



Analysts' conference call 27 April 2005

Life & Health embedded value 2004

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Cautionary note on forward-looking statements


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:


- cyclical 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;
- changes in levels of interest rates;
- political risks in the countries in which we operate or in which we insure risks;
- extraordinary events affecting our clients, such as bankruptcies and liquidations;
- risks associated with implementing our business strategies;
- changes in currency exchange rates;
- changes in laws and regulations, including changes in accounting standards and taxation requirements; and
- changes in competitive pressures.

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 our 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.

	<p style="text-align: right;">Swiss Re </p> <h2 style="text-align: center;">Agenda</h2>
<p>Embedded value Conference call 27 April 2005 Slide 3</p>	<ul style="list-style-type: none"> ■ Summary of embedded value and main impacts ■ Embedded value earnings for 2004 ■ Embedded value sensitivities ■ Key economic assumptions ■ European Embedded Value Principles ■ Appendix

	<p style="text-align: right;">Swiss Re </p> <p style="text-align: center;">Embedded value CHF 17.1 bn Earnings of CHF 2.0bn represent 13% return on embedded value</p>
<p>Embedded value Conference call 27 April 2005 Slide 4</p>	<ul style="list-style-type: none"> ■ The 2004 embedded value was CHF 17.1 billion an increase of CHF 1.1 billion (CHF 1.9 billion excluding foreign exchange rate movements) compared to 2003 ■ Embedded value earnings increased CHF 0.9 billion, from CHF 1.1 billion in 2003 to CHF 2.0 billion in 2004 and represented a 13% return on embedded value ■ Value added by new business increased CHF 352 million to CHF 666 million in 2004, driven by increased investment in Admin Re and improved margins

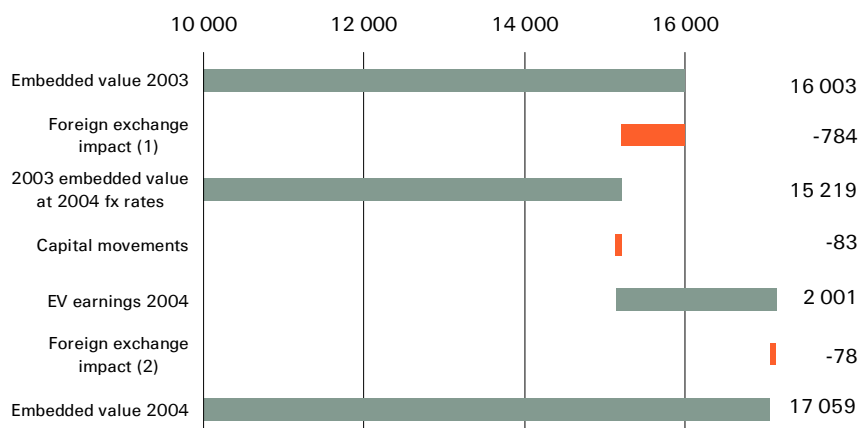
	<p style="text-align: right;">Swiss Re </p> <p>Positive experience variances offset negative operating assumption changes</p>
<p>Embedded value Conference call 27 April 2005 Slide 5</p>	<ul style="list-style-type: none"> ■ Positive experience variances of CHF 187 million include favourable mortality experience, commutations and lower taxes ■ Negative operating assumption changes of CHF 192 million primarily due to run-off portfolio of US disability business ■ Positive investment variances of CHF 250 million due to favourable bond returns, gains on equities backing capital and surplus and higher management fees from unit linked products

