Swiss Re

Investors' Day

London

11 December 2007

Swiss Re

Today's agenda

- **Welcome** — **Susan Holliday**
- **Introduction**
- **Capital management**
- **Financial Services**
- **Questions & answers**

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Today's agenda

- Welcome
- **Introduction** — Jacques Aigrain
- Capital management
- Financial Services
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Introduction

Jacques Aigrain
Chief Executive Officer

Swiss Re

Investors' Day 2007
Capital management

London

11 December 2007

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Today's agenda

- **Welcome**
- **Introduction**
- **Capital management** — **Christian Mumenthaler**, **George Quinn**
  - Overview
  - Capital targets
  - Swiss Re's capital model
  - Rating agency models
  - Regulatory capital models
  - Capital management
  - Summary and outlook
- **Financial Services**
- **Questions & answers**

Swiss Re

Overview

Stakeholders in Swiss Re and their requirements

- The Group's goal is to maximize sustainable risk adjusted returns, subject to the various constraints
- Some of these constraints come from **different capital adequacy requirements** relating to the various stakeholder groups

Swiss Re Group

Representatives	Investors/ Analysts	Regulators	Rating agencies
Stakeholder Group	Investors Analysts	Policy holders Governments	Policy holders Debt investors
Aim	High risk adjusted returns	Protection against consequences of insolvency Financial stability	Fulfilment of obligations

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Overview

Different capital adequacy definitions

Capital adequacy comparison:

	Available capital	vs. **Required** capital
Rating agency view	Based on GAAP balance sheet Adjustments for items that affect quality of capital	Factor-based models Seek to capture present value of expected economic losses over a one-year horizon
Regulatory view	Based on statutory balance sheet Adjustments, goodwill etc.	Charges on premium, reserves, assets
Economic view	Economic balance sheet approximated by US GAAP balance sheet plus economic adjustments	Based on internal model

Capital targets

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Swiss Re´s capital adequacy framework

- Board of Directors sets capital adequacy targets for the Group in line with its risk tolerance: maintain ability to continue insurance business after extreme adverse year of loss events

Dimension	Objective	Current target
Internal capital adequacy	To be able to continue to operate following an extreme year of losses (defined as a 1 in 100 year annual aggregated loss)	**175-200%**
Financial strength rating	To maintain superior financial strength ratings, sufficiently attractive from a client perspective (maintain acceptable rating post extreme adverse year)	**AA/Aa**
Group regulatory capital requirement	To ensure on-going compliance with group regulatory capital requirements after extreme adverse year (Group Solvency I)	**180%**

Swiss Re´s capital model

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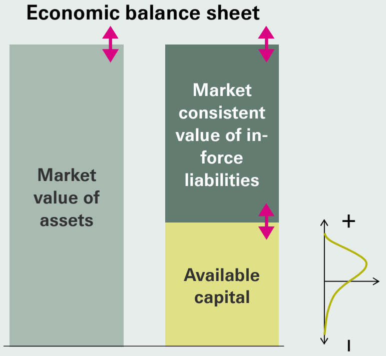
Swiss Re's internal model

An economic view on capital adequacy

- All existing assets and liabilities are valued on a market consistent basis
- All risks (and their interactions) to which assets and liabilities are exposed are considered when determining the economic capital requirement

Risk measurement

Economic balance sheet



Economic profit and loss distribution (one-year horizon)

Required capital VaR or Tail VaR

Risk:
the potential loss of available capital, which is quantified based on the economic profit and loss distribution

Swiss Re's capital model

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Required capital

Base capital requirement using one year **99% Tail VaR (Shortfall)**

CHF bn	**31.12.2006**	**30.06.2007**	**Change**
Property and casualty	10.0	8.9	-11%
Life and health	6.5	6.2	-5%
Financial market	7.7	7.2	-6%
Credit	2.1	2.7	29%
Funding and liquidity	0.3	0.2	-27%
Diversification effect	-8.9	-8.8	
Swiss Re Group required capital	**17.7**	**16.4**	**-7%**

