



In a challenging business environment, Swiss Re will continue to focus on disciplined underwriting

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Monte Carlo, 8 September 2008 – The (re)insurance industry is facing a more challenging business environment characterised by continued soft (re)insurance markets, stock market turbulence and an active hurricane season. Elevated inflation in many countries poses an additional risk to the insurance industry’s capital base and aggravates the problem of underinsurance. The industry has to take inflation into account when considering the amount of cover and its pricing. Ahead of the upcoming January 2009 renewals, Swiss Re will continue to focus on disciplined underwriting.

“In the continuing challenging market environment, Swiss Re will continue to serve its clients and to focus on disciplined underwriting. Therefore, preserving margin is the priority even if it means lower volume”, said Michel Liès, Head of Client Markets Swiss Re. The company expects reinsurance rates to continue their down trend in most locations and lines of business, albeit at a less pronounced pace than last year. While a complete turnaround seems unlikely in the near term, Swiss Re is increasingly seeing opportunities that do not fit this general trend, for example, in aviation or engineering.

Commenting on this development, Liès added: “Due to the global capital markets environment, the price for risk is rising and capital costs have gone up sharply. The insurance market should take account of this.”

At the same time, year-on-year inflation in the US and in some European countries has reached or exceeded 4%. In many emerging markets, it has reached double-digit levels.

Although key drivers of the current elevated inflation are commodity and food prices, which do not translate one to one into higher claims, the insurance industry should be concerned. If inflation stays elevated for an extended period, it may generate additional losses, reducing the insurance industry’s capital base. Insurers might also face the risk of underinsurance, leaving them short of cover in the case of an insurance event.

Jacques Aigrain, Swiss Re's Chief Executive Officer, said:
"Protecting insurers against the unexpected is core to the reinsurers' value proposition. As a diversified reinsurer, Swiss Re can offer solutions to assist insurers in managing inflation risk. Swiss Re takes account of inflation risk in its underwriting, its asset liability management and its hedging strategies."

Notes to editors

Swiss Reinsurance Company Ltd

Swiss Re is a leading and highly diversified global reinsurer. The company operates through offices in more than 25 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "AA-" by Standard & Poor's, "Aa2" by Moody's and "A+" by A.M. Best.