	<p style="text-align: right;">Swiss Re </p> <p>Embedded value of CHF 17.1 bn, an increase of CHF 1.1 bn</p>																			
<p>Embedded value Conference call 27 April 2005 Slide 6</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">CHF millions</th> <th style="text-align: right;">2003</th> <th style="text-align: right;">2004</th> </tr> </thead> <tbody> <tr> <td>Opening embedded value</td> <td style="text-align: right;">16 281</td> <td style="text-align: right;">16 003</td> </tr> <tr> <td>Embedded value earnings</td> <td style="text-align: right;">1 078</td> <td style="text-align: right;">2 001</td> </tr> <tr> <td>Exchange rate movements</td> <td style="text-align: right;">-831</td> <td style="text-align: right;">-862</td> </tr> <tr> <td>Capital movements</td> <td style="text-align: right;">-525</td> <td style="text-align: right;">-83</td> </tr> <tr> <td>Close embedded value</td> <td style="text-align: right;">16 003</td> <td style="text-align: right;">17 059</td> </tr> </tbody> </table> <div style="background-color: #e0e0e0; padding: 10px; margin-top: 10px;"> <ul style="list-style-type: none"> ■ Embedded value up due to 86% increase in embedded value earnings ■ Impact of movements in foreign exchange rates similar to previous year </div>		CHF millions	2003	2004	Opening embedded value	16 281	16 003	Embedded value earnings	1 078	2 001	Exchange rate movements	-831	-862	Capital movements	-525	-83	Close embedded value	16 003	17 059
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Close embedded value	16 003	17 059																		

Underlying growth from earnings partially offset by currency and capital movements

Swiss Re


- Embedded value earnings represent a 13% return on opening 2004 embedded value adjusted for foreign exchange impact



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(1) 2004 vs 2003 year-end rates

(2) Impact on earnings and capital movements from average rates to year-end 2004 rates


EV operating profit up CHF 0.7bn; EV earnings up CHF 0.9bn


Swiss Re


CHF millions	2003	2004
Value added by new business	314	666
Profit from existing business		
■ expected return	828	783
■ experience variances	-25	187
■ operating assumption changes	-383	-192
Expected return on shareholders' net worth	307	322
Operating profit	1 041	1 766
Investment variances	170	250
Economic assumption changes	-133	-15
Total embedded value earnings	1 078	2 001

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	<p style="text-align: right;">Swiss Re </p> <p style="text-align: center;">Components of embedded value earnings (I)</p>
<p>Embedded value Conference call 27 April 2005 Slide 9</p>	<ul style="list-style-type: none"> ■ Significant increase in value added by new business driven by 41% increase in capital invested in new business and improved margins ■ Expected return on existing business decreased in 2004 due to lower average risk discount rate and foreign exchange impact compared with 2003 ■ Positive experience variances include better mortality than expected, favourable commutations and lower tax payments ■ Negative operating assumption changes primarily due to lower claim termination rates on exited US disability business. Other assumption changes included negative impacts from lapse assumption changes and updating mortality tables offset by positive impact from mortality improvement assumption change

	<p style="text-align: right;">Swiss Re </p> <p style="text-align: center;">Components of embedded value earnings (II)</p>
<p>Embedded value Conference call 27 April 2005 Slide 10</p>	<ul style="list-style-type: none"> ■ Positive investment variances due to favourable bond returns, gains on equities backing capital and surplus and higher management fees from unit linked products ■ Economic assumption changes had limited impact as small reductions in risk discount rates were offset by corresponding reductions in yields

Value added by new business in 2004 more than double 2003

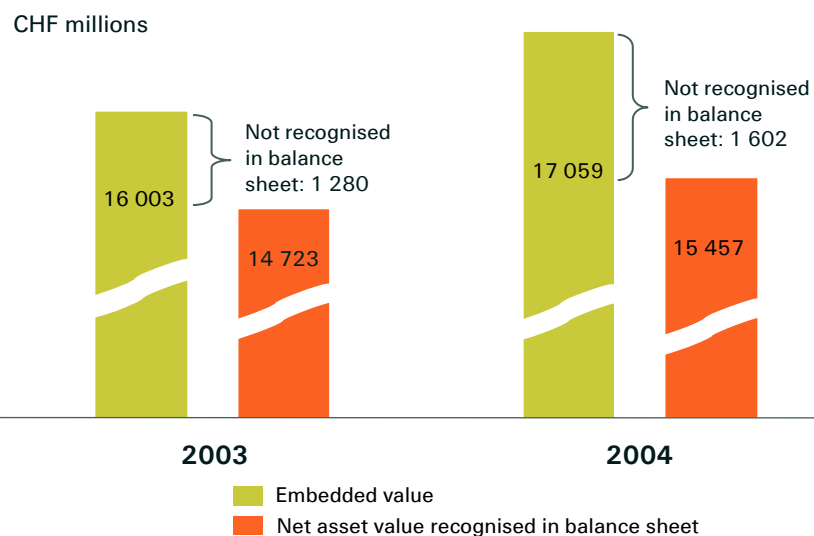
- Significant increase in capital invested in Admin ReSM in 2004
- Reduction in new traditional business volumes mainly due to repricing actions
- Excellent new business IRR of 12.5% after tax significantly higher than 2003

