



Swiss Re



Swiss Re

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Chief Executive Officer

Sanford C. Bernstein
Strategic Decision Conference
London, 27 September 2005

Swiss Re



Agenda

- Introduction
- Swiss Re's four strategic priorities
- Natural catastrophes
- Conclusion
- Q&A
- Appendix

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Swiss Re at a glance

- Founded in 1863 and developed into one of the world's largest and globally active multi-line reinsurers
- Wholesale manager of capital and risk focused on reinsurance and related trading activities
- Strong financial position in the industry with AA rating
- Global leadership position with market share of 11% in property and casualty and 23% in life and health business
- Key statistics
 - Premiums earned 2004: CHF 29.4bn
 - Net income 2004: CHF 2.5bn

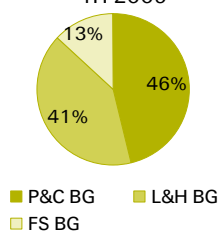
➔ **Leading reinsurer with a truly global business**

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Target matrix incl. 1H2005 results 13% RoE achieved while shareholders' equity up strongly at 15%

Split of total revenues
 1H 2005



Business targets	Key figures	1H 2005	Avg target 2005/06
Property & Casualty	Combined ratio	95.5%	96%
Life & Health	Return on operating revenues	9.5%	9%
Financial Services	<i>Premium business, traditional:</i> Combined ratio	94.9%	95%
	<i>Fee business, excluding proprietary asset management</i> Return on total revenues	12.5%	15%
Asset management	Return on investments	5.1%	5.3%
Group targets	Key figures	1H 2005	Over the cycle target
	Return on equity	13.0%	13%
	Earnings per share growth	-6.2%	10%

Due to the above normal large loss activity in nat cat, over the cycle targets are likely not to be met in 2005.

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"Making strategy work"

Vision 2015

Swiss Re's view on the industry and consequences for Swiss Re in the next ten years

Four strategic priorities

- I Actively manage the cycle for profits
- II Optimise organic and transactional growth
- III Extend leadership position in Asia
- IV Accelerate the balance sheet through risk securitisation

Organisational alignment

Corporate Centre

Products

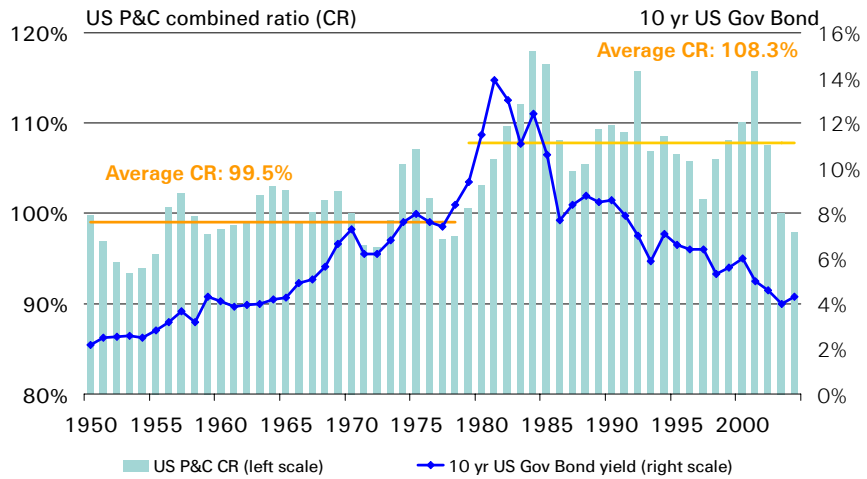
Client Markets

Financial Services

Superior financial strength, risk management, people skills, product knowledge, client relationship

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Easy money; lazy underwriting



