



## Insurance-linked securities market poised for continued growth

Contact:

Media Relations, Zurich  
Telephone +41 43 285 7171

Corporate Communications, New York  
Telephone +1 212 317 5663

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](http://www.swissre.com)

**Zurich, 6 September 2011 – 15 years after its inception, the market for insurance-linked securities (ILS) is poised for continued growth as re/insurers, governments and corporations continue to access capital market solutions to finance growth, manage their capital and transfer risks related to natural catastrophes and other extreme events, according to Swiss Re's latest publication.**

Aimed at companies wishing to transfer peak risks as well as qualified institutional investors seeking to invest in ILS, Swiss Re's *"The fundamentals of insurance-linked securities"* offers a comprehensive overview of the structures and features of this growing asset class, together with a summary of the benefits of ILS from the perspectives of both the sponsor and the investor.

Swiss Re, a pioneer in the development of the ILS sector, has sponsored close to USD 10 billion in transactions for its own protection. Through its appropriately licensed entities, Swiss Re has underwritten more than USD 20 billion of both life and non-life risk including third-party transactions. As a leader in the market, Swiss Re has supported numerous key innovations. Among notable recent developments, Swiss Re was a founding shareholder in PERILS AG, which created the European Windstorm Index. PERILS has benefitted the European re/insurance and ILS markets by improving the transparency of industry losses. Standardised, consistent and timely market data has facilitated recent growth in European cat bonds. With another groundbreaking innovation in the life space, Swiss Re has developed the first Longevity Divergence Index, which enabled the first longevity trend securitisation through the Kortis transaction.

"Insurance Linked Securities are an integral component of our product offering to clients and we are starting to see increasing demand for non-US peak risks," says Matthias Weber, Head of Property & Specialty at Swiss Re. "By offering ILS, Swiss Re can combine its strong origination and distribution platforms with its ability to assume basis risk and tail risk."

Sponsors of ILS transactions value the fully collateralised, multi-year capacity of an alternative market. Swiss Re's robust appetite to assume basis and execution risks, make it particularly well-equipped to help sponsors access the broader capital markets. In addition to structuring and placing a transaction, Swiss Re can act as an intermediary



between the sponsor and the special purpose vehicle (SPV) issuing the bonds, offering sponsors a traditional reinsurance contract covering their complex, heterogeneous risks, reducing basis risk and enabling the efficient transfer of homogeneous, tradable and transparent risks to the capital markets.

ILS offer re/insurers, governments or corporations the ability to transfer their peak risks and thus allow them to complement and diversify their reinsurance protection. ILS form an integral component in many sponsors' risk transfer programmes and there is a constant pipeline of ILS issuance supported by a committed investor base.

ILS investors, a global group of institutional money managers, dedicated cat bond funds as well as multi-strategy hedge funds, continue to see relative value in a diversifying asset class with superior returns. The increased utilisation of parametric or index-based triggers improves transparency for investors. In the secondary market, investors also appreciate the substantial liquidity support Swiss Re Capital Markets offers as a broker dealer. During the recent financial crisis, some hedge funds decided to de-leverage and many of these investors found strong prices for their ILS positions.

"The ILS market is strong and poised for continued growth," says Martin Bisping, Head of Non-Life Risk Transformation at Swiss Re. "Our investor and sponsor base is made up of stable long-term partners and we consistently generate new interest in the sector. We believe this combination will lead to a continuation of robust ILS market growth."

## Notes to editors

### Swiss Re Ltd

Swiss Re Ltd is the holding company for the Swiss Re Group. Its shares are listed on the SIX Swiss Exchange and trade under the symbol SREN.

### Swiss Reinsurance Company Ltd

Swiss Reinsurance Company Ltd is a leading and highly diversified global reinsurer and part of the Swiss Re group of companies. The company operates through offices in more than 20 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Reinsurance Company Ltd is rated "A+" by Standard & Poor's, "A1" by Moody's and "A" by A.M. Best.

### Swiss Re Capital Markets

Swiss Re Capital Markets comprises two regulated entities, Swiss Re Capital Markets Corporation, regulated by the Financial Industry Regulatory Authority ("FINRA") in the US and Swiss Re Capital Markets Limited, regulated by Financial Services Authority ("FSA") in the UK, with the necessary permissions to conduct the ILS activities discussed herein. Any similarly structured ILS transaction would also require the use of one or both of these regulated entities.



## **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:

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- changes in global economic conditions and the effects of the global economic downturn;
- the occurrence of other unanticipated market developments or trends;
- 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 Swiss Re’s 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 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 Swiss Re’s hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group;
- risks associated with implementing Swiss Re’s business strategies;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;

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.