CHF millions	2003	2003 at 2004 fx	2004
Capital invested in new Admin Re SM business	524	517	1 416
Capital invested in new traditional business	1 109	1 092	884
Total capital invested in new business	1 633	1 609	2 300
Value added by new business	314	304	666
New business after tax internal rate of return	10.9%	11.0%	12.5%

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Value not recognised in Swiss GAAP balance sheet CHF 1.6bn



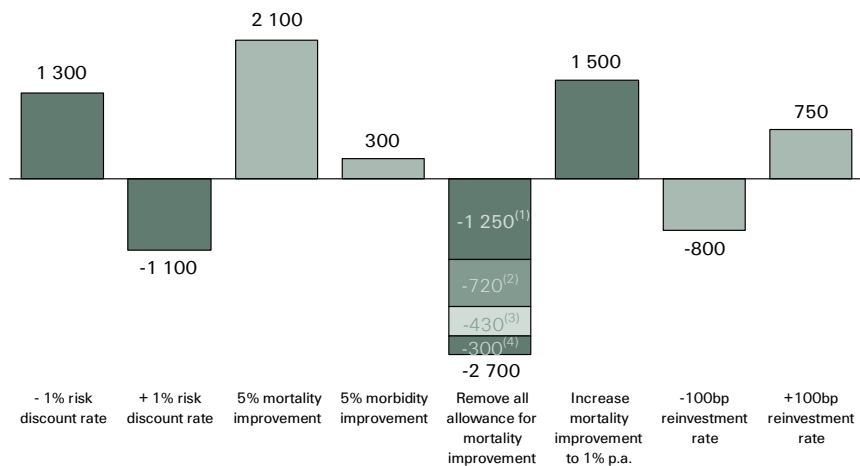
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Sensitivity of embedded value to assumption changes

CHF millions

Base value 17 059



Embedded value
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(1) Explicit allowance in 2003 EV; (2) Implicit allowance in 2003 EV; (3) Mortality improvements in 2004 new business (4) Aggregate change in 2004 improvement assumptions/other

Improved analysis highlights the implicit improvements included in legacy US mortality tables (I)

- Proprietary in-house mortality system based on latest actual mortality experience, consistent with pricing, utilised in 2004 embedded value
- Draws on experience database of 4.8 million policies and more than 40 major life companies
- Demonstrates that implicit mortality improvements are incorporated in the application of legacy tables as commonly used in the industry and by Swiss Re in its 2003 EV
- Implicit allowance for mortality improvements made explicit in Swiss Re's 2004 embedded value
- Mortality tables within this system are calibrated to Swiss Re's current level of mortality

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Improved analysis highlights the implicit improvements included in legacy US mortality tables (II)

Swiss Re

- Aggregate impact of changes to mortality tables reduced embedded value earnings by CHF 240 million
- Change in average mortality improvement assumption of approx. 0.08% p.a. increased embedded value earnings by CHF 360 million

➔ Net positive impact from mortality assumption changes of CHF 120 million

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Impact of replacing implicit with explicit allowance for mortality improvements in the US

Swiss Re

illustrative

- old base table
- ⋯ with improvement
- new base table
- ⋯ with improvement

■ Revised table uses more conservative assumptions at older ages and later durations which leads to a steeper slope

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Higher allowance for mortality improvements increases EV earnings by CHF 0.36bn