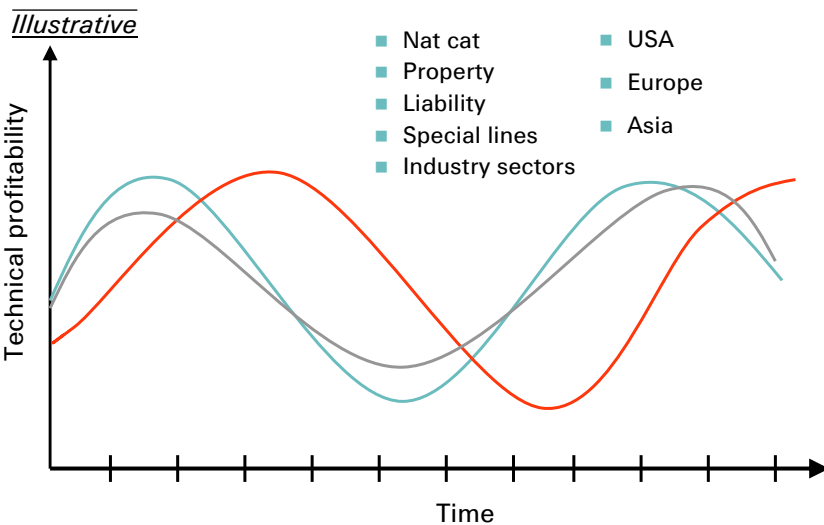
→ In a low interest rate environment combined ratios have to average below 100%

Sources: A.M. Best, RAA, Swiss Re Economic Research & Consulting

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Active cycle management Swiss Re directs capital to attractive non-life opportunities

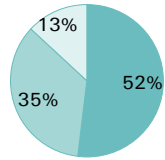
Each line of business and geography show its own cycle and pattern



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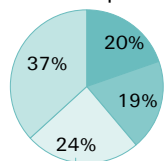
Swiss Re's way to tackle non-life cycles

Geographic split*



■ North America
 ■ Europe
 ■ Rest of world

Product split*



■ Property
 ■ Casualty
 ■ Other
 ■ Life & Health

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*Gross premiums written

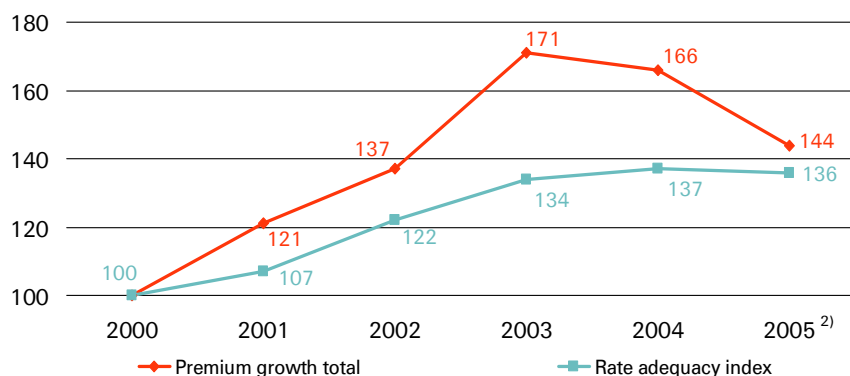
- Being optimally diversified to
 - benefit from different product and geographic cycles
 - allocate capital where business (life vs non-life) generates best returns for shareholders
- Having tools in place to measure real time pricing adequacy and steer capacity quickly to most attractive lines of business
- Being financially very strong to benefit from attractive business opportunities (e.g. size of programmes, layers to choose, Admin ReSM) and to be able to underwrite business post-event
- Having a stable life business to mitigate volatility of non-life earnings

L&H BG	1999	2000	2001	2002	2003	2004	1H '05
Return on op. revenues	9.3%	9.2%	9.5%	9.1%	8.7%	9.1%	9.5%

Active cycle management Non-life underwriting quality substantially improved

- Over proportional growth in times of strong rate increases
- Volume decrease since 2004 to maintain rate adequacy at very attractive levels
- Even better picture if impacts from stricter terms and conditions taken into account
- Treaty years 2002 onwards developing favourably

