

# Goldman Sachs 18<sup>th</sup> Annual European Financials Conference

Edouard Schmid, Head Property & Specialty Reinsurance  
Madrid, 10 June 2014

# Agenda

Introduction to Swiss Re

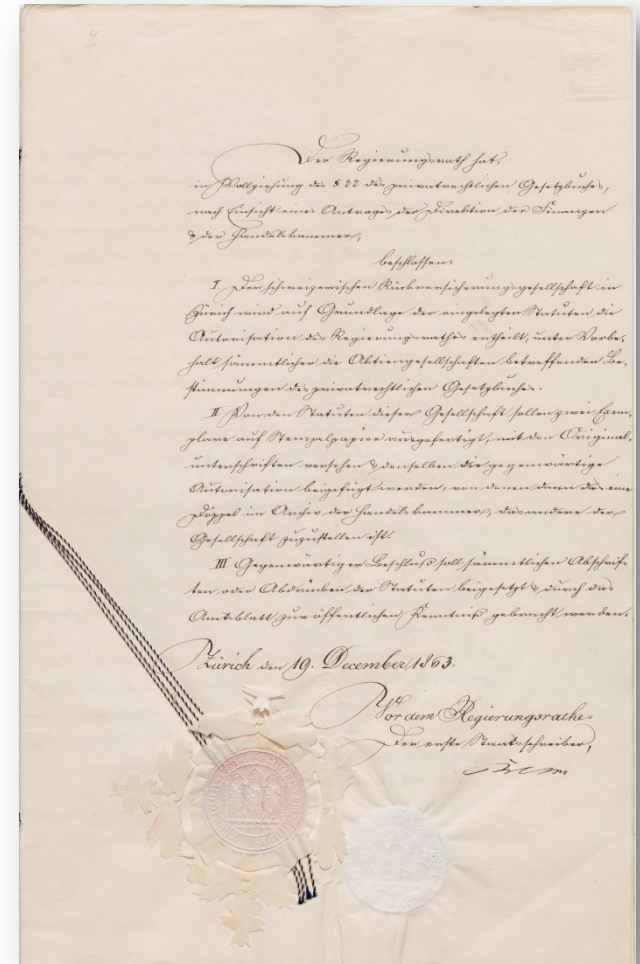
Differentiation through knowledge

Protection gaps and High Growth Markets

Outlook and Q&A

# Differentiated through history

- Swiss Re is a global operator, with over 60 offices in more than 20 countries
- Swiss Re has both a superior capital rating<sup>1</sup> and 150 years of experience in providing reinsurance solutions for our clients
- This track record provides Swiss Re with preferential access to long tail business, such as Casualty
- Swiss Re has paid a dividend every year since 1869 (date of first listing)



Swiss Re's charter of foundation, 1863

<sup>1</sup> S&P: AA-, stable outlook; Moody's: Aa3, stable outlook; AM Best A+, stable outlook. Ratings as at 31 May 2014

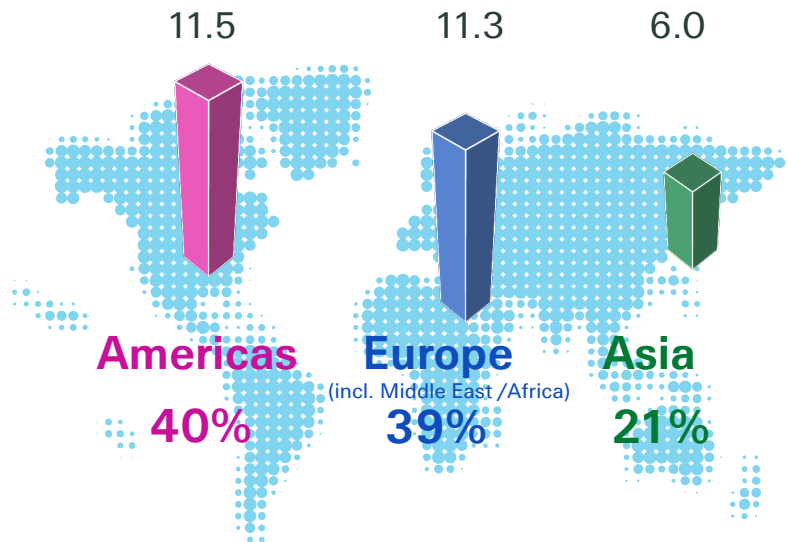
# Swiss Re Group Overview



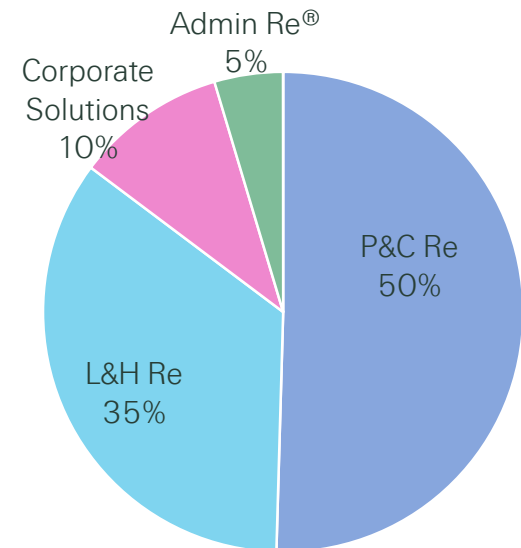
# Swiss Re is broadly diversified by geography and product line