CHF billions

Explicit allowance for mortality improvements in 2003 EV	1.25
Implicit allowance for mortality improvements in 2003 EV	0.72
Total allowance in 2003 EV	1.97
Aggregate change in 2004 improvement assumptions	0.36
Mortality improvements in 2004 new business	0.43
Other	-0.06
Explicit allowance for mortality improvements in 2004 EV	2.70

- The CHF 360m increase in improvements (approx. 0.08% p.a.) reflects greater confidence in underlying mortality tables
- Average mortality improvement assumed for insured lives approximately 0.64% p.a.
- Average population mortality improvement for US males 1966 – 2001 = 1.5% p.a.*

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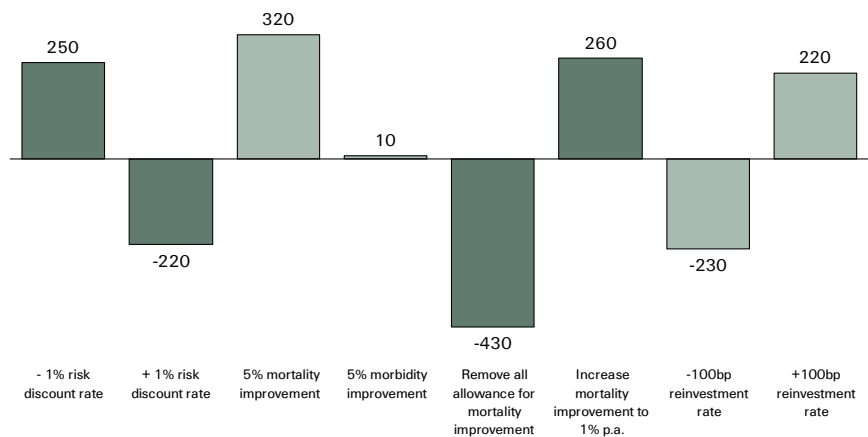
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* Source: Centres for Disease Control mortality database

Sensitivity of value added by new business to assumption changes

CHF millions

Base value 666



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Embedded value summary

- Embedded value earnings represent a 13% return on opening 2004 embedded value adjusted for foreign exchange impacts

CHF millions	2003	2003 at 2004 fx	2004
Value of in-force business	9 792	9 284	10 758
Shareholders' net worth	7 734	7 374	7 728
Cost of holding solvency capital	-1 523	- 1 439	- 1 427
Embedded value	16 003	15 219	17 059

The average risk discount rate at the end of 2004 was 7.4% (7.7% in 2003)

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Key economic assumptions


in %	Risk discount rate		Risk free rate ⁽¹⁾		Fixed interest reinvestment rate	
	2003	2004	2003	2004	2003	2004
Euro zone	7.5	7.0	4.3	3.7	4.5	4.0
UK	8.0	7.6	4.9	4.6	5.0	4.6
USA	7.5	7.5	4.3	4.3	5.5	5.5
Canada	8.0	7.7	4.7	4.4	5.5	5.5

Equities: assumed pre-tax rate of return equals risk discount rate less 50 basis points

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⁽¹⁾ 10 year government fixed interest bonds

	<p style="text-align: right;">Swiss Re </p> <h2 style="text-align: center;">Audit of embedded value</h2>
<p>Embedded value Conference call 27 April 2005 Slide 21</p>	<p>PricewaterhouseCoopers (PwC) has carried out an audit of the 2004 embedded value and embedded value earnings calculations and issued an unqualified audit opinion on these. The full opinion has been posted on our website.</p>

	<p style="text-align: right;">Swiss Re </p> <h2 style="text-align: center;">European Embedded Value Principles (EEV)</h2>
<p>Embedded value Conference call 27 April 2005 Slide 22</p>	<ul style="list-style-type: none"> ■ Two aspects of EEV are expected to have a significant impact on Swiss Re's embedded value <ul style="list-style-type: none"> – risk discount rate assumptions – allowing for time value of options and guarantees ■ Other aspects of EEV are not expected to have a significant impact ■ Swiss Re will adopt EEV fully for reporting 2005 EV and EV earnings



