Swiss Re

Investor focus

Zurich, 4 November 2005

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Foreword

Swiss Re held an investors' meeting in Zurich on 4 November 2005. The event gave senior executives the chance to update investors and analysts on several key aspects of the Group's business and strategy – notably Asia, catastrophe perils and the status of 2006 renewals.

This publication summarises the main points raised in the course of the event. It aims to give investors a compact overview of where Swiss Re stands and where it is heading.

For the full set of slides presented on 4 November, visit Swiss Re's website at www.swissre.com/investorrelations

Asia: Achieving scale

Asia is home to over half the world's population and continues to grow at twice the rate of industrialised markets. In just a few decades, the region has transformed itself on an unprecedented scale and Asia's leaders have recognised that mitigating risk is essential to sustaining growth in a region that is so dramatically reshaping the world's economy. The wealth of opportunity in Asia also involves many challenges. Swiss Re has already established a leading position in Asia and will build on its strong competitive advantages to realise the potential for growth in the region.

Swiss Re has made Asia one of its four strategic priorities, acknowledging the pivotal role the Asian markets are playing, and will continue to play. The recent Group reorganisation has created three new business functions – Products, Client Markets and Financial Services – each of which will be essential in supporting Swiss Re's commitment to the Asian markets.

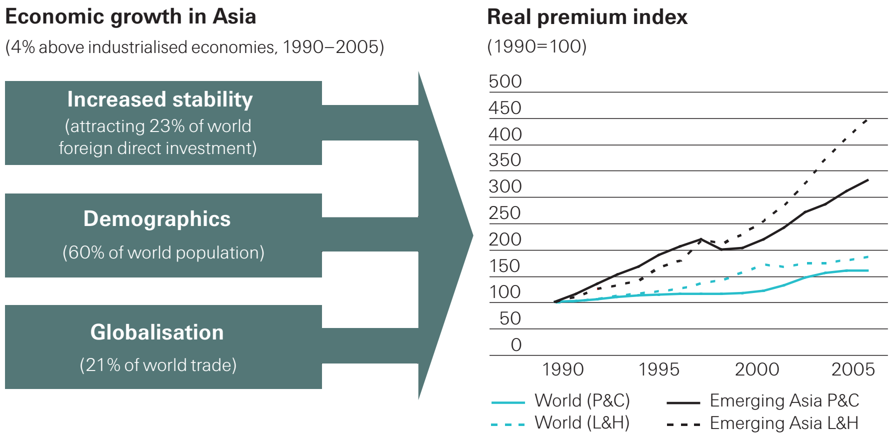
Why Asia?
Among emerging regions worldwide, Asia is the most important for Swiss Re as the region offers significant scale of operation for insurers and reinsurers.

Economic growth in Asia is outstripping that of all other emerging and industrialised markets. Since insurance and reinsurance demand increases in lockstep with economic growth, Asia is delivering on both business scale and revenue growth.

Emerging Asia (excluding Japan and Australia) alone accounts for 69% of the emerging world's population, and includes three of the four most populous nations on the globe (China, India and, just behind the US, Indonesia), contributing 58% of the emerging markets' total GDP. The real GDP of emerging Asia expanded, cumulatively, by 146% between 1990 and 2005. This is an impressive figure, especially when compared with real GDP growth of 94% over the same period for emerging markets overall, and 39% for industrialised nations.

Insurance is growing rapidly in emerging Asia, which now accounts for 50% of property and casualty (P&C) premiums and 76% of life and health (L&H) premiums from all emerging markets. In 2004, South Korea was the world's 8th largest insurance market, followed by China (11th), Taiwan (13th) and India (19th).