Base capital requirement using one year **99.5% VaR**

CHF bn	**31.12.2006**	**30.06.2007**	**Change**
Property and casualty	9.4	8.3	-11%
Life and health	4.7	4.3	-9%
Financial market	7.1	6.6	-7%
Credit	1.8	2.2	24%
Funding and liquidity	0.0	0.0	-27%
Diversification effect	-8.3	-8.1	
Swiss Re Group required capital	**14.6**	**13.3**	**-9%**

Swiss Re's capital model

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Swiss Re available capital

Calculation of available capital

CHF bn	End **2006**	Mid **2007**	**Change**
Shareholders' equity (US GAAP)	30.9	29.5	-4%
Mark-to-market adjustments	1.6	1.3	-20%
Goodwill and intangibles	-5.4	-5.9	9%
P&C and L&H valuation adjustments[1]	14.4	16.6	15%
Tax and other	-2.8	-2.7	-4%
Shareholders' net worth	**38.7**	**38.8**	**0%**
Hybrid capital	8.1	9.0	11%
Swiss Re Group available capital (RBC)	**46.8**	**47.8**	**2%**

[1] **P&C Valuation Adjustment:** Discount of Non-Life Reserves. Group Reserves provides cashflow pattern for all future non-life claims payments. Those cashflows are discounted with risk-free interest rates and the difference between the nominal values and discounted values is added to the available capital

L&H Valuation Adjustment: Includes the adjustment for the difference between the US GAAP and the embedded value of the life business. The calculation is done in a similar way to the non-life adjustment

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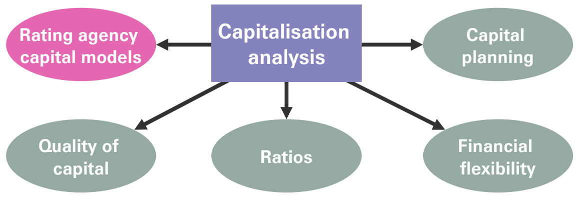
Rating agency models

Multi-faceted view on capitalisation



- All rating agencies form a view about capital adequacy which is based on many qualitative and quantitative aspects
- In terms of concrete constraints
  - S&P have developed their own insurance capital model
  - Moody's apply quantitative metrics (e.g. financial leverage) to assess key rating factors (e.g. financial flexibility)

→ **Swiss Re needs to take multiple constraints into account**

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Rating agency models

Example: S&P's new insurance capital model

Evolution in risk management

Sophisticated tools to model economic capital

Regulatory developments

Insurance & capital market integration

Insurance products have become more complex

- S&P has updated the way it assesses capital adequacy of insurers worldwide - a single capital model with regional factors
- Provides a consistent global framework and represents a significant improvement
- Remains a deterministic, factor-based model and is not a substitute for broad-based analysis
- Captures all evaluated risks in target capital
- Includes explicit allowance for diversification
- Is much closer to economic models

Rating agency models

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Rating agency models

Example: Moody's financial leverage

- Financial flexibility is a key determinant of a reinsurer's credit profile
- Focus on comparing debt to equity capital
- High levels of financial leverage increase the risk profile
- In general, higher-rated reinsurers tend to have lower levels of financial leverage than their lower-rated peers

$$\text{Financial leverage} = \frac{\text{adjusted debt*}}{\text{adjusted equity* + adjusted debt}}$$

* For example, certain forms of hybrid debt receive partial or full equity credit

	Aaa	Aa	A	Baa	Ba
Financial leverage	< 15%	15% - 25%	25% - 35%	35% - 45%	> 45%

→ **Swiss Re's 2007 projected financial leverage is well within the "Aa" threshold**

Regulatory capital models

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Regulatory capital models

Group Solvency I

- Consolidated Group solvency is a binding constraint
  - consolidated solvency of the Group based on Solvency I is reported to the Swiss regulator
- Swiss Re is supervised by a large number of regulators
  - most risk carriers subject to solvency requirements
  - additional solvency requirements for certain subgroups
  - models usually simple, factor-based (Solvency I, US RBC, ...) but all very different