Method used by Swiss Re to set risk adjusted discount rates under EEV

- Risk discount rates have been set equal to risk free rates plus a risk margin
- Risk free rates have been based on 10 year government bonds for each major currency
- Risk margin based on the systematic risk (Beta) of statutory profit stream plus additional margin of 2.5% for insurance and other risks
- Material financial options and guarantees evaluated explicitly have been excluded in calculating Beta


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Key parameters for risk adjusted discount rates

- Excluding products with financial options and guarantees, beta of aggregate L&H profit stream is less than 0.1
 - most business is protection with no exposure to equity markets
- Equity risk premium of 3.5% in line with research conducted by Swiss Re during 2004. Due to the low beta of L&H business this is not a key assumption
- Additional margin of 2.5% for insurance and other risks
 - sensitivities illustrate impact of alternative values
- Example: US RDR = 4.3% + 0.1 * 3.5% + 2.5% = 7.15%

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Indicative impact on 2004 EV of implementing EEV		Swiss Re 
CHF millions		
2004 embedded value		17 059
Change in risk discount rate		+476
Financial options and guarantees		-308
2004 indicative EEV		17 227
<ul style="list-style-type: none"> ■ The value of financial options and guarantees has been calculated using market consistent stochastic investment scenarios ■ Average risk discount rate is 7.1% compared to 7.4% under existing methodology ■ These calculations have not been audited by PwC 		

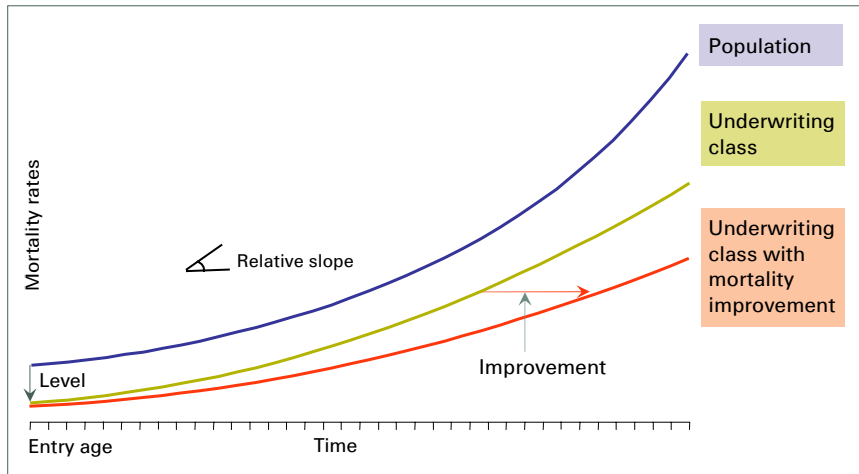
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Appendix		Swiss Re 
<ul style="list-style-type: none"> ■ Overview of construction of US mortality tables ■ Life insurance securitisation ■ Value added by new business ■ Impact of duration on value added by new business ■ Embedded Value vs Swiss GAAP reporting ■ Currency exchange rates ■ Definition of embedded value ■ Components of embedded value 		

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Construction of US mortality tables: Illustration of legacy approach

illustrative

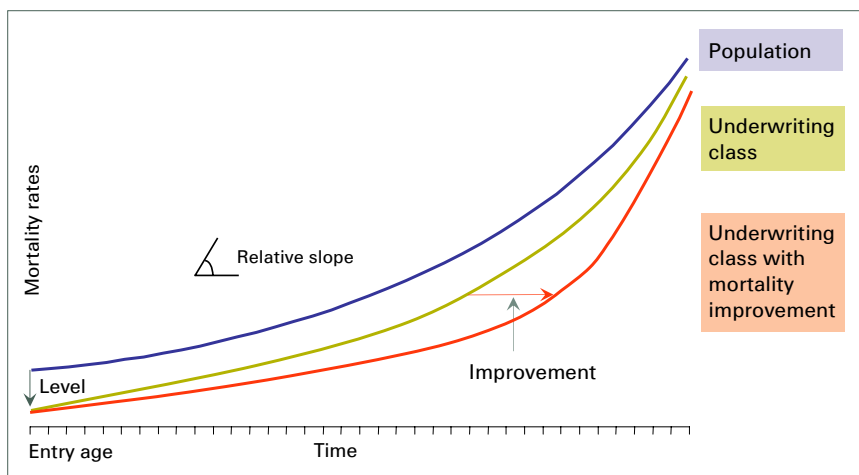


- Consider each assumption in isolation (level, slope, improvement by calendar year)
- Consider overall position for reasonableness