## Net premiums earned<sup>1</sup> 2013 (USD 28.8 bn)

by region (in USD bn)



... and by business segment:



Swiss Re benefits from geographic and business mix diversification and has the ability to reallocate capital to achieve profitable growth

<sup>1</sup> Includes fee income from policyholders

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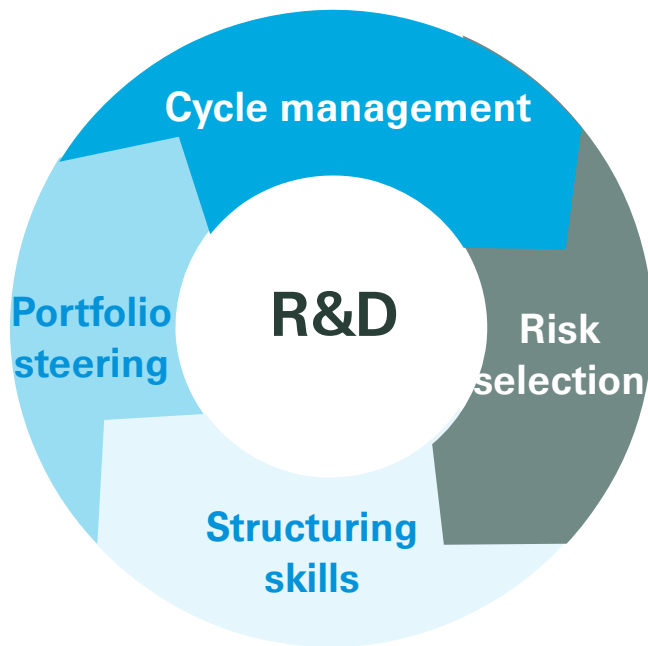
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# Cornerstones of Swiss Re's underwriting

## R&D as a key differentiator



### R&D is a value driver in underwriting



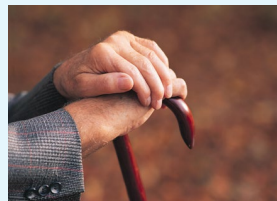
#### Property

- Own research team and models for storm, earthquake and flood
- Ability to compare to commercial tools and understand differences



#### Casualty

- Forward-looking "Nat-Cat-like" model being developed, based on systematic assessment of risk drivers



#### Life & Health

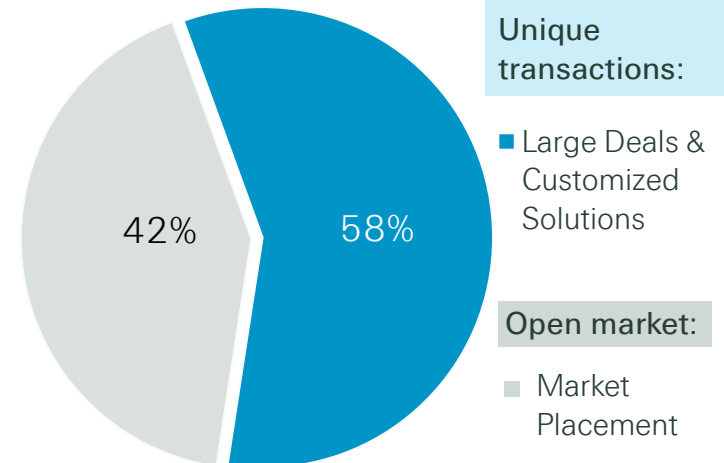
- Unparalleled mortality experience data provides ability to better quantify the underlying risk

- Reinsurance is a knowledge business
- R&D provides a competitive advantage

# Differentiation through access and solutions

- Swiss Re underwrites P&C business both **directly with clients** and **via brokers** (split approximately 50/50)
- Our **client centric focus** has strengthened relationships throughout our clients.
- The depth and breadth of our relationships allows **targeted solutions for clients** and assists with knowledge transfer and product development
- Swiss Re often achieves **differentiated terms and conditions**