Swiss Re premium growth¹⁾ and rate adequacy indexed



¹⁾ P&C and FS premiums earned at constant fx

²⁾ 1H 2005 figures annualised

➔ Superior business quality will positively impact results going forward

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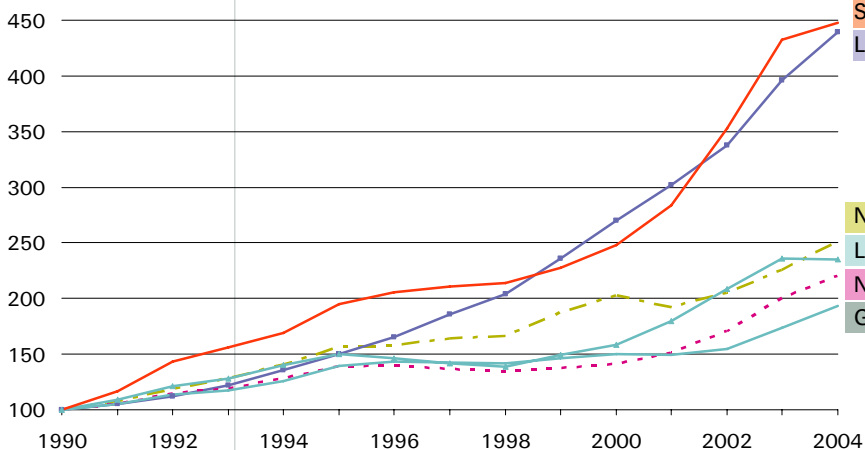
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Risk is a growth business

Reinsurance outpaced insurance and GDP growth



Annual growth 1990 - 2004; nominal values



World RI-premium volume 2004: life: USD 33bn; non-life: USD 140bn

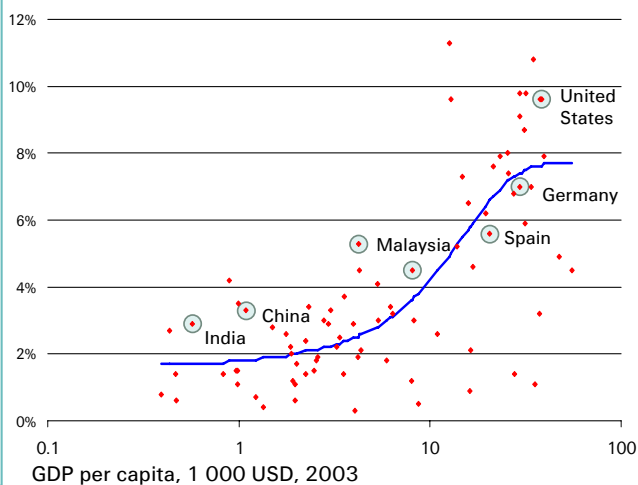
* Source: Swiss Re, Economic Research and Consulting; estimated

Asia as a growth market



- Step change in demand function. When GDP per capita gets close to USD 10 000, insurance penetration rises to a level above 4% with a steep slope
- We have a strong Asia-wide network:
 - 8 branches and
 - 3 representative offices