Regulatory capital models

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Regulatory capital models

EU group directives

- There are two EU directives that formulate Group-wide capital requirements
  - Insurance Group Directive
  - Financial Conglomerate Directive
- Key principles:
  - elimination of multiple use of legal entity regulatory capital within group of companies for Group solvency calculation
  - transferability of capital within the group
- Swiss Re Group is not subject to EU group directives
  - but follows key principle (control of solvency position adjusted for multiple use of regulatory capital)
  - principles represent best practice of prudent capital management

Capital management

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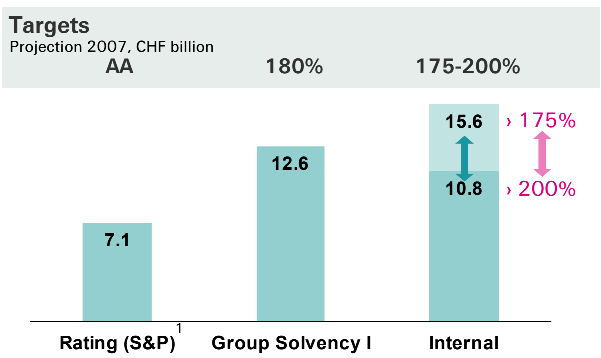
Different measures of excess capital

Excess capital – current capital adequacy



→ Target range allows flexibility depending on opportunities to deploy capital at superior returns

→ Although Swiss Re is not currently subject to the EU Insurance Groups Directive we impose internal constraint on gearing in line with this, based on a conservative interpretation. We estimate that this would reduce our effective excess capital to CHF 2bn at end 2007 [2]

[1] Based on S&P's new insurance capital model (ICM); pending discussion with S&P
[2] Based on deduction and aggregation methodology

Capital management

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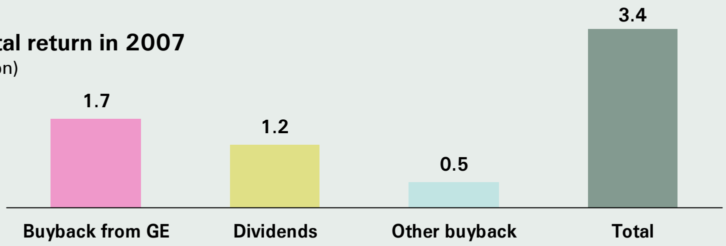
Capital management strategy

- Close the gap between regulatory, rating and internal views on capital requirements
  - Swiss Re has strongly supported S&P's new capital model and current developments in Solvency II and SST
  - Main issue at this stage is to close the gap between Insurance Group Directive and other capital measures

- Either re-invest or pay back excess capital and new earnings starting in 2007 with share buyback programme

Capital return in 2007
(CHF bn)



Capital management

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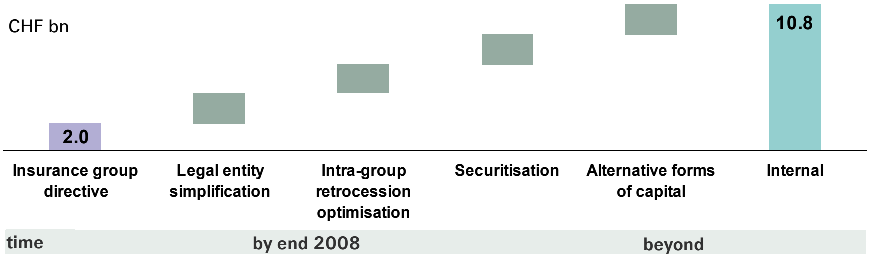
Closing the gap

Internal vs insurance group directive's view on excess capital

- **Legal entity simplification**
  - Swiss Re in Europe
  - Integration of Insurance Solutions in North America by end 2008
  - Expected combined capital relief: around CHF2.5 billion
- **Life Embedded Value securitisations**
  - So far, a total of CHF 718 million has been completed
- **Intra-group retrocession optimisation**
  - Concentrating risk at the parent company
- **Alternative forms of capital**
  - Surplus notes



Capital management

Managing regulatory capital (I)