Expected economic profit by source  
Globals division, January 2014 renewals



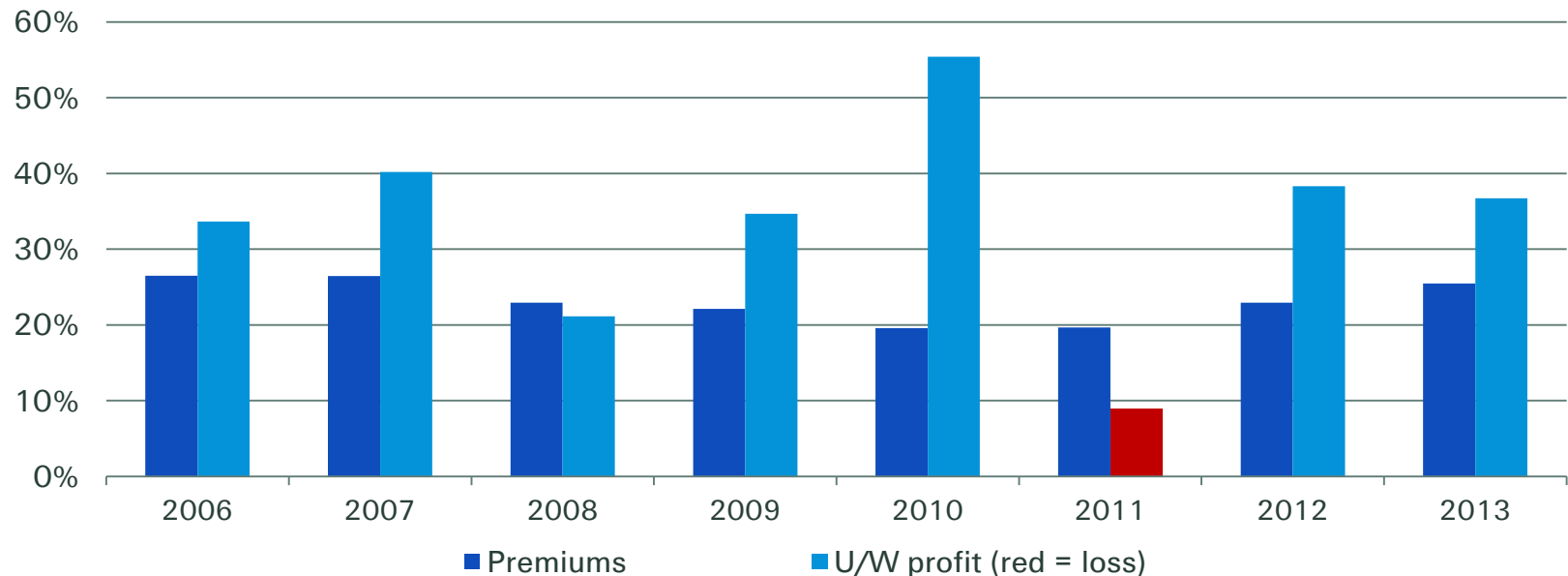
**Customized solutions** deliver exactly what clients need and produce **higher margins for Swiss Re**



# Swiss Re's strength in underwriting

## P&C premium and underwriting profit comparison

Swiss Re's P&C premium and underwriting profit share vs top reinsurers



- Average share of profit is well above share of premium
- Underwriting loss for the industry in 2011; Swiss Re's share of loss lower than our share of premium

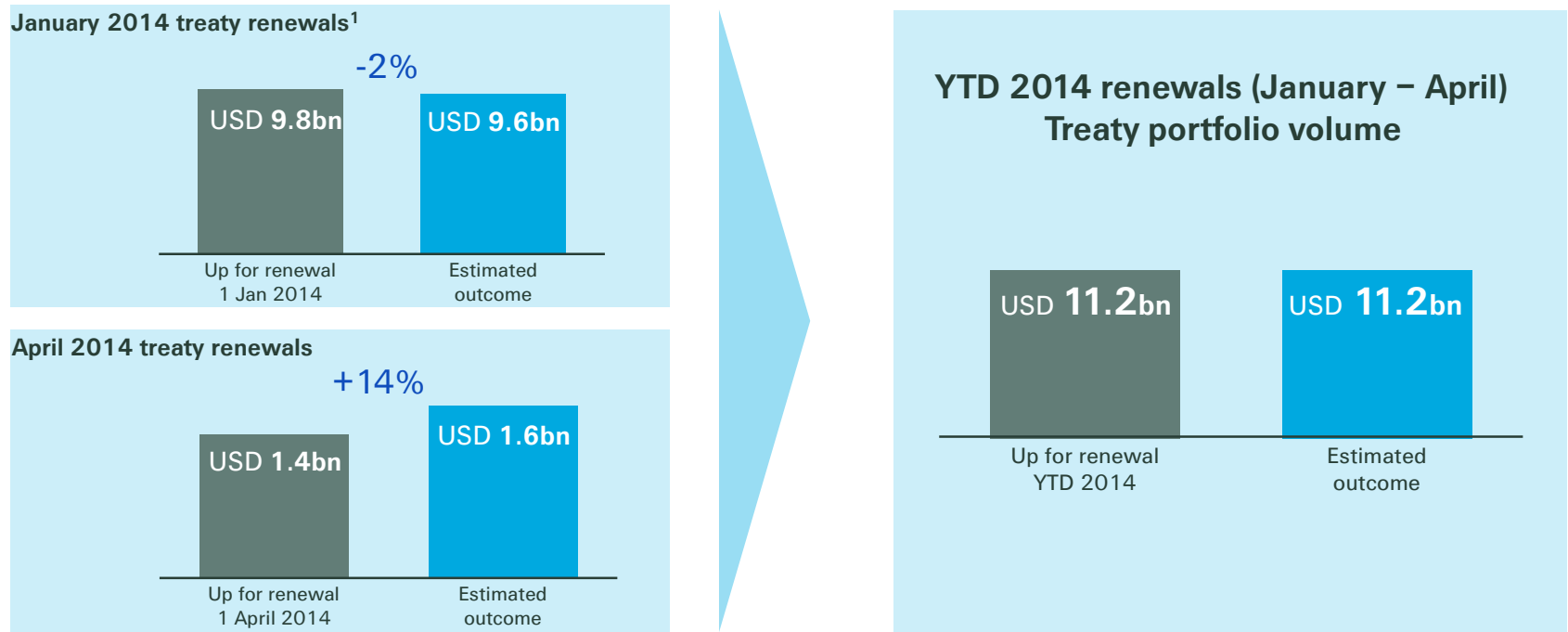
Underwriting profit = GAAP premiums earned - claims and claims adjustment expenses - acquisition costs - other expenses