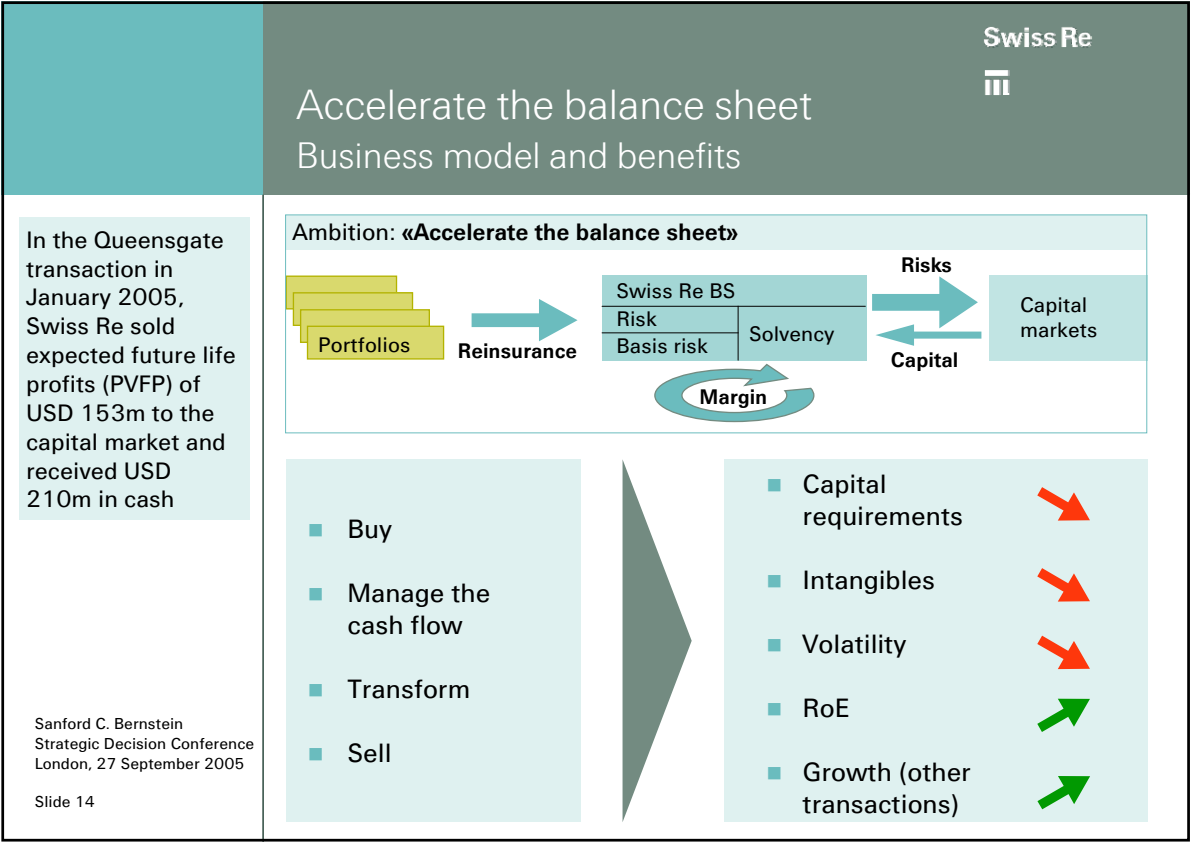
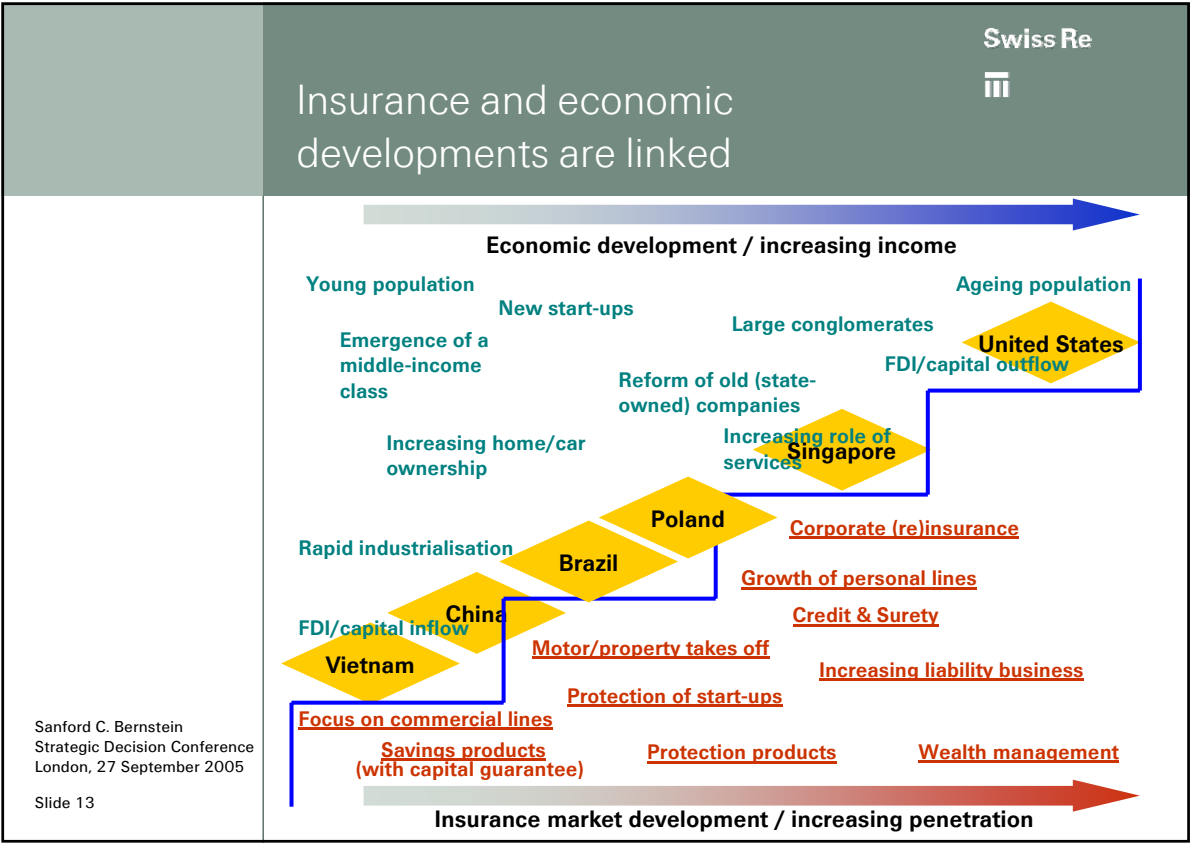
Premiums per GDP, life and non-life, 2003



