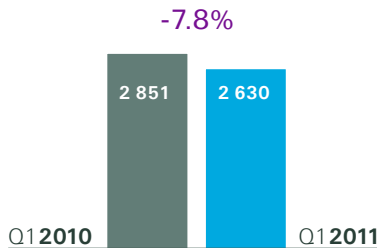


# Property & Casualty

## Strong underwriting results impacted by high losses from natural catastrophes

### Premiums earned

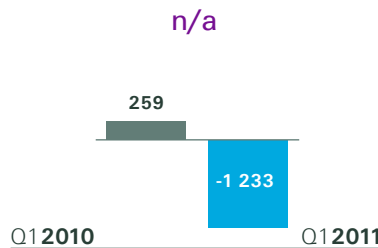
USD m



- Premiums written increased by 11.6% reflecting successful January 2011 renewals
- Premiums earned reflect cycle management actions in 2010, unfavourable premium updates and impact of delayed US GAAP earning recognition

### Operating income/loss

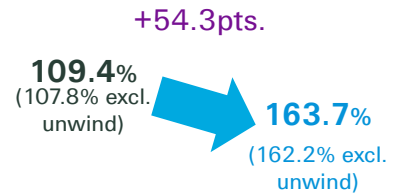
USD m



- Decrease driven by natural catastrophe experience, impacting the Q1 2011 results by USD 2.3bn
- Net investment income decreased by USD 112m mainly due to lower interest rates

### Combined ratio, trad.

%

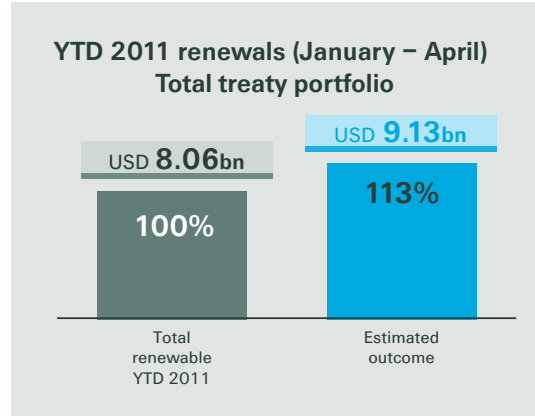
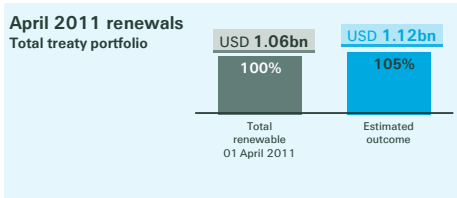
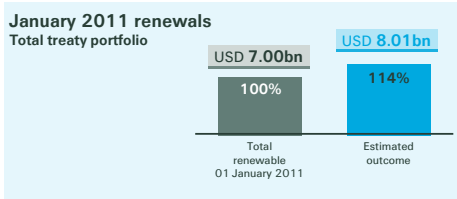


- Net impact from natural catastrophes was 89.4% pts, which is 79.8% pts above expected
- Favourable net reserve development of 6.2% pts
- Adjusting for normal nat cat and reserve development CR is 90.1%



# January and April 2011 renewals

## Continued growth, high portfolio quality maintained



- Strong price increases in April Japanese renewals of around 20 - 50% for non-proportional EQ and around 4 - 10% for non EQ exposed property covers
- Long term price adequacy in April 2011 increased to 117% compared to 114% in April 2010 – Including model adjustments for increased near-term seismicity for Japan EQ (aftershock risk), the long term price adequacy is 109%
- Nat cat events of 2010 and Q1 2011 are expected to accelerate price improvements

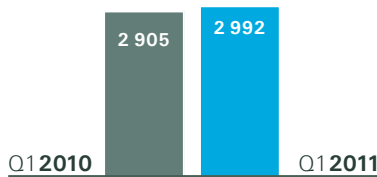
<sup>1</sup> January 2011 numbers have been remeasured with current FX rates