Top 8 reinsurers include: Swiss Re, Munich Re, Hannover Re, PartnerRe, SCOR, General Re, Everest Re, Transatlantic Re/Alleghany

Source: Swiss Re Economic Research and Consulting

# P&C Reinsurance: 2014 renewals

## Overall price quality remains at an attractive level



- Successful April renewals in a challenging environment; wrote attractive new Casualty business in the US
- YTD risk adjusted price quality<sup>2</sup> remains at 107%

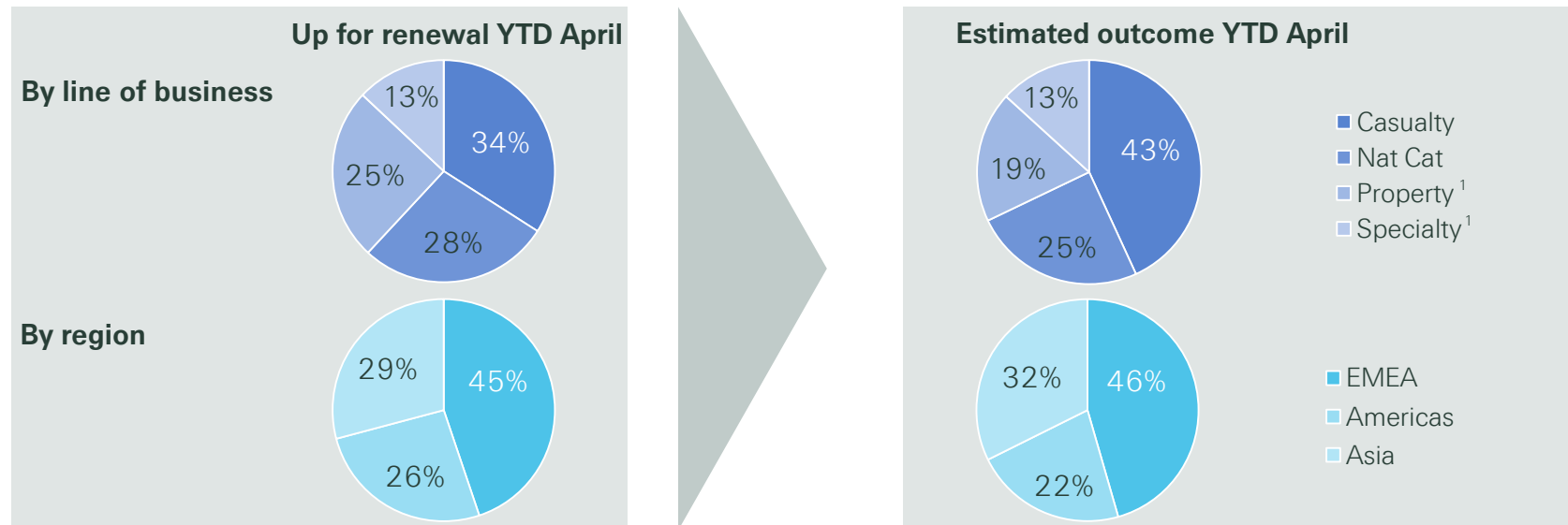
<sup>1</sup> January 2014 numbers have been restated with current fx rates

<sup>2</sup> Swiss Re's risk adjusted price quality provides an economic view on price quality, ie includes rate and exposure changes, claims inflation and interest rates

# P&C Reinsurance: 2014 renewals

## Portfolio weighting by line of business and region

### Gross premium volume, treaty portfolio



- Continue to allocate capital to lines with the most favourable risk adjusted returns
- Property Cat rates softening significantly for all markets (Swiss Re wrote less nat cat business, but still at attractive levels)
- Casualty book is further growing at profitable terms in all three regions
- High Growth Markets volume stable with slightly improved risk adjusted price quality