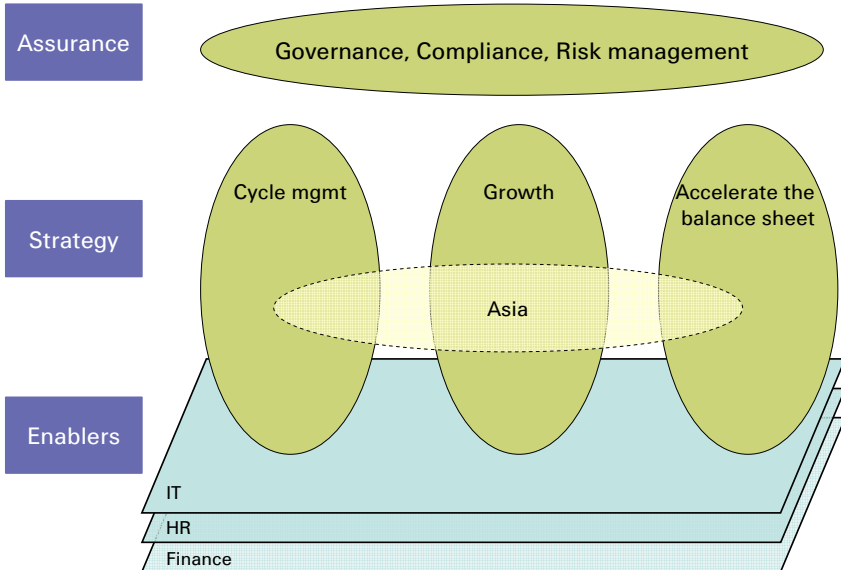
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Source: Swiss Re Economic Research & Consulting



Align organisation to strategy



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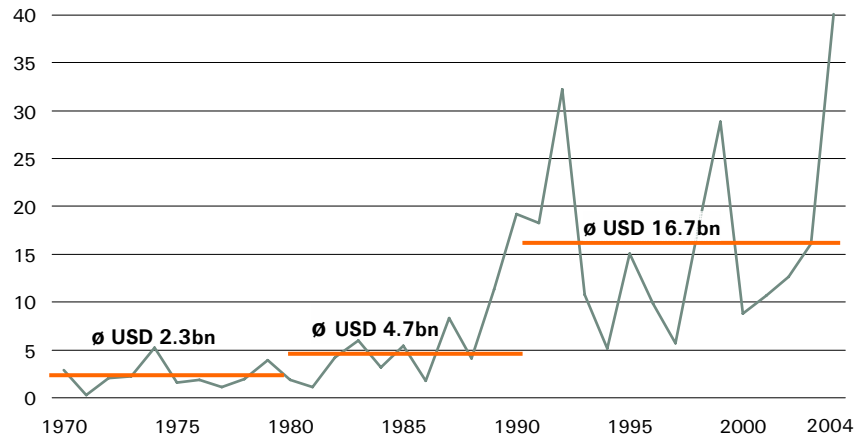
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Rising weather related natural catastrophe loss trends

Weather related* nat cat insured losses 1970 – 2004

(property and business interruption)

USD bn, at 2004 prices



Source: Swiss Re sigma Catastrophe database

* Incl. floods, storms, droughts, forest fires, cold waves & frost, hail, and other

— Long-term average

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Growing values in exposed areas are a major driver of higher losses



Ocean Drive, FL, 1926.



