



Swiss Re's Economic Forum sees strong opportunities for insurance protection in emerging markets and a solid outlook for the insurance industry in 2007

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London, 5 December 2006: The insurance industry can provide strong opportunities in the emerging markets following large disasters to protect economic development. In particular, public-private partnerships may serve to increase insurance penetration in these economies. For the global insurance industry as a whole, following an "extraordinary" year in 2006, the outlook for 2007 is positive in terms of growth and profitability.

Highlighting its own commitment to building insurance availability in developing economies, Swiss Re will today address the leading role that (re)insurers can play in providing insurance for emerging markets to cover natural hazards. Roger Ferguson, Head of Financial Services will be joined by Thomas Hess, Chief Economist at Swiss Re's annual review and outlook for the insurance industry, to be held in London.

Public-private partnerships are key to increased insurance availability in emerging markets

In 2005, average insurance penetration* in these economies was a mere 3.6%, compared with a global average of 7.5%. This contrasts starkly against the vulnerability to natural catastrophes of many emerging market countries, where a major disaster typically causes significant economic disruption, government resources to provide disaster relief are scarce and international aid is needed to begin rebuilding the economy.

"Insurance is the most efficient means to provide financial support when it is most needed, allowing companies and households to maintain their income and operations after major catastrophes," Mr Ferguson will comment. "Strong partnerships can narrow the gap between economic and insured losses in case of natural disasters, stabilising government finances and providing immediate relief to victims."

Swiss Re has enabled a range of public-private initiatives

Mr Ferguson will set out three solutions where Swiss Re's involvement in public-private partnerships has extended the availability of insurance for the benefit of consumers and businesses in emerging market economies.

* Defined as premiums as a percentage of GDP

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- In Mexico, Swiss Re provides the reinsurance as part of an insurance-linked security solution, enabling the Mexican government to tap directly into the financial markets and providing it with immediate access to capital to finance disaster relief after an earthquake.
 - In Turkey, Swiss Re is among the reinsurers of a catastrophe pool established following 1999's tragic Izmit earthquake, where mandatory participation helps avoid adverse selection and enlarges the risk community, providing efficient diversification and cost reduction.
 - In India, the development of an innovative micro-insurance scheme, reinsured by Swiss Re, shows how public-private co-operation can make insurance against crop failure affordable to poor rural farmers through an existing distribution channel.

"Swiss Re and the international insurance and reinsurance industry have a huge potential to support economic development in emerging markets by helping these economies mitigate and manage risks, and by financing economic losses," Mr Ferguson will conclude. "To be successful, public-private solutions require the cooperation of all relevant parties including government, corporations, households and non-governmental organisations."

2006 has been an extraordinary year for insurance

Thomas Hess will note that 2006 appears set to be an excellent year for insurance, with few catastrophe losses, double-digit profits and renewed investor interest in insurance stocks.

"For non-life insurance, 2007 is likely to be another very profitable year," Mr Hess will comment. "A key to sustaining these attractive profits will be for the insurance industry to remain disciplined towards competition and pricing."

For the life industry, Mr Hess also forecasts positive developments in 2007. Growth will be robust at around 4.5%, and profitability will gradually continue to improve. Further consolidation in the life sector will continue to drive the increasing trend in the US and Europe for transferring closed blocks of life business to third parties to administer. Insurers' interest in securitising life risks and embedded values is also likely to increase. Life insurers in countries such as France, Germany, Italy and Spain should benefit from opportunities to develop private insurance solutions for people in retirement.

Balance sheets will see further improvements in 2007

Mr Hess will comment favourably on insurers' balance sheet situation going into 2007: "Balance sheets of most non-life insurers are very strong and we expect this to improve in 2007," he will say. "The same applies for life insurers, who now appear to be enjoying a virtuous cycle where improved capitalisation allows for a higher-yielding investment strategy, better returns for policyholders and shareholders, and – through greater profitability – an even better capital position."

Looking at the challenges beyond 2007, there are a number of important mega trends which represent significant growth opportunities for insurers. These include ageing, state withdrawal from certain traditional areas of social security, the rising importance of the emerging markets and developments due to globalisation. However, the industry must be ready to respond with appropriate products and fix the structural challenges it faces in terms of improving its profitability, including moving to a lighter capital model.

Notes to editors

Swiss Re

Swiss Re is the world's leading and most diversified global reinsurer. The company operates through offices in over 30 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 Re is rated "AA-" by Standard & Poor's, "Aa2" by Moody's and "A+" by A.M. Best.

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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:

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- cyclical nature 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;
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 - changes in competitive pressures.

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