<sup>1</sup> Excluding nat cat

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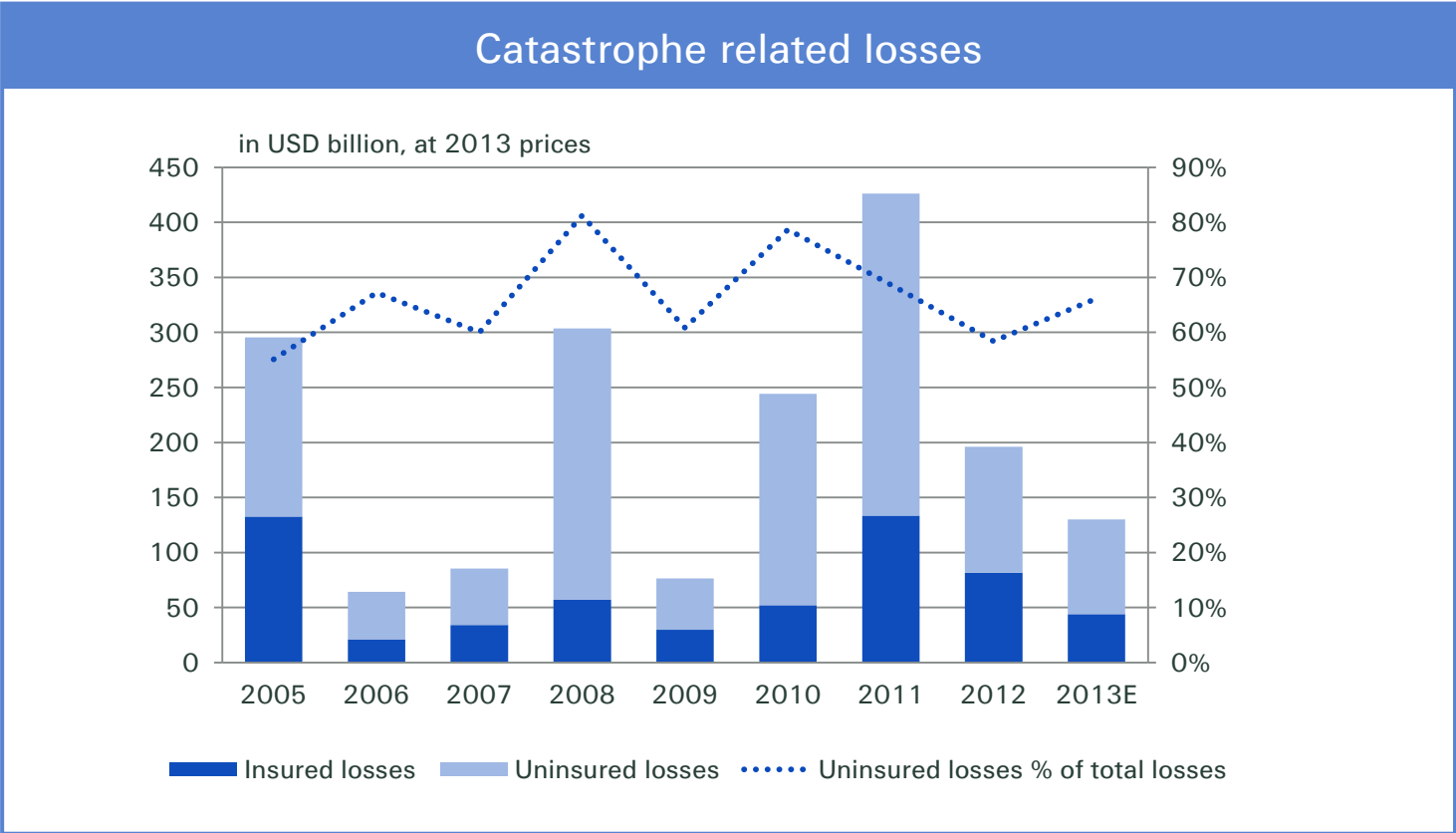
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# Large protection gap

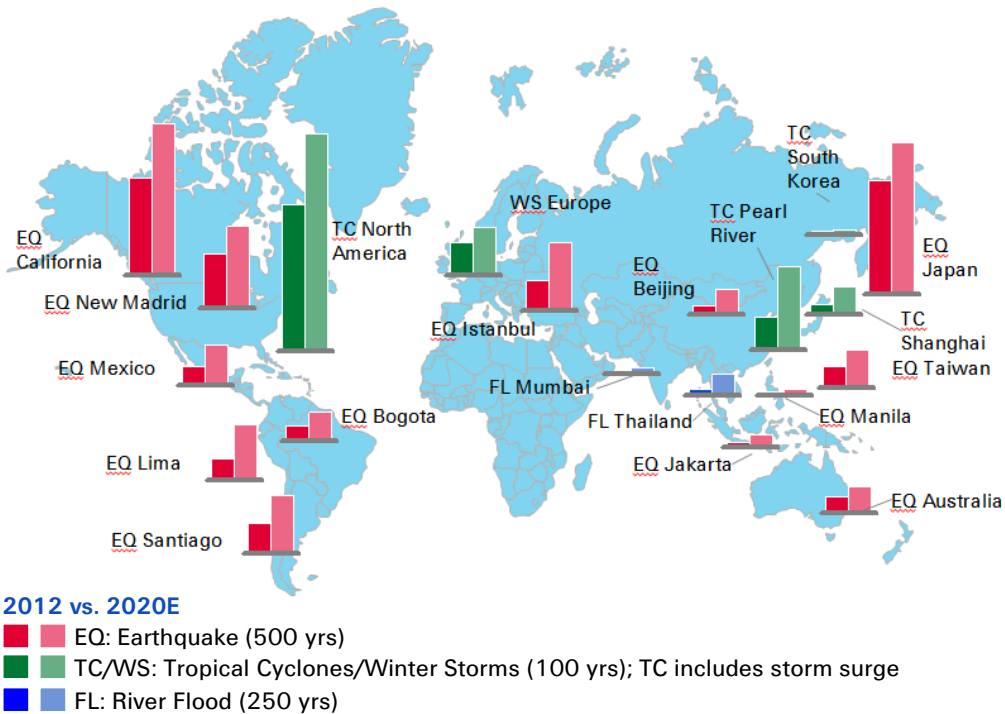
## Insured vs total natural catastrophe losses world-wide



Note: Insured losses plus uninsured losses = total or economic losses  
 Source: Swiss Re's sigma catastrophe database