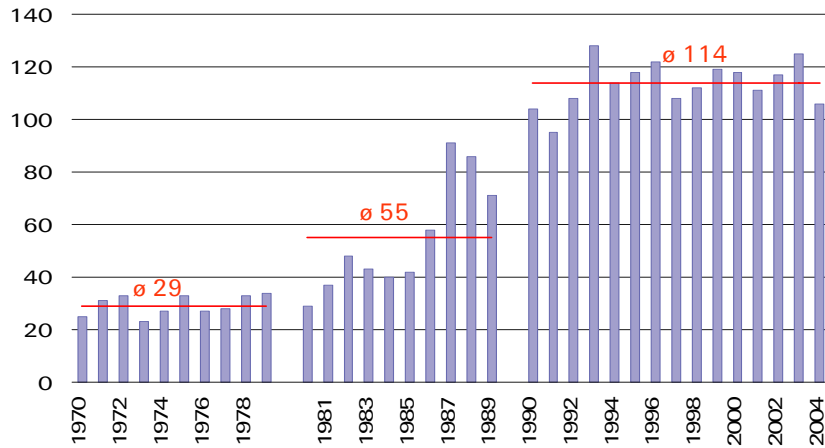
Ocean Drive, FL, 2000.

- ▶ The number of Floridians increased by 70% from 1980 to 2001, while state GDP soared by 130%
- ▶ Calculated loss amounts for 'more active' periods are noticeably higher than for 'less active' periods

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Severe weather events increased from 1970 - 2004

Weather related* nat cat events 1970 - 2004

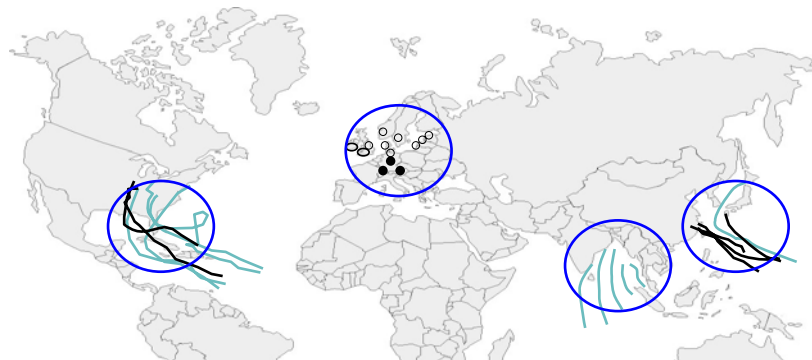


Source: Swiss Re sigma Catastrophe database
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Global frequency of events will impact reinsurance rates



- Countries affected by floods
- Countries affected by storms

6 of the 20 costliest nat cat events ever occurred in 2004:

- Hurricanes Ivan, Charley, Frances, Jeanne
- Seaquake/Tsunamis Indian Ocean
- Typhoon Songda

Major events in 2005:

- Hurricanes Katrina, Dennis
- European Storms Erwin, Gero
- Floods across Europe
- Typhoons Nabi, Talim, Matsa, Haitang

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Swiss Re's approach to natural catastrophe risk

- 'Event' management is an important part of Swiss Re's value proposition
- 30 years ago, Swiss Re created the Cat Perils team to develop models for pricing and controlling of risk accumulation (proprietary know-how)
- Natural catastrophes do not correlate with other risk classes (except in extreme 'tail events') and add to risk diversification
- Experience has been successful with positive economic outcome within expected tolerances
- Peak risk can now be securitised directly to capital markets benefiting real business economics

→ Strong diversified balance sheet ensures Swiss Re's capability to benefit from post event shortages in capacity

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	<p style="text-align: right;">Swiss Re </p> <p style="text-align: center;">Conclusion</p>
<p>Sanford C. Bernstein Strategic Decision Conference London, 27 September 2005 Slide 23</p>	<ul style="list-style-type: none"> ■ Nat cat events, mortality and other insurance risks not correlated with financial markets, Swiss Re - as a pure reinsurer – provides diversification to investors ■ Business sector has a long track record of GDP+ growth; Asia creates new momentum ■ Swiss Re focuses on delivering above average returns through cycle management ■ Current business model is today being improved by securitising risk to capital markets, thereby reducing regulatory capital requirements – raises return on equity and reduces volatility

	<p style="text-align: right;">Swiss Re </p> <p style="text-align: center;">Q & A</p>
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Swiss Re's history