Swiss Re in Europe

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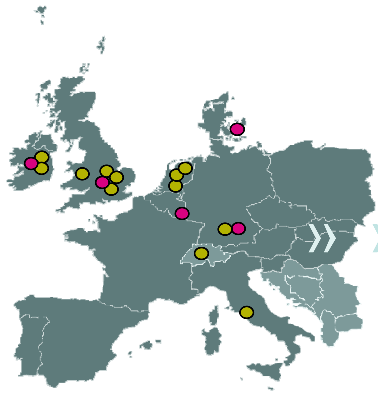
Autumn 2007

Reinsurance/Insurance Carriers

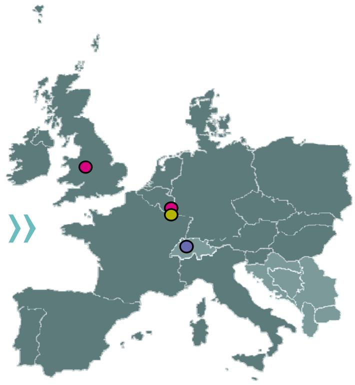
- Swiss Re (SR)
- Insurance Solutions (IS)



Spring 2009

Reinsurance/Insurance Carriers

- Swiss Re Europe
- Swiss Re International/Windsor Life
- Swiss Re Zurich



Capital management

Managing regulatory capital (II)

US P&C legal entity structure

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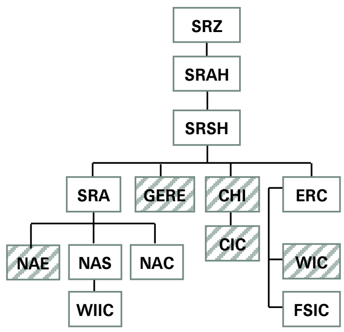
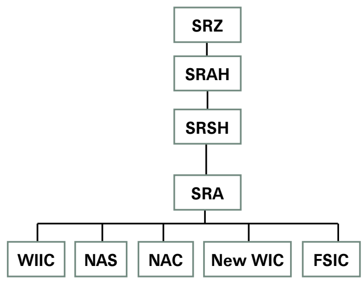
2006 structure



merged entities

2008 structure



CHI	Coregis Group Inc	NAS	North American Specialty Ins Co
CIC	Coregis Insurance Company	SRA	Swiss Reinsurance America Corp
ERC	Employers Reinsurance Corp	SRAH	Swiss Re America Holding Corp.
FSIC	First Specialty Insurance Corp	SRSH	Swiss Re Solutions Holding Corp.
GERE	GE Reinsurance Corp	SRZ	Swiss Reinsurance Company Zurich
NAC	North American Capacity Ins Co	WIIC	Washington Intern. Insurance Comp.
NAE	North American Elite Insurance Co	WIC	Westport Insurance Corp.

Capital management

Examples of risk and capital management measures

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Measures	Size	Type	Form	**Internal** capital	**Rating (S&P)** capital	**Regulatory** capital
ALPS II	USD 370m	US Admin Re®	EV monetisation	(★)	★	★★
Queensgate	USD 245m	US Admin Re®	EV monetisation	(★)	★	★★
Vita III	USD 705m	Extreme mortality	Peak risk protection	★★	★	Ø
Crystal Credit	EUR 252m	Credit reinsurance	Earnings protection	★	(★)	(★)
Credit spread hedges	CHF 15.7bn[1]	Financial market	Earnings protection	★★	★	Ø
Equity hedges	CHF 4.6bn[2]	Financial market	Earnings protection	★★	★★	Ø
Successor	USD 950m	P&C Nat Cat	Peak and earnings risk protection	★★	★★	Ø

[1] Notional as of 27 Nov 2007
[2] Delta equivalent of the overlay programme as per 30 Nov

Legend:
★★ highly positive impact
★ positive impact
(★) slightly positive impact
Ø no impact

Summary and outlook

Economic view is expected to prevail

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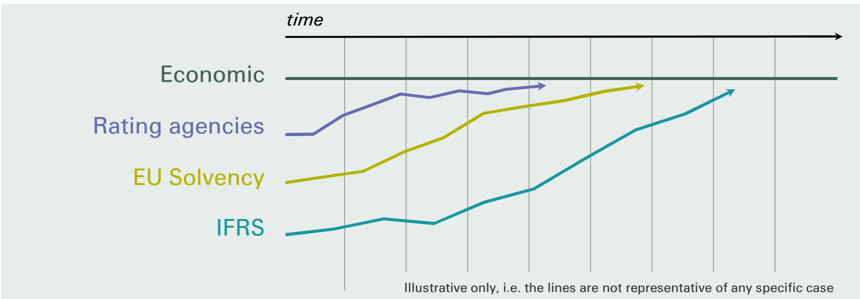
Ultimate convergence, but at different speeds