## Life & Health Less favourable mortality

### Operating revenues

USD m

+3.0%

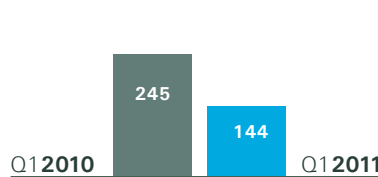


- Increased premiums and fee income driven by growth in traditional health business, primarily in Asia

### Operating income

USD m

-41.2%



- Mortality experience slightly below expectations and significantly less favourable than prior year
- Morbidity experience better than expectations compared to unfavourable prior year result
- VA and pre-2000 GMDB loss of USD 13m (Q1 2010 gain of USD 55m)

### Benefit ratio<sup>1</sup>

%

+0.3 pts



- Benefit ratio stable
- Slight increase due to less favourable mortality, partly offset by favourable morbidity experience

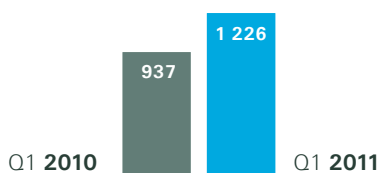
<sup>1</sup> Benefit ratio excludes the impact of VA & pre-2000 GMDB from all periods presented

## Asset Management Strong income and improved RoI

### Operating income<sup>1</sup>

USD m

+30.8%

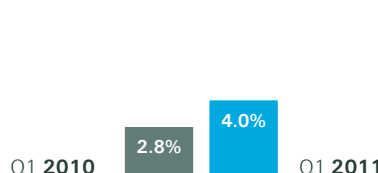


- AM fixed income running yield of 4.0% for Q1 2011, 4.2% for Q1 2010
- Higher realised gains mainly from securitised products and equities
- Increased investment income from rates and corporate bonds offset by decrease in securitised due to de-risking
- Duration closely matched

### Return on Investments

%

+1.2pts

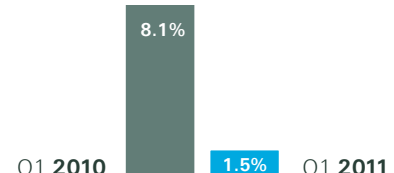


- RoI of 3.3% for rates, 4.4% for credit and 10.4% for equities and alternative investments
- Excluding FX impact, RoI is 4.2%. Impact is -0.2% in both Q1 2011 and Q1 2010
- Impairments of USD 54m mainly driven by securitised products, Q1 2010: USD 90m

### Total return<sup>2</sup>

%

-6.6pts



- Total return of -1.3% for rates, 4.0% for credit and 15.7% for equities and alternative investments
- Increase in equities and alternative investments driven by m-t-m of underlying positions
- Decrease in unrealised gains due to higher interest rates compared to year end 2010

<sup>1</sup> Minority interests included in operating income but excluded from the RoI and total return

<sup>2</sup> Total return includes change in unrealised gains/losses



## Summary

### Expect to benefit from improving market conditions

- Net loss for period driven by very high level of nat cats
- Nat cat events expected to accelerate market hardening
- Renewals show continued growth and underwriting quality
- Good result in AM, portfolio in line with asset allocation mid-term plan
- Underlying business demonstrates progress towards 5 year financial targets

- Our market position and capital strength are a competitive advantage



# Questions & answers



## Corporate calendar & contacts

### Corporate calendar

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04 August 2011	<b>Second Quarter 2011 results</b>	Conference call
12 September 2011	<b>Investors and Media meeting</b>	Monte Carlo
03 November 2011	<b>Third Quarter 2011 results</b>	Conference call
09 December 2011	<b>Investors' Day</b>	

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- further instability affecting the global financial system and developments related thereto;
- changes in global economic conditions;
- 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 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 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 hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of one or more of the companies in the Swiss Re group or developments adversely affecting the ability to achieve improved ratings;
- the cyclical nature 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 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;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies, and regulatory or legal actions;
- changes in accounting standards;
- 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;
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks; and
- challenges in implementation, adverse responses of counterparties, regulators or rating agencies, or other issues arising from, or otherwise relating to, the changes in Swiss Re's corporate structure.

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