1863	Foundation of the company
1864	Business relations in 7 countries (Germany, Italy, France, Austria, England, Belgium and Russia)
1906	San Francisco Earthquake, Swiss Re establishes its reputation
1910	First branch office (New York)
1950 – 1956	Opening of offices in South Africa, Canada, Australia, Hong Kong
1968 – 1976	Creation of several advisory and service companies in Asia and South America
1985	Strategy to diversify
1994	Refocus on core business - selling majority shares in several insurance companies
from 1995	Development of financial services offerings, including securitisation of insurance risks
1996 – 2001	Strengthening of life and health business through several acquisitions
2003 – 2004	Strengthening market position in Asia

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Scenarios 2015: Growth

Insurance industry

- Retail and wholesale risk transfer markets continue to show growth above GDP, say 6% pa nominal
- World insurance to grow from 8% to 9% of GDP
- Accelerated process of industry consolidation/business exits
- Emerging markets grow from 12% to 17% of world cessions
- The future for services and products will not be a straight line projection of today
- Sustainability will become a main stream concept

Consequences for Swiss Re

- Business focus continues to be on wholesale financial services
- Grow market share 1% over the cycle (peak to peak) – Swiss Re achieved 1.8% growth over the last cycle
- Active corporate development policy adding to revenue growth
- Swiss Re establishes market share above its global average
- Swiss Re to be a leader in developing new risk solutions (e.g. emissions trading, wind farms underwriting etc)

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→ Target over cycle: 10% EPS growth

Scenarios 2015: Margin

Insurance industry

- Continuation of business cycles
- Low investment return environment
- Securitisation of insurance risk increasingly established. Annual issuances reaching 5% of worldwide insurance premium (0.1% in 2003)

Consequences for Swiss Re

- Active management of capacity and capital allocated to cyclical business
- Underwriting quality is key to profitability
- Outperformance of risk free benchmarks supports RoE
- Securitisation used to risk manage/yield enhance 30% of Swiss Re revenues
- Earnings origination from trading and increased fee income

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→ Target over cycle: 13% RoE

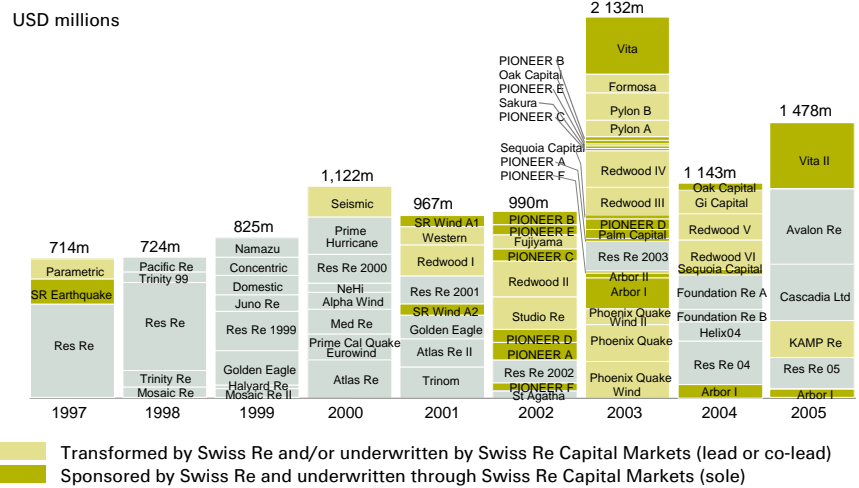
Scenarios 2015: Enabling strategy

Insurance industry	Consequences for Swiss Re
<ul style="list-style-type: none"> ■ Distribution channels for reinsurance continue to be a mix of direct and broker as today 	<ul style="list-style-type: none"> ■ Swiss Re to develop multi-channel access to risk ■ Continue to strengthen direct client franchise, e-solutions and broker relations
<ul style="list-style-type: none"> ■ Advances in data collection and management systems ■ Industry cost structure improves 	<ul style="list-style-type: none"> ■ Fingertip information systems, supported by global low-cost admin systems
<ul style="list-style-type: none"> ■ Regulation will continue to converge towards a global 'best practice' with a move to economic methodologies 	<ul style="list-style-type: none"> ■ Swiss Re to be a leader in promoting transparent and well-informed dialogue with regulators. Continuous monitoring of the way the regulatory agenda is moving
<ul style="list-style-type: none"> ■ Scarcity of high quality underwriting and financial talent 	<ul style="list-style-type: none"> ■ Create mobile highly skilled teams and attract the best talent