Figure 1: **Increasing insurance demand in Asia**



Sources: Oxford Economic Forecasting; Swiss Re Economic Research & Consulting

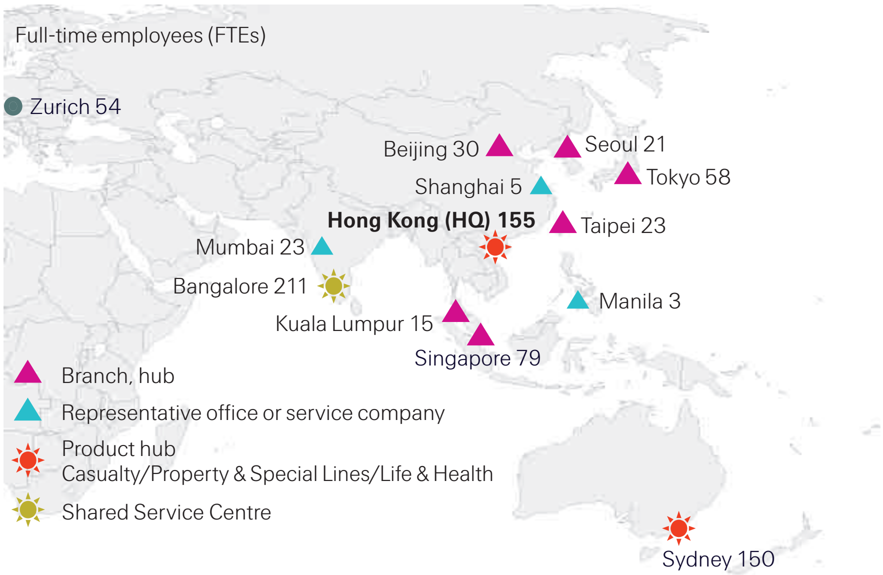
Several factors will continue to drive strong growth in insurance demand in Asia (see Figure 1). Economic growth will lead to rising household wealth, the emergence of a significant middle class, and, as a result, greater risk awareness. Globalisation will continue to impact the region profoundly, as emerging Asia already accounts for 21% of world trade flow. Increased stability in Asia has been instrumental in attracting foreign direct investment. In addition, changes in legal regimes are creating greater demand for liability insurance, while the search for capital is boosting the need for directors' and officers' (D&O) liability to support overseas listings.

Despite growth in the region's small and medium-sized businesses, the sector remains underinsured, as recent natural catastrophes, such as the Asian Tsunami and the Pakistan earthquake, have shown. This situation represents upside potential for Swiss Re. Intense competition at the primary insurance level, as well as the rapid adoption of new information technologies, are also creating opportunities for Swiss Re to leverage e-business technologies and alternative distribution channels to capture growth.

In Asian L&H insurance, demographic changes and rising wealth are also playing an important role. Even though the average population is still young in emerging Asia, some markets (such as Hong Kong, Singapore, and increasingly, China) are quickly developing a maturing or aging population profile. This is likely to fuel demand for retirement, medical and healthcare-related insurance as well as traditional mortality-type products.

This confluence of favourable factors has meant that growth in both P&C and L&H insurance in emerging Asia has significantly exceeded global averages, and this trend is expected to continue in the coming years. In primary P&C markets, emerging Asia has grown 5.0 percentage points faster than the global average between 1990 and 2004. In L&H, excess growth was 6.4 percentage points.

Figure 2: **Swiss Re's presence in Asia**



Branches 8 Asia Division[1]: 623 FTEs SSC Bangalore[2]: 211 FTEs
Offices 13 (Services P&C, L&H Asia, Europe and US)

[1] Excludes Fox-Pitt, Kelton [2] Bangalore includes staff for other Swiss Re units

Swiss Re is best positioned to further expand its Asian leadership

Swiss Re has key competitive advantages in Asia. First, Swiss Re has a long-established, well recognised track record in Asia. As the clear reinsurance leader in Australia, and a powerful player in Japan, the Group already has a leadership position and will leverage its size in these countries to fuel growth in the region's other markets, revenues from which already account for half of Asia Division's P&C premiums.

Swiss Re has the best speed-to-market capabilities in the region (see Figure 2). The Group now has eight branches in Asia, of which Seoul, Beijing, Tokyo and Taiwan were opened in 2002 and 2003 alone. Swiss Re has over 800 staff working in Asia, more than 90% of whom are native to the region. The Group combines its deep local knowledge with a broader perspective through international work experience placements and expert training. With underwriting hubs in Hong Kong and Sydney and a Shared Service Centre in Bangalore, India, Swiss Re has outstanding business support and client response times in the region.

In addition to this point-of-sale advantage, Swiss Re continues to actively support product and regulatory developments in Asia. The Group has already contributed to the design of critical illness and liability products as well as catastrophe pools by sharing knowledge with regulators and the industry.