# Demand for natural catastrophe capacity will continue to increase

Increase in largest industry loss scenarios per region

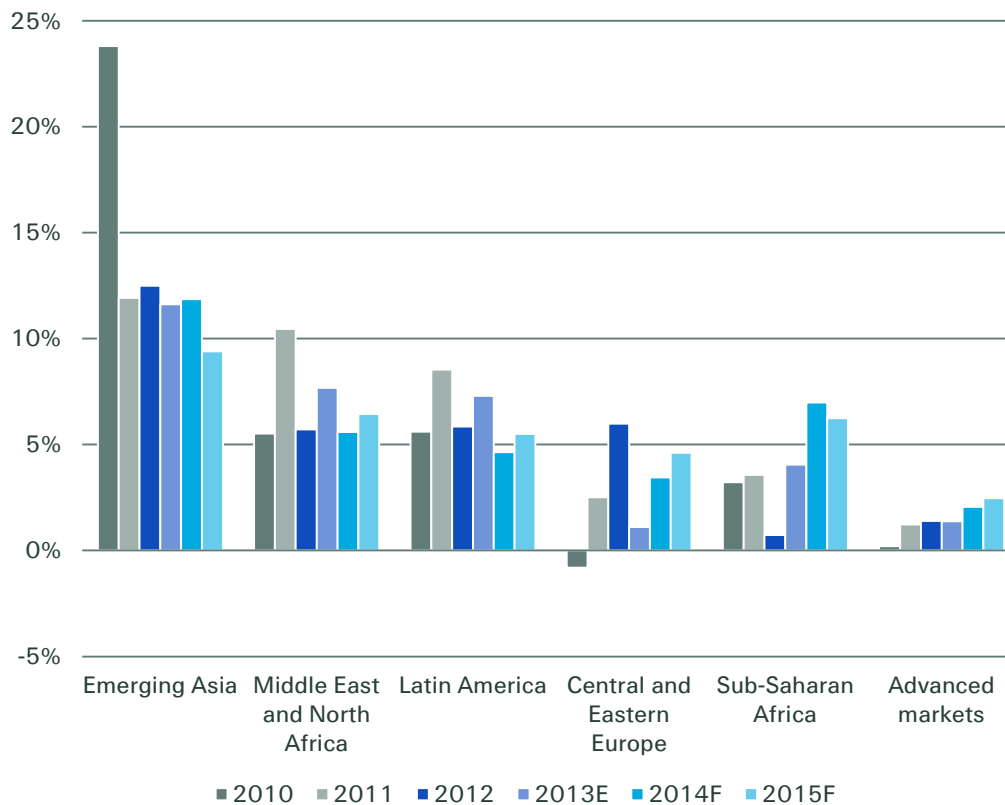


■ Demand for nat cat insurance expected to increase on average by approx. 50% in mature markets and 100% in HGM by 2020

# Stabilising growth in non-life insurance

## Emerging Markets with strongest growth rates

Real premium growth rate for non-life insurance by region, 2010 to 2015F

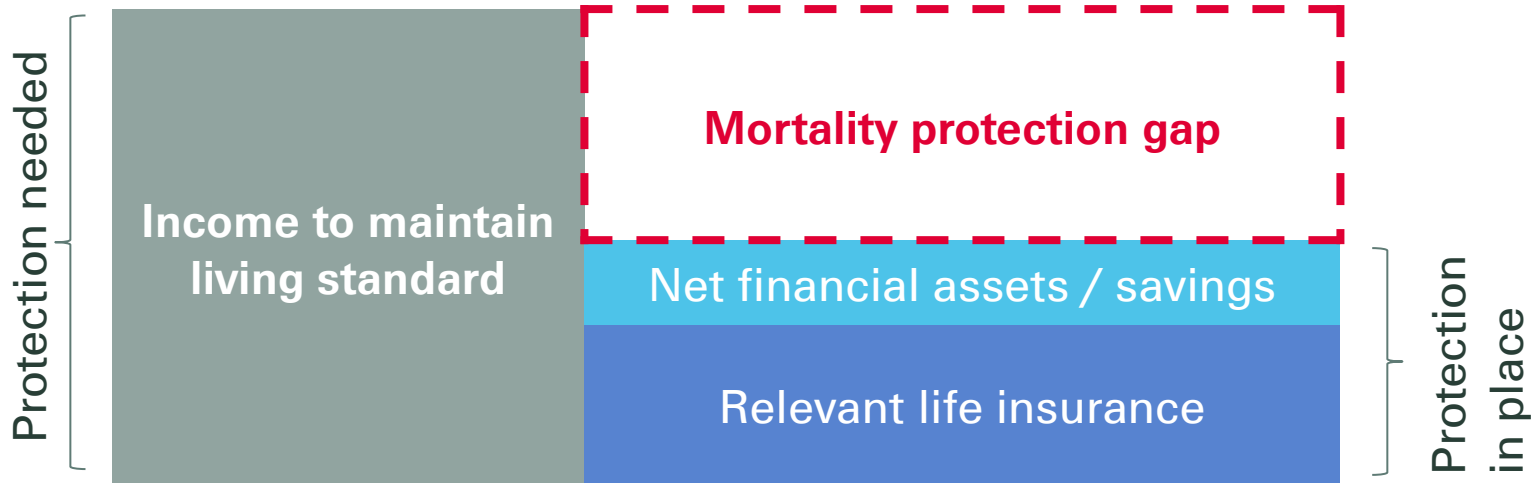


- Non-life premium growth is expected to remain stable at around 8% in 2014
  - emerging Asia will maintain stable strong growth at above 10%
  - the absence of one-off factors (eg multi-year contracts) will drag on the growth of Latin America
  - CEE is expecting a slow recovery