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Construction of US mortality tables: Improved approach

illustrative



- Improved confidence in overall position which remains largely unchanged
- Increased accuracy of explicit mortality improvement

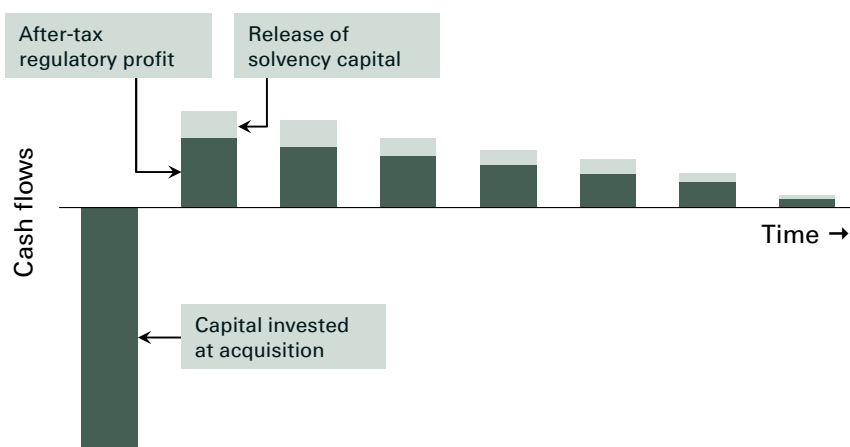
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Life insurance securitisation

- USD 245 million securitisation of future profits from a portfolio of US life business successfully closed on 20 January 2005
- Not included in 2004 embedded value
- Increases embedded value by approximately USD 20m using unadjusted 2004 assumptions
- Impact on embedded value mainly attributable to lower after tax funding cost of the securities; pre tax average is 6.96% compared to after-tax risk discount rate of 7.5%
- Transaction objective: convert future statutory profits (value of in-force) to cash, which can be reinvested at higher rates of return in new investment opportunities

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Value added by new business - Admin Re business



Value added by new business = present value of after-tax regulatory profits less cost of holding solvency capital. **Includes the cost of initial capital invested.**

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Impact of duration on value added by new business

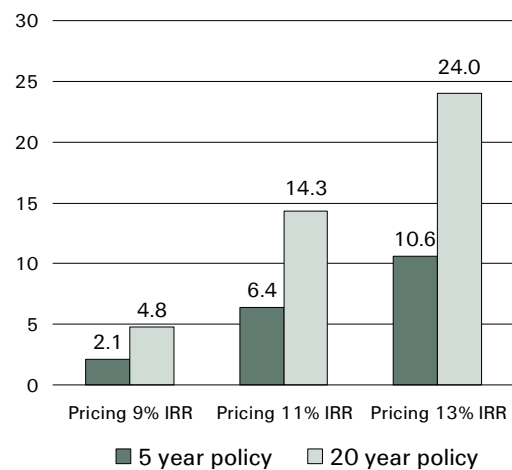
Impact of duration: illustrative example

Level term annual premium insurance

Male, age 40

Investment return of 5% p.a., lapse rate 10% p.a., risk discount rate 8% p.a.