In the asset management area, Swiss Re was the first – and remains the only – foreign shareholder in a Chinese insurance asset manager. Through its investment in China Re Asset Management, Swiss Re aims to support the development of capital market regulation and build a third-party asset management capability in China.

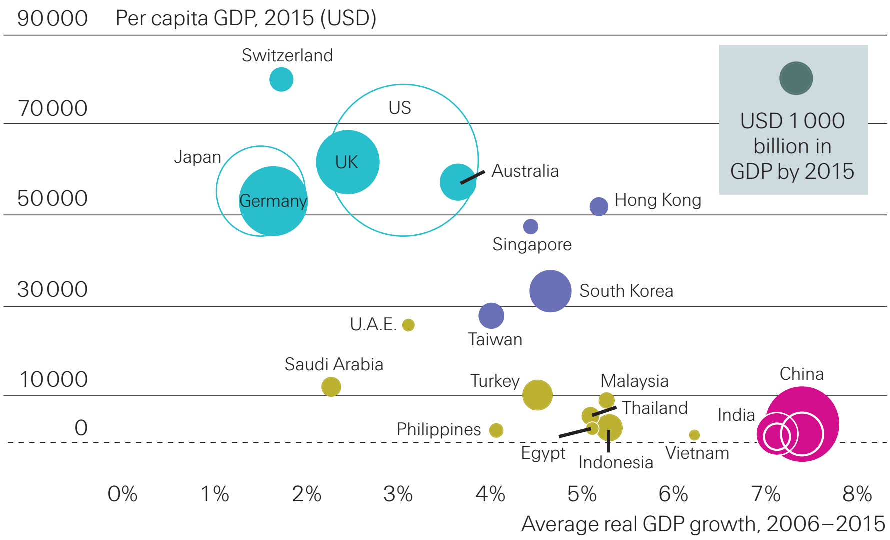
Swiss Re is also widely recognised for its commitment to developing the overall insurance industry in Asia. For example, the Group has funded significant amounts of research into natural catastrophes and mortality in China, supplying the market with some of its first comprehensive underwriting data. The China Atlas of Natural Catastrophe, produced by Beijing Normal University with Swiss Re funding and technical support, is a case in point. On the mortality front, the Group is now in its 5th year of partnership with Fudan University of Shanghai, which is conducting an ongoing series of mortality studies providing valuable underwriting information to the market. Swiss Re Asia Forum, in its 6th year, is a well established industry event for CEOs, insurance executives and regulators to discuss emerging risks throughout the region.

One of Asia's greatest challenges is a shortage of trained personnel. While there is plenty of talent, there is little state-of-the-art training in insurance to meet the industry's growth needs. As part of its 50th anniversary in Asia, Swiss Re will be opening a branch of its Swiss Insurance Training Centre (SITC) in Hong Kong in April 2006 to provide world-class insurance training to clients and staff.

Importantly, Swiss Re has always taken a disciplined approach to underwriting and cycle management in Asia, which has already shown results. Total premiums, combining P&C and L&H, have grown 20% year-on-year from 2001 to 2004, while earnings showed compounded annual growth (CAGR) of 39% from 2002 to 2004 with average return on sales reaching 14% in 2004. Swiss Re will continue to pursue growth through consistent and disciplined underwriting and rigorous cycle management.

Commitment, track record and long relationships matter a great deal in Asia. Swiss Re moved its divisional headquarters to Hong Kong in 2002, but has been working on all these factors for nearly 50 years, since it opened its first branches in Asia Pacific. The market has recognised this and awarded Swiss Re the "Asian Reinsurer of the Year" in four out of the past five years.

Figure 3: **Rapid emerging market growth**



The white circles show the size of GDP and per capita income of China and India in 2004
Sources: Oxford Economic Forecasting; Swiss Re Economic Research & Consulting

How Swiss Re will leverage its strengths in China and India
While most markets in Asia are expected to grow rapidly over the next ten years, China and India will continue to outperform due to sheer size and level of economic development. In both markets, insurance demand is poised to grow tangibly faster than GDP in the coming years as the countries' per capita income reaches critical mass and insurance penetration takes off. Swiss Re expects growth in free ceded P&C reinsurance premiums in China and India to be around 11% per year until 2015, and around 29% in L&H.

