



Swiss Re announces first public-private longevity transaction, providing longevity risk cover to a local government pension fund in the UK

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London, 15 December 2009 – Swiss Re has entered into its first longevity transaction with a pension fund. With this transaction, Swiss Re will provide the UK’s Royal County of Berkshire Pension Fund (RBPF) with protection against the uncertainty associated with longevity risk on CHF 1.7 billion of pensioner liabilities.

Christian Mumenthaler, Swiss Re’s Head of Life & Health, commented: “We are very proud to announce this innovative transaction, because it is not only Swiss Re’s first longevity protection written for a pension fund, but the first pure longevity risk transfer written for any governmental body worldwide.”

The longevity contract transfers the longevity risk for RBPF’s existing pensioners through a straightforward insurance policy. It covers 11 000 pensions of the fund that were in payment on 31 July 2009. This corresponds to approximately CHF 1.7 billion of pensioner liabilities.

The RBPF pension fund pays regular premiums to Swiss Re according to a fixed schedule. Swiss Re insures the actual ‘floating’ annuity benefits to members, the cost of which depends on how long those pensioners live. The net result is that the RBPF continues to honour pension payments to its pensioners, but any future positive or negative deviation due to uncertain longevity is absorbed by Swiss Re. RBPF retains legal ownership of its assets and complete control over its investment strategy.

“We are pleased to have completed our first pension plan transaction so soon after expanding our activities to offer pension plans direct access to Swiss Re’s longevity capacity. This demonstrates our ability to take tried and tested solutions created for insurance clients and apply them to occupational pension plans,” said Costas Yiasoumi, who led the transaction on Swiss Re’s side.

Longevity: a growing business for Swiss Re

Continually rising life expectancies make longevity risk one of the biggest issues facing society. Demand from pension funds and life insurers for reinsurance has grown along with risk awareness. Yet private sector supply for longevity risk cover is still scarce.

“This creates big opportunities for Swiss Re as market leader in life and health reinsurance. We are now pioneering longevity solutions for public sector counterparties as well as private companies, allowing them to better control the uncertainty they face with respect to longevity risk,” added Christian Mumenthaler.

Notes to editors

Swiss Reinsurance Company Ltd

Swiss Re is a leading and highly diversified global reinsurer. 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 Re is rated “A+” by Standard & Poor’s, “A1” by Moody’s and “A” by A.M. Best.

Royal County of Berkshire Pension Fund (RBPF)

The Royal County of Berkshire Pension Fund (RBPF) is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Windsor and Maidenhead (RBWM) on behalf of the six unitary authority employers and nearly 100 other employers.

Pensioner liability figure of CHF 1.7 billion

This represents the approximate value as at 31 July 2009 of the pensioner liabilities covered by the insurance policy determined using Swiss Re’s economic value measurement (EVM) methodology. Under EVM cashflows are discounted using risk free rates. It allows for current GBP to CHF exchange rates.

For the purposes of determining stable long term pension financing cost by RBWM the pension plan liabilities are assessed triennially using an approach that focuses on long-term assumptions advised by its actuary. Assumptions consistent with those used in the 2007 triennial fund assessment result in a valuation of approximately GBP 750 million for those pension liabilities.

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;

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- 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 one of the financial strength or other ratings of one or more companies in the Group;
 - 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;
 - 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.