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ILS transaction history: Catastrophic events (nat cat and mortality)

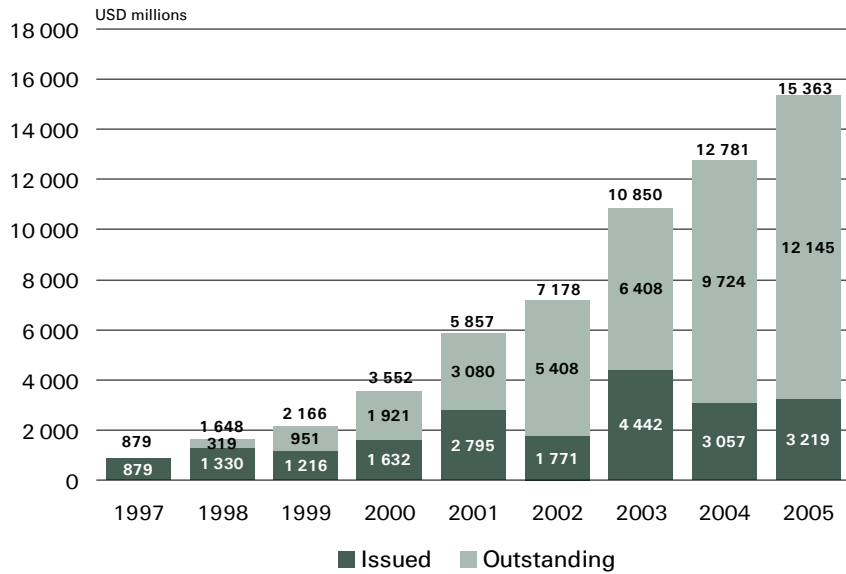
Swiss Re has the clear leadership position in the insurance-linked security (ILS) sector



Investors' day
 15.09.2005

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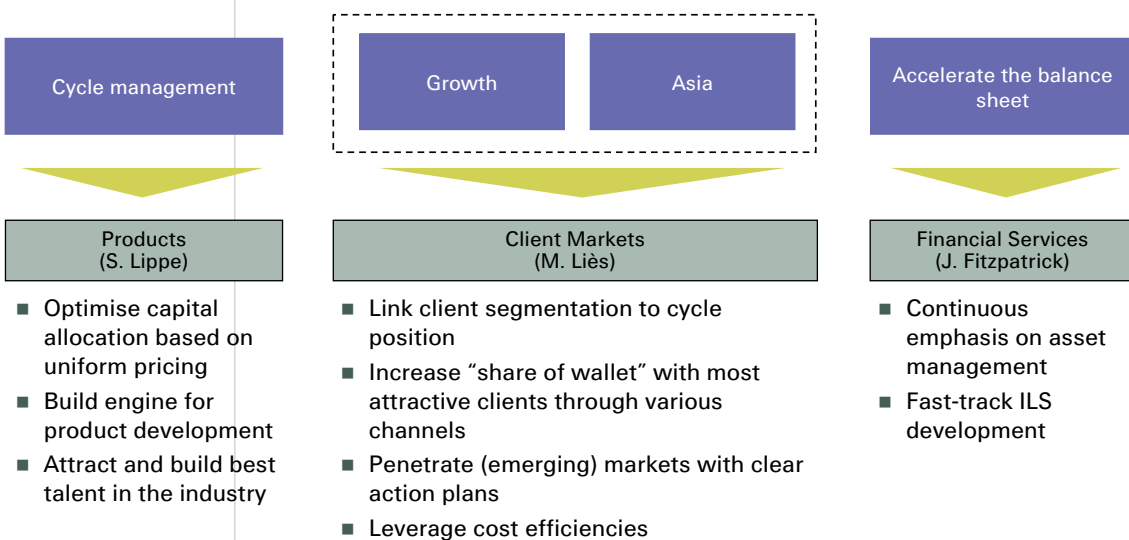
World-wide ILS outstanding: Life and catastrophic events



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Strategic priorities to be addressed by the new organisation



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