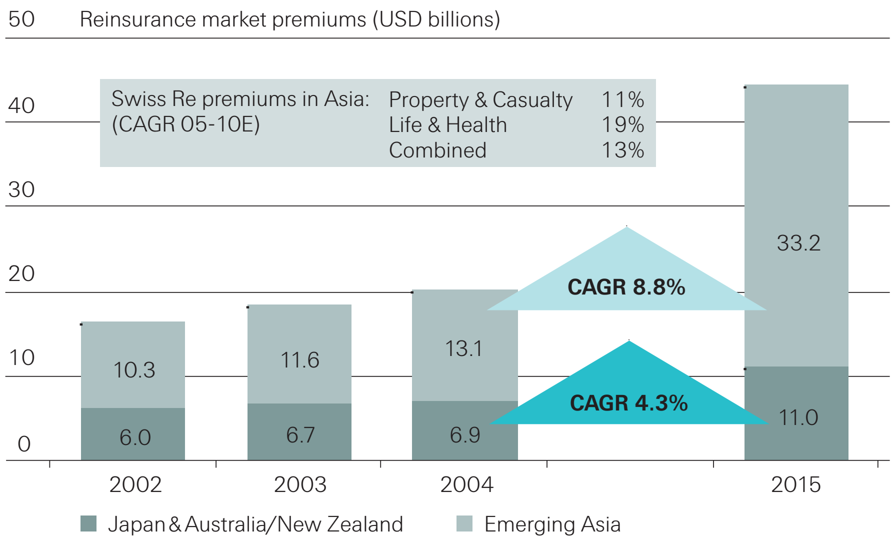
In China, important changes are taking place. Market drivers, such as increased awareness of natural catastrophes (including pool mechanisms), policy-driven growth in liability and motor business, capital market expansion and a 40% savings rate all represent opportunities for Swiss Re. Likewise, the growing urgency of environmental concerns, stricter policing of corporate governance and the consequences of desocialisation (eg pension reform), represent opportunities and challenges for the Group.

Swiss Re has already capitalised on these drivers and launched a range of initiatives to cement its leadership position in China. These include partnering with a large number of well-backed insurance start-ups; creating e-business platforms tailored to the needs of Chinese clients; developing practical agricultural covers; supporting large-scale infrastructure and engineering projects throughout the country; enabling the development of the living benefits market; and continuing to shape the growth of liability products in China.

In India, the key drivers that impact Swiss Re's strategy are similar to those in China. However, while there are similarities as far as economic, infrastructure and insurance industry development are concerned, the pace of development in India is slower. Swiss Re remains convinced that India harbours tremendous potential, especially in the L&H insurance sector which was liberalised in 2000.

Pricing and product development across all lines of business are gradually being liberalised. National insurers still dominate the market, with 80% market share, however the number of new entrants and joint ventures is rising. One of the hurdles for foreign companies operating in India has been the foreign ownership cap of 26%, which the government has been encouraged to relax in an attempt to further stimulate insurance market development.

Figure 4: **Growth potential for reinsurance business**



Compounded annual growth rates (CAGR) are in nominal terms
Source: Swiss Re Economic Research & Consulting

Swiss Re has had relationships with the Indian market since the 1950s. On the L&H side, the Group is leading reinsurance treaties with the vast majority of newcomers, and currently has a strong market share of more than 50%. In P&C, Swiss Re anticipates growing potential in engineering and construction insurance, given the number of large-scale infrastructure projects in which the Indian government is investing. The fact that over 75% of the Indian population still lives in rural areas offers insurers and reinsurers further opportunities, particularly in agricultural and rural coverages.

Swiss Re is also investing in alternative distribution. In India today, a quarter of new business premiums for L&H insurance is sold through alternative distribution channels, such as bancassurance, and this figure will continue to grow.

What this means for the future
Swiss Re expects primary insurance markets in Asia to sustain strong growth over the next decade, underpinned by robust economic fundamentals and favourable demographic, social and regulatory developments (see Figure 3).

A strong increase in primary market premiums necessarily implies rapid growth in reinsurance volume, particularly since most mandatory cessions to national reinsurers have now been removed. Total cessions are projected to more than double to USD 44 billion by 2015 (see Figure 4). On the basis of its leadership position, Swiss Re will capitalise on Asia's strong growth potential for reinsurance business.