Source: Swiss Re Economic Research & Consulting

# Large mortality protection gap

## Definition



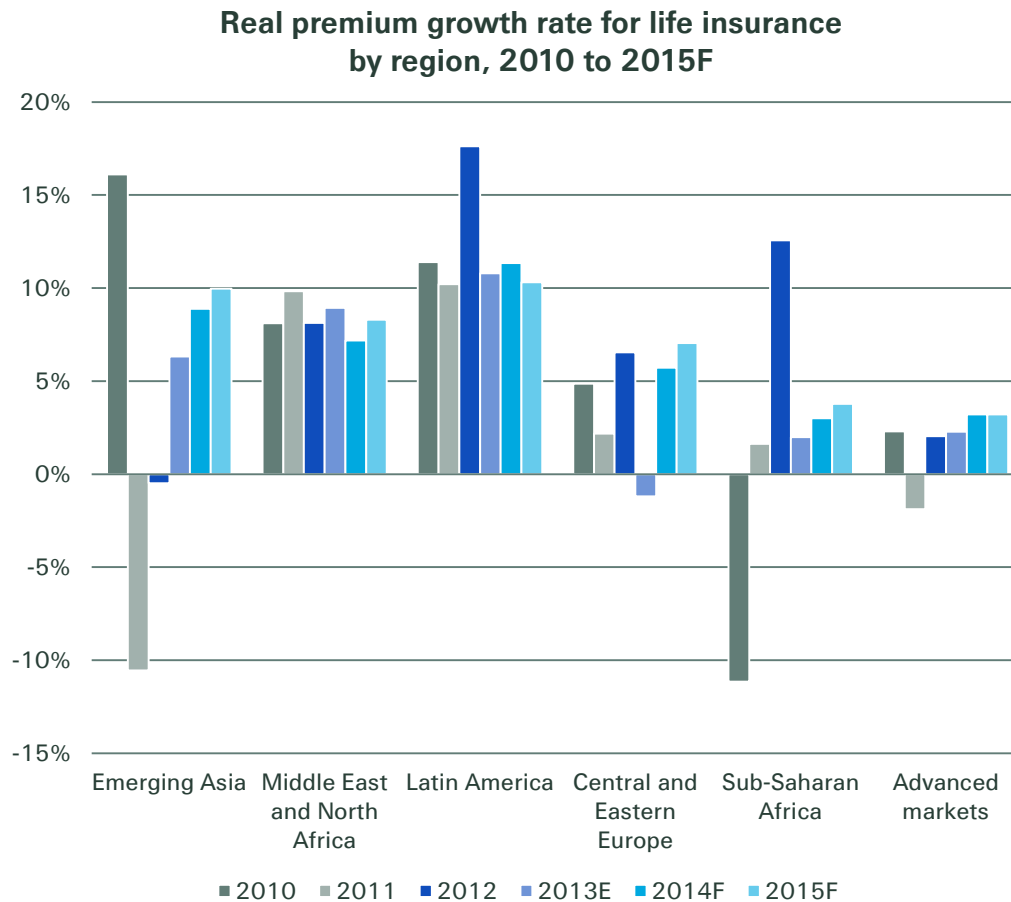
Source: Swiss Re

... the difference between the protection needed and the protection in-place to maintain dependents living standards following the death of the primary breadwinner



# Stabilising growth in life insurance

## Emerging Markets with strongest growth rates



- Real growth of life insurance premiums in emerging markets is expected to accelerate to 8.5% in 2014 from 6.2% in 2013, supported by
  - a further recovery of China and India
  - sustained strong performance of most Latin American markets
  - an expected rebound in CEE
- Sustained low interest rates will continue to drag on profitability

Source: Swiss Re Economic Research & Consulting

# Actions for profitable growth in the HGMs

## Dedicated strategies across all lines of business

### HGM initiatives

- Reinsurance: organic growth, partnerships e.g. with local market reinsurers
- Corporate Solutions: organic growth, new offices, acquisitions
- Lines of business with particular HGM angle:
  - Nat Cat
  - Agro
  - Infrastructure
  - Health and medical
  - Solvency relief
- Direct investments, e.g. into HGM (re)insurers
- Stronger diversity of employee base



**2012**  
HGMs 15%  
of Swiss Re  
Group  
premiums<sup>1</sup>,  
~11% of profits<sup>2</sup>

**2015E**  
HGMs 20-25%  
of Swiss Re  
Group  
premiums<sup>1</sup>

**2020E**  
**(re)insurance  
market  
opportunity:**

Estimated premium  
pool of USD >100bn  
in reinsurance and  
USD ~2,000bn in  
primary insurance

<sup>1</sup> Gross earned premiums for the Swiss Re Group across all business units    <sup>2</sup> Pre-tax profits after cost of capital