- Switzerland moving to an economic/internal regulation with Swiss Solvency Test in 2008
- Solvency II on track to do the same in Europe
- S&P's planned review of insurers' internal capital models might result in greater credit being assigned to these models in the assessment of capital adequacy

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Summary and outlook

- Share price and buyback provide a simple, ready made benchmark for investment decisions
- In order for an investment to be preferable to the buyback, the implied required return is >15%
- Share price levels combined with current risk capital requirements make it highly likely that the buyback will be completed ahead of schedule

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Questions & answers

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Appendix

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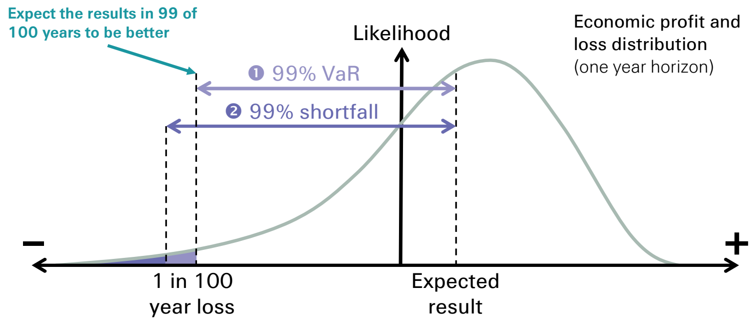
Risk measures of annual economic P&L

❶ Value at Risk (VaR)

99% VaR represents the difference between the expected result and an adverse result that is not exceeded in 99 out of one hundred years

❷ Expected shortfall (TailVaR)

99% shortfall represents the difference between the expected result and the average of the 1% worst results



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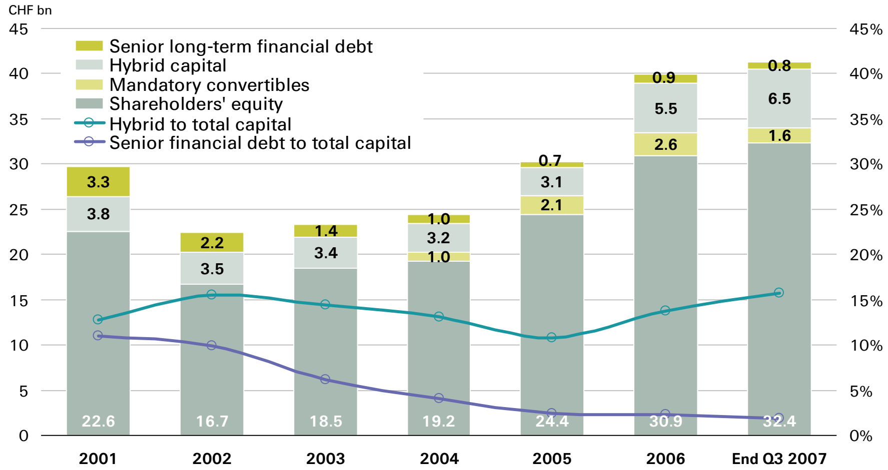
Swiss Re's effective capital management

Swiss Re's value proposition includes commitment to prudent capital management

At the same time financial flexibility and capital efficiency continue to improve over time



	2001	2002	2003	2004	2005	2006	End Q3 2007
Hybrid / total capital	12.8%	15.5%	14.4%	13.1%	10.8%	13.8%	**15.7%**
Senior debt / total capital	11.0%	9.9%	6.2%	4.1%	2.4%	2.3%	**1.9%**

Note: Shareholders' equity figures for 2005, 2006 and 2007 on US GAAP basis

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Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements 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" 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:

- the impact of 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;
- 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 invested 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 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.