Catastrophe perils: Under the weather?

Natural catastrophes have attracted considerable attention over recent months. In particular, there has been much discussion about climate variability and its impact on major storms. Swiss Re data shows that, over time, natural catastrophe excess of loss business is profitable and that there are meaningful growth opportunities in this line. Using its long-established and proven expertise, the Group has positioned itself successfully to benefit from these developments.

Historic profitability
The three major US storms Katrina, Rita and Wilma and other weather events around the globe will have a significant impact on the insurance industry in 2005. These events should, however, be seen in a broader context and over a longer timescale. Swiss Re's global experience in the catastrophe excess of loss (cat XL) market indicates that there is considerable variability in actual losses from year to year. Historically, and including Hurricane Katrina, the worldwide cat XL market has generated positive returns over the past twelve years.

In 1994, the Northridge Earthquake struck; in 1999, Europe was buffeted by windstorms Lothar and Martin, and Japan was battered by Typhoon Bart; in 2004, the US had to cope with a series of hurricanes and the North Pacific endured Typhoon Songda. In between, however, there were also eight years where the claims burden was low and profitability was high. As a reinsurer, Swiss Re's value proposition is to diversify this variability.

Another important element is the direct correlation between claims activity and price increases (see Figure 5). Price developments following past events illustrate this clearly: In Japan, Typhoon Bart struck in September 1999, and in 2000 prices increased immediately, even though, overall, prices worldwide were not climbing sharply. Similarly, Typhoon Songda, which hit in 2004, caused 2005 prices to increase markedly. European windstorms Lothar and Martin occurred at the end of December 1999 – too late to influence 2000 renewals. However, prices rose significantly for the 2001 renewals. In general, history has shown that prices tend to follow claims activity directly and quickly.

Figure 5: **Strong post-event price increases in Japan**

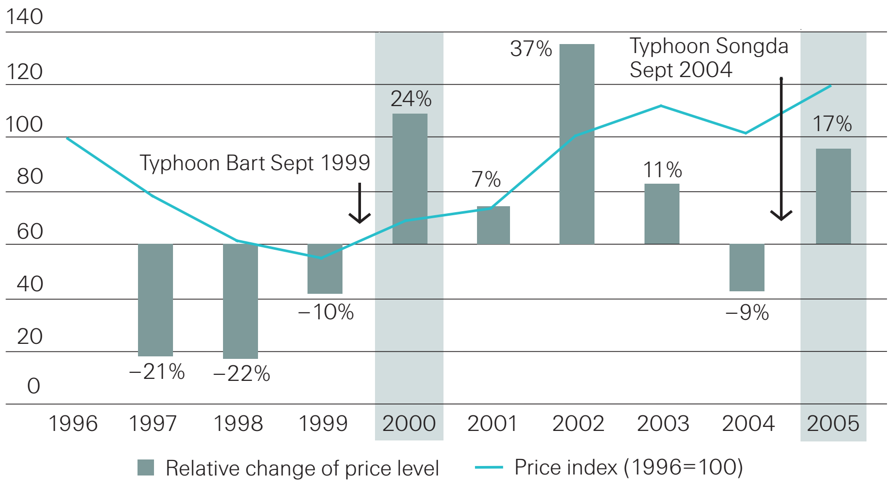
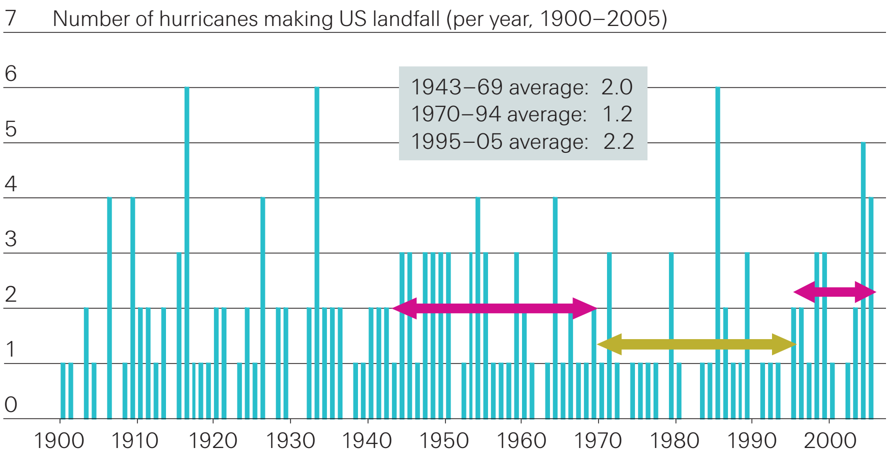


