Swiss Re

News release

Technology driving long-term transformation of the insurance industry; price levels expected to stabilise

- **Technology is transforming re/insurance business models: by working together the industry can reap long-term benefits**
- **In these market conditions Swiss Re will focus on underwriting discipline and tailored transactions**
- **Reinsurance price levels expected to stabilise; price erosion in natural catastrophe business lines expected to slow down**

Monte Carlo, 12 September 2016 – Even though macroeconomic conditions and the overall industry environment remain challenging, Swiss Re believes that technological advances will create new and valuable efficiencies. The industry can increasingly access new risk pools emerging from the integration of data, analytics, and technology that addresses the insurance protection gap, creating new opportunities for growth. These trends will challenge the industry to adapt quickly in order to provide greater value to customers and enhance resilience on a global scale. Reinsurers and insurers should work together to manage and profit from these advances.

Christian Mumenthaler, Swiss Re's Group Chief Executive Officer, says: "It's a special year this year, as it's the 60th anniversary of Les Rendez-vous de septembre. The industry has experienced many changes in this time. It is our goal to partner with our clients to help them tackle new markets and emerging risks also in the future. Being at the centre of the technological transformation that is unfolding is a key part of the strategic framework we launched last December. With our knowledge and differentiation we want to seize the momentum so we can help our clients adapt and thrive. I'm proud to say that Swiss Re has been at Monte Carlo from the start in 1957 - being a strong partner for our clients and working together on smart solutions."

Advances in technology will change business models

Technological developments will profoundly change the way in which the re/insurance industry develops, distributes, underwrites, and administers the insurance protection it sells to consumers. New technologies such as cognitive and cloud computing as well as big data will simplify and accelerate the industry's underwriting process and reduce the price of insurance protection overall. This development will allow insurers to tap into the vast insurance protection gap and build up new revenue streams. The biggest sources of value creation will be in reducing costs and creating completely new services.

Media Relations, Zurich
Telephone +41 43 285 7171

New York
Telephone +1 914 828 6511

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 main catalysts for change include: mobile-first preference from the end consumer (e-distribution), increasingly dynamic and regular consumer interaction with computers (digital advisors), an exponential increase of data on people and objects (e.g. Internet of Things, telematics), the common and secure use of distributed data (blockchain technology), and the ability to recognise patterns in large and unstructured data (artificial intelligence). These technologies are expected to shift risk pools and create new opportunities.

Technological transformation part of Swiss Re's strategic priorities

Unlocking attractive new risk pools is part of Swiss Re's strategic framework, which combines the Group's financial strength, client relationships, and its status as a knowledge company. Within this framework, Swiss Re's core strategic pillars enable the company to pivot and respond to new realities in order to offer appropriate and optimal solutions for its clients.

Swiss Re is running numerous use cases and is building up research and development units utilising complex digital analytics in order to offer actionable research and transformational opportunities. In addition, it actively invests in creating product offerings for new and peak risks arising from technological advancements like telematics, cyber and accumulation risks, while bringing outside innovation into insurance through accelerators. Its initial technology investments include stakes in wearable physiology monitoring company Biovotion Ltd and personal data start-up Digi.me. Swiss Re is also active in the insurtech ecosystem and has launched its own accelerator programme in Bangalore, India.

Tailored transactions gain in importance

By applying the strategic framework, Swiss Re also aims to steer its portfolio to focus on large deals and underwriting discipline. In the short term, Swiss Re will increasingly focus on large and tailored transactions, which rose by 76% in the first half of 2016.

Such deals are expected to continue to grow in importance relative to the traditional flow business. Swiss Re is uniquely placed for such transactions and offers sizeable capacity and a long track record of execution on large and tailored transactions across all lines – property, casualty and life and health.

Price levels expected to stabilise

The second quarter of this year was a reminder that natural catastrophes can happen in clusters, and this experience, combined with several years of decreasing prices, shows that the industry cannot be too far away from the bottom of the cycle. Looking ahead, Swiss Re expects price levels however to stabilise.

Price erosion in natural catastrophe cover is expected to slow down and stable rates are anticipated for the property per risk business. In liability lines, Swiss Re expects pressure on reinsurance rates to abate, while broad rate increases are possible in the case of deteriorating reserve adequacy across

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the industry. In specialty lines, Swiss Re expects differences in price developments by market and lines of business. High Growth Markets will drive long-term exposure growth. In Motor, overall slight hardening is expected with differences by market. Increased loss trends have continued in the US, but accident frequency in the long-term is expected to decrease.

Swiss Re intends to maintain its focus on underwriting discipline to preserve long-term sustainability, and on reaching under- and un-insured populations to enhance total demand for re/insurance overall and thereby making the world more resilient.

Notes to editors

Dial-in details to the Media Conference on 12 September 2016

If you would like to dial in to the Swiss Re Media Conference in Monte Carlo on Monday, 12 September from 2:15pm to 3:30pm CEST, please use the following phone numbers:

From Switzerland:	+41 (0)58 310 50 00
From Germany:	+49 (0)69 50 500 082
From UK:	+44 (0)203 059 58 62
From France:	+33 (0)1 7091 8706
From USA:	+1 (1)631 570 5613
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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 70 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.

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

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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:

- instability affecting the global financial system and developments related thereto;
- 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 carry forwards 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.

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