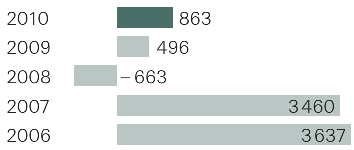
Swiss Re

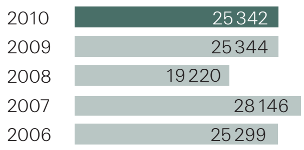
2010 Annual Report
Letter to shareholders

Key information

Net income
(USD millions)



Shareholders' equity
(USD millions)



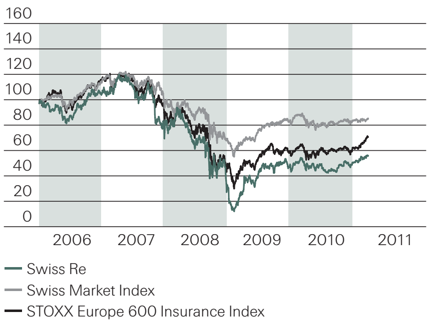
Financial highlights

For the twelve months ended 31 December

USD millions, unless otherwise stated	2009	**2010**	Change in %
Group			
Net income attributable to common shareholders	496	**863**	74
Premiums earned	22 664	**19 652**	–13
Earnings per share in CHF	1.49	**2.64**	77
Shareholders' equity	25 344	**25 342**	–
Return on equity[1] in %	2.3	**3.6**	
Number of employees[2]	10 552	**10 362**	–2
Property & Casualty			
Operating income	3 513	**2 476**	–30
Premiums earned	12 769	**10 871**	–15
Combined ratio, traditional business in %	88.3	**93.9**	
Life & Health			
Operating income	687	**810**	18
Premiums earned and fee income	10 704	**9 677**	–10
Benefit ratio in %	83.8	**88.7**	
Asset Management			
Operating income	3 624	**4 472**	23
Return on investments in %	1.8	**3.5**	
Legacy			
Operating income/loss	128	**–14**	–

[1] Return on equity is calculated by dividing net income attributable to common shareholders by average common shareholders' equity.
[2] Regular staff

Share price (CHF)



Swiss Re's financial strength ratings

As of 11 February 2011	Financial strength rating	Outlook	Last rating action
Standard & Poor's	A+	Positive	12 October 2010
Moody's	A1	Stable	18 March 2010
A. M. Best	A	Positive	15 December 2010

Share information

As of 11 February 2011	
Share price in CHF	55.50
Market capitalisation in CHF millions	20 574

Share performance

in %	1 January 2006 – 11 February 2011 (p. a.)	**2010**
Swiss Re	–10.2	0.8
Swiss Market Index	–2.5	–1.7
STOXX Europe 600 Insurance Index	–6.0	2.0

Letter to shareholders

Dear shareholders

Swiss Re has come a long way over the last two years: We have restored our capital strength, a fact that was acknowledged in the improved ratings outlooks given by Standard & Poor's and A.M. Best. By the end of 2010, our capital is over USD 10 billion in excess of S&P's 'AA' requirements, and S&P refers to Swiss Re's capital as above 'AAA' level.

Thanks to the hard work and expertise of our employees, we have strengthened our client franchise and ensured that our underwriting continued to be profitable, as evidenced by our performance in 2010. We also delivered on our internal cost efficiency programme, reducing costs by CHF 420 million over a two-year period. The Legacy process is, as of the end of 2010, essentially complete. And last but not least, we have terminated and repaid the convertible perpetual capital instrument (CPCI) issued to Berkshire Hathaway ahead of schedule.

2010 was not just about turnaround measures, however. It was also a year for investing in Swiss Re's future. In June, we set out clear strategic priorities and communicated how and where we want to grow. We reinforced this in October by realigning our management structure accordingly, strengthening the representation of key business areas at senior management level. We are now announcing the next important milestone: A new legal structure for the group that will support the implementation of the company's strategy and take full advantage of our strong market position.

We will come back to the adjusted legal structure later in this letter. First, let us summarise the highlights of our performance in 2010.

Strong earnings power demonstrated in 2010

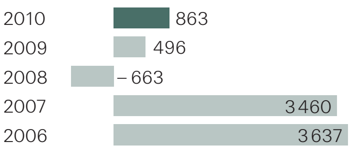
Swiss Re reported net income of USD 863 million for 2010, an increase of 74%, including the impact from terminating the CPCI. This result demonstrates strong earnings power despite the continuing soft pricing cycle in the property and casualty market and the prevailing low interest rate environment during 2010. Earnings per share were USD 2.52 (CHF 2.64), compared to USD 1.46 (CHF 1.49) in 2009. Return on equity was 3.6% in 2010 and 2.3% in 2009. Excluding the impact of the CPCI, net income in 2010 was USD 2.3 billion. The return on equity excluding the CPCI was 9.2%.

Property & Casualty delivered very strong results due to strong underwriting discipline and despite the unfavourable loss experience in the first half of 2010. Operating income was USD 2.5 billion, compared to USD 3.5 billion in the prior-year period, while the combined ratio was 93.9%, compared to 88.3% in 2009. The impact of natural catastrophes was 3.0 percentage points above the expected level and was partially compensated by 0.8 percentage points from positive run-off.

Life & Health reported good results with operating income of USD 810 million, an increase of 18%. The benefit ratio increased 4.9 percentage points to 88.7%. Excluding the 2009 benefit derived from the rescission of a disability contract together with the impact of certain commutations, the benefit ratio increased 3.0 percentage points. Mortality experience was better than expected, although less favourable than the results recorded in the prior year. Morbidity was within expectations for both periods.