Figure 6: **Climate variability**



Climate variability

There is growing evidence that climate variability and climate change are affecting the catastrophe perils market. For instance, surface ocean temperatures in the North Atlantic, one of the key determinants of storm activity, go through cyclical patterns. The period 1970–1994 experienced slightly below average ocean temperatures. This period was preceded and followed by warmer average periods.

Similarly, the accumulated energy in hurricanes and tropical storms in the North Atlantic shows the same cyclical pattern, as does the average number of hurricanes making landfall in the US: below average from 1970 to 1994, and above average since then (see Figure 6).

Given these findings, Swiss Re has adjusted the storm frequency parameters in its models to reflect the currently more active storm period. Swiss Re has also implemented a newly developed rating tool for flood and storm surge for the US mainland to improve pricing accuracy. Work in both of these areas started well before this year's hurricane season, so updated models have been available since early September and are being used in current renewal negotiations.

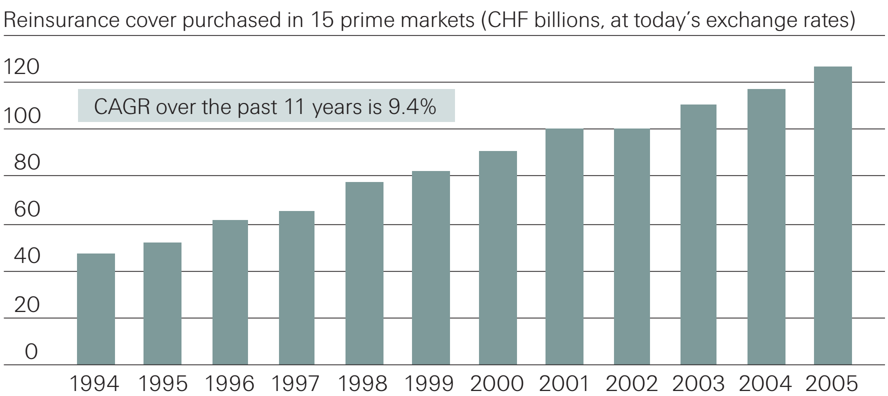
The issue of climate change is not new to Swiss Re. The Group has been raising awareness and engaging in stakeholder dialogue on the subject for more than a decade. It sponsors a number of research studies on climate change and its impact on reinsurance and society as a whole. Recent examples include the Climate Change Futures project with Harvard Medical School and ongoing research with the Swiss Federal Institute of Technology (ETH). Swiss Re also tracks its own environmental footprint and is committed to reducing its carbon emissions. In 2003, Swiss Re launched a ten-year programme to become greenhouse neutral. Within this period, the Group's physical emissions will be reduced by 15% with the remainder offset by investing in the World Bank's Carbon Community Development Fund.

A growth business

Socioeconomic factors are also contributing to market developments. The strongest average peak storm gusts in the US are along the coast – particularly in Florida, where the population continues to grow most quickly, and where values continue to concentrate. As a result of this trend, society itself is creating more risk, and the demand for natural catastrophe cover has increased rapidly. Natural catastrophe coverage purchased in the markets tracked by Swiss Re has increased by more than 9% a year, compounded over the past eleven years (see Figure 7).

Overall, the underlying risk characteristics of the natural catastrophe market are very attractive. Natural catastrophe risk remains diversifiable, fortuitous and transparent. While Asia is certainly an exciting growth story, natural catastrophes, though somewhat more traditional, present opportunities for Swiss Re to profitably benefit from market changes.

Figure 7: **Traditional catastrophe market**



Source: CAMARES (Swiss Re's cat market research study)

Renewals: Swiss Re demonstrates leadership

Due to the global nature of recent natural catastrophe events, rates are rising significantly across most lines of property and casualty business. Swiss Re has well established underwriting steering tools to monitor rate adequacy and qualitative trends and can offer full capacity without relying on retrocession or capital raising. The Group is therefore excellently positioned for the 2006 renewals.