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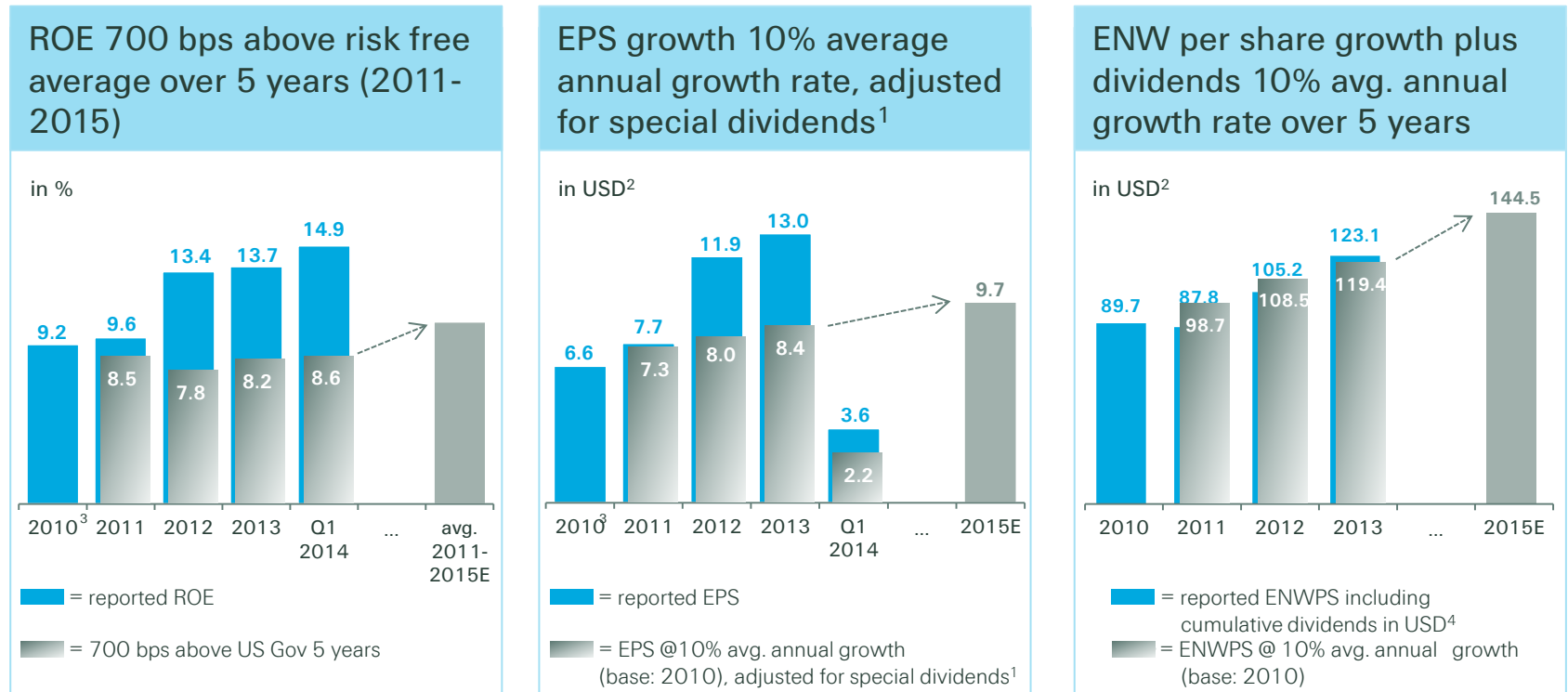
# Priorities for 2014

## Focus on strategy execution



# Group financial targets

## On track



### Delivering the 2011-2015 financial targets remains Swiss Re's top priority

- <sup>1</sup> EPS CAGR of 10% has been adjusted to 5% for 2014 to account for the distribution of excess capital through the special dividend of USD 1.6bn in April 2014. Methodology is in line with the approach taken for the special dividend of USD 1.5bn paid in April 2013
- <sup>2</sup> Assumes constant foreign exchange rate
- <sup>3</sup> Excl. CPCl
- <sup>4</sup> Cumulative dividends included in ENW per share were translated from CHF to USD using the fx rate of the dividend payment date; dividends included for 2011: USD 3.1 (CHF 2.75), 2012: USD 6.4 (CHF 3.00, or USD 3.3, in addition to the 2011 dividend), 2013: USD 14.5 (CHF 7.50, or USD 8.05, in addition to the 2011 and 2012 dividends)



# Corporate calendar & contacts

## Corporate calendar

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3 July 2014	<b>Investors' Day</b>	London
6 August 2014	<b>Second Quarter 2014 results</b>	Conference call
7 November 2014	<b>Third Quarter 2014 results</b>	Conference call
19 February 2015	<b>Annual Results</b>	Conference call

## Investor Relations contacts

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### Hotline

+41 43 285 4444

### E-mail

Investor\_Relations@swissre.com

Eric Schuh

+41 43 285 4708

Ross Walker

+41 43 285 2243

Chris Menth

+41 43 285 3878

Simone Lieberherr

+41 43 285 4190

Simone Fessler

+41 43 285 7299

# Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans objectives, targets and trends) 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 of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- further instability affecting the global financial system and developments related thereto;
- deterioration 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 due to actual or perceived deterioration of Swiss Re’s financial strength or otherwise;
- 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 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 their 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 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 Swiss Re companies, and developments adversely affecting Swiss Re’s ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity 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 the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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