Asset Management achieved good results with operating income of USD 4.5 billion, due to lower impairments and lower hedging costs compared to 2009, which offset the impact of lower net investment income from lower yields. Return on investment was 3.5% and total return was 6.5%.

Net income
(USD millions)



2.75

Proposed dividend per share (CHF) for 2010*
(CHF 1.00 for 2009)

Restored capital position
Shareholders' equity in 2010 was stable at USD 25.3 billion. However, it should be noted that around USD 4.0 billion of shareholder equity was created during the year. The impact of the CPCI repayment was therefore offset by unrealised gains on investments and net earnings for the year.

We are pleased that our strong full-year results and our capital strength allow us to return to a normal dividend policy and to take advantage of business growth opportunities. The Board of Directors will therefore propose at the Annual General Meeting on 15 April 2011 to increase the dividend to CHF 2.75 per share.

Very successful January 2011 renewals
Swiss Re began 2011 with very successful January renewals. While average reinsurance market prices declined by 4–7%, Swiss Re was able to outperform the market based on our disciplined underwriting and success on non-commodity placements. Swiss Re's risk-adjusted price adequacy fell by 2%.

Swiss Re's P&C January treaty business premiums grew strongly by 14%. The drivers for this performance were increased demand for tailored solutions from large clients and growth in insurance demand, especially in Asia. Swiss Re's 2011 combined ratio is estimated at approximately 94%, assuming a normal large loss burden.

New legal structure aligned to strategic priorities
Over the past two years, Swiss Re has strengthened its balance sheet, set new strategic priorities and aligned its management structure. We are now taking the next step, adjusting our legal structure. The plan is to establish a new holding company, Swiss Re Ltd, in place of the current Swiss Reinsurance Company Ltd, comprising three legally separate Business Units: Reinsurance, Corporate Solutions and Admin Re®. This new corporate set-up aims to enhance our client focus, increase capital efficiency, further improve transparency and create long-term value for our shareholders. Clients will benefit from the greater flexibility Swiss Re has to manage and develop our distinct business segments.

The rationale for the adjusted legal structure is as follows:

- **Client focus** – Our clients will be better served by the individual Business Units, which will develop dedicated service models. The changes announced will increase the flexibility and agility of these Business Units, allowing them to develop tailored market approaches and leading to a more entrepreneurial approach to client service.
- **Transparency** – A significant benefit of the new legal set-up will be to create a simplified corporate structure that further improves transparency with respect to the performance of Swiss Re's three main Business Units. Furthermore, it will increase clarity as to how capital and assets are allocated between them. The increase in transparency comes at a time of intensified regulatory focus on the component parts of large cross-border insurance and reinsurance groups.

* Swiss withholding tax exempt distribution out of reserves from capital contributions.

- **Accountability** – Greater transparency into the performance of the Business Units will bring more accountability in terms of the allocation of resources within those units. The management of each Business Unit will be fully accountable for the strategy as well as the entire business performance of each Unit, including financial results, capital and asset allocation, and tax issues.
- **Flexibility** – The new structure grants Swiss Re more flexibility to manage our business segments in distinct ways, including creating the option to attract new funding sources for individual business areas if business opportunities exceed our balance sheet capacity – for example in Admin Re®. As a further benefit, it will be possible for each business area to have a capital and funding structure appropriate to its needs, which Swiss Re anticipates should improve returns.

The new holding company structure will be established through an exchange offer, subject to applicable securities law restrictions. Further information on the exchange offer and new holding company structure will be provided in an offer prospectus on 31 March 2011.

The intent of these measures is to increase value for you, our shareholders.

Positioned to capture future earnings growth

Having fulfilled our promises and invested in the company's future in 2010, we believe that Swiss Re is in an excellent position to capture future earnings growth. Over the next three years, the following growth drivers will provide opportunities for Swiss Re's Business Units:

- Hardening in the property and casualty market in 2012/2013 will benefit Reinsurance and Corporate Solutions;
- Expiration of the quota share with Berkshire Hathaway at end 2012 will add 25% growth potential in P&C Reinsurance and Corporate Solutions;
- Higher capital demands and further industry consolidation will provide opportunities for Admin Re® and for large deals in Reinsurance;
- Recovery of the global economy will benefit Reinsurance, Corporate Solutions, and Asset Management as we move towards our medium-term asset allocation; and
- Emerging market growth will provide opportunities for Reinsurance and Corporate Solutions.

Based on this assessment, combined with the progress that we have made over the past two years, we have established the following financial targets for the next five years:

- Return on equity (RoE): 700 basis points above risk free (average over 5 years)
- Earnings per share growth: 10% average annual growth rate (over 5 years)
- Economic net worth per share growth plus dividend: 10% average annual growth rate (over 5 years)

Based on our capital strength, our global market position, our outstanding re/insurance expertise and our innovation power, we are well placed to improve returns and create value, for you, our shareholders.

Zurich, 17 February 2011

Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

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:

- 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 Group or developments adversely affecting the ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- 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; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Information

Corporate calendar

25 March 2011
Investors´ Day

15 April 2011
147th Annual General Meeting

5 May 2011
First quarter 2011 results

4 August 2011
Second quarter 2011 results

3 November 2011
Third quarter 2011 results

9 December 2011
Investors´ Day

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Title:
2010 Annual Report
Letter to shareholders

Original version in English.

The 2010 Annual Report Letter to shareholders
is also available in German and French.

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