Changing risk landscape offers opportunities for Swiss Re
Even though US hurricanes have captured market attention in recent months, Europe and Asia have also experienced natural catastrophes – whether floods, storms or typhoons – over the last two years. In casualty, the insurance industry continues to face changing liability regimes, particularly in the US. Certain lines of business, such as D&O, pharmaceutical and financial institutions risks, require thorough technical analysis and even stricter underwriting discipline going forward. Swiss Re has the financial strength as well as the technical and commercial experience to take advantage of the challenges posed by this changing risk landscape.

Where do we stand in the cycle?
Business conditions have been favourable for the last four years. Indeed, even before the destructive storms Katrina, Rita and Wilma, prices in all lines of business were, on average, above the cycle reference premium calculated by Swiss Re based on its return on equity target over the cycle. The global impact of recent natural catastrophe events is expected to drive prices up further across most lines of business (see Figure 8).

In property, prices are expected to reach new highs, in particular for US natural catastrophe business. Hurricane Katrina is an unusual event in that roughly 60% of all insured losses are expected to hit commercial lines (property, marine, engineering and energy). Normally, private homeowners and personal auto are impacted most heavily by these types of storm events. Prices for both commercial and private covers are expected to increase markedly as a result of this major loss.

Casualty prices, which are still close to top-of-the-cycle levels, are expected to remain flat, if not to rise. For some critical lines, Swiss Re has been introducing special measures. For instance, the Group will only write pharmaceutical business selectively and on a facultative basis, using specific endorsements to secure an alignment of interests between insureds and insurers as well as insurers and reinsurers. Specific terms and conditions are also being introduced to mitigate entrepreneurial risk in large D&O accounts.

Pricing in the marine and offshore energy sectors is expected to reach a peak that will exceed past all-time highs by a clear margin following the losses caused by the hurricanes Katrina and Rita.

Swiss Re strives to capture business opportunities and offer solutions that, under strict terms and conditions, satisfy clients' needs and deliver an attractive return on capital.

Figure 8: **Expected price levels for 2006 renewals**

Property incl nat cat US	↑
Property incl nat cat (excl US)	↗
Casualty overall (incl motor)	→
Casualty critical risks/products	↗
Special lines	↗
Marine offshore	↑

Swiss Re's cycle management
To run a global reinsurance business successfully, every business segment and product must be tracked closely. In P&C, multiple reinsurance cycles are continually evolving and their dynamics may differ by line of business and geographic region.

Swiss Re has a comprehensive underwriting tool in place to monitor not only all price-relevant features, such as rate levels and realised versus target prices, but also qualitative information such as special clauses and client retention levels.

This data gives Swiss Re's management and underwriters real-time information on rate adequacy and qualitative developments, and allows them to steer the business actively and precisely.

Swiss Re is excellently positioned for 2006 renewals
Swiss Re's outlook is positive for all lines of business. As a net writer, the Group can maximise the advantages of attractive market conditions without relying on expensive retrocession capacity or additional capital raising. The strength of Swiss Re's balance sheet and its ability to offer capacity are invaluable competitive advantages, particularly in the current market environment. Swiss Re will deploy its capacity, but only at attractive rates and terms, demonstrating leadership and capturing the full potential of the market.

Cautionary note on forward-looking statements

Certain statements contained herein are forward-looking. These statements 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:

- cyclicality of the reinsurance industry;
- changes in general economic conditions, particularly in our core markets;
- uncertainties in estimating reserves;
- the performance of financial markets;
- expected changes in our investment results as a result of the changed composition of our investment assets or changes in our investment policy;
- 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;
- changes in rating agency policies or practices;
- the lowering or withdrawal of one or more of the financial strength or credit ratings of one or more of our subsidiaries;
- changes in levels of interest rates;
- political risks in the countries in which we operate or in which we insure risks;
- extraordinary events affecting our clients, such as bankruptcies and liquidations;
- risks associated with implementing our business strategies;
- changes in currency exchange rates;
- changes in laws and regulations, including changes in accounting standards and taxation requirements; and
- changes in competitive pressures.

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 our 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

Important dates
2 March 2006
Annual results 2005

21 April 2006
142nd Annual General Meeting

4 August 2006
Interim results 2006

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