Value added by new business for constant capital invested



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Embedded value vs Swiss GAAP reporting

Main differences:

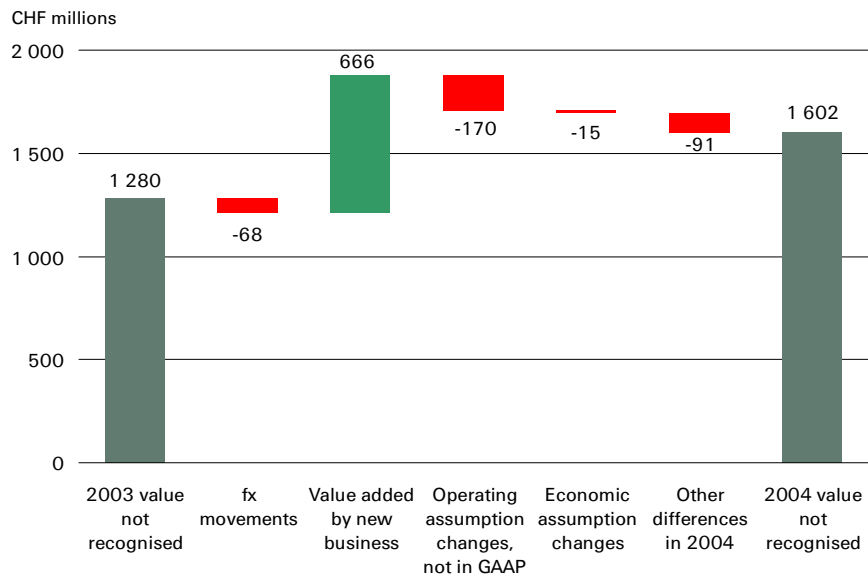
- EV uses best estimate assumptions, GAAP earnings are mostly based on "locked in" assumptions
- EV recognises the full value of new business at the date of inception. GAAP spreads profit recognition over lifetime of the business
- EV earnings reflect the full impact of investment market movements. GAAP earnings reflect book yields plus realised gains/losses

→ Each of the above differences contribute to the change over the year in the value not recognised in the Swiss GAAP balance sheet

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Changes in value not recognised in Swiss GAAP balance sheet



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Currency exchange rates

	2003		2004	
	Closing rate	Av. rate	Closing rate	Av. rate
EUR	155.98	151.91	154.55	154.40
GBP	221.40	219.67	218.31	227.83
USD	123.68	134.95	113.71	124.71
CAD	95.71	96.24	94.91	95.63

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Definition of embedded value

- Embedded value is an estimate of the value of an insurer's life insurance operations, excluding future new business
- Embedded value is the estimated present value of future regulatory profits from the in-force business plus the value of the shareholders' net worth, less the cost of holding all solvency capital
- Calculated on realistic assumptions, after tax and using risk-adjusted discount rates

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Components of embedded value (1)

- Value of in-force business
 - Present value of projected stream of future after-tax regulatory profits
 - Excludes any value attributed to future new business
 - Calculated using risk adjusted discount rates
 - Realistic assumptions for future mortality, morbidity, lapse rates, expenses, taxes and investment returns

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Components of embedded value (2)

- Shareholders' net worth
 - Net assets of the life companies, adjusted to reflect the market value of assets
 - Composite companies include the amount of allocated solvency capital (i.e. target surplus)

Components of embedded value (3)

- Cost of solvency capital
 - Swiss Re has defined solvency capital as target capital, not as minimum regulatory capital
 - Swiss Re's target capital is based on internal models and is typically, for the major life insurance subsidiaries, 150% to 250% of local regulatory requirements
 - Cost of solvency capital is the present value of the spread between the expected after-tax investment return on solvency capital and the return required based on the risk discount rate

Components of embedded value (4)

- Solvency capital required to support long-term business
- Solvency capital typically held in investments yielding annual post-tax returns at levels less than embedded value risk discount rate

Illustrative example:

Risk discount rate	=	7.5%
Earned rate	=	4.5% pre-tax
	= 4.5% x 0.7	= 3.15% after tax
Annual charge for cost of capital	= 7.5% - 3.15%	= 4.35% of capital employed

- Cost of holding appropriate amount of solvency capital over the life of the long-term business, is the present value of these annual charges

Components of embedded value (5)

- Embedded value earnings
 - Change in embedded value over the year, adjusted for capital movements
 - Calculated after tax
 - Components of earnings:
 - Profit from existing business including expected return on in-force business, experience variances and changes in operating assumptions
 - Value added by new business
 - Expected return on shareholders' net worth
 - Investment variances
 - Impact of changes in economic assumptions