



## UBS Alpine Summit

John R. Coomber  
Chief Executive Officer

Gstaad, 21 January 2005



## 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:

- cyclicalities 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.

## Legend

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## Agenda

- Introduction
- Swiss Re's strategic priorities
- Conclusions

## Swiss Re at a glance

### Leading reinsurer with a truly global business

- Founded in 1863 and developed into one of the world's largest and globally active multi-line reinsurer
- Wholesale manager of capital and risk focused on reinsurance and related trading activities
- Strong financial position in the industry with AA rating
- Knowledge based industry leader
- Key statistics:
  - Premiums earned 2003: CHF 31bn
  - Net income 2003: CHF 1.7bn; 1H 04: CHF 1.4bn
  - Total investments 1H 04: CHF 101bn

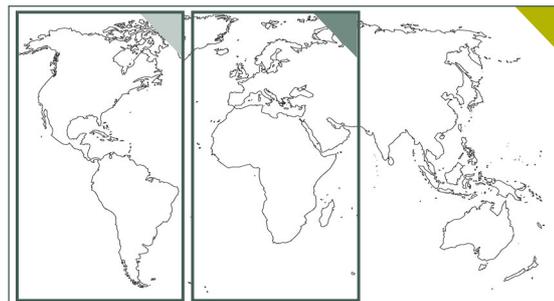
## Highly diversified reinsurer with comprehensive product range

Earnings history in CHF bn	'97	'98	'99	'00	'01	'02	'03	1H 04
Net income	1.78	2.16	2.45	2.97	-0.17	-0.09	1.70	1.44

Origin of world reinsured risks 2003:



Swiss Re's gross premium written by regions 2003:



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## Our expectations for the (re)insurance industry in 10 years time (I)

- Retail and wholesale risk transfer markets continue to show growth above GDP, say 6% p.a. nominal; world insurance to grow from 8% to 9% of GDP
- Emerging markets grow from 12% to 17% of world reinsurance premium volume
- Accelerated process of industry consolidation/business exits
  - Top 10 insurers control 30% of world market (20% today)
- Continuation of business cycles
- Distribution channels for reinsurance continue to be a mix of direct and broker as today
- The future for services and products will not be a straight line projection of today

## Our expectations for the (re)insurance industry in 10 years time (II)

- Low investment return environment partly due to demographic factors
- Securitisation of insurance risk increasingly established. Annual issuances reaching 5% of worldwide insurance premium (0.1% in 2003)
- Scarcity of high quality underwriting and financial talent
- Advances in data collection and management systems. Industry cost structure improves
- Sustainability will become a mainstream concept
- Regulation will continue to converge towards a global 'best practice' with a move to economic methodologies

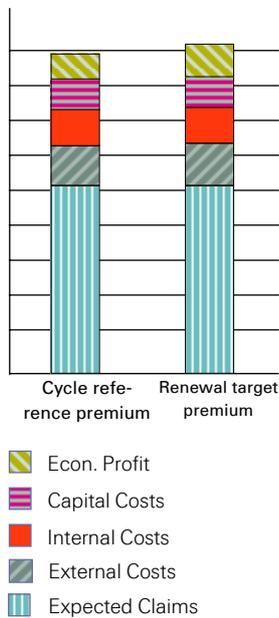
## Swiss Re's strategic priorities

- I. Actively manage the cycle for profits
- II. Optimise organic and transactional growth
- III. Extend leadership in Asia
- IV. Accelerate the balance sheet through risk securitisation



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## The pre-requisites for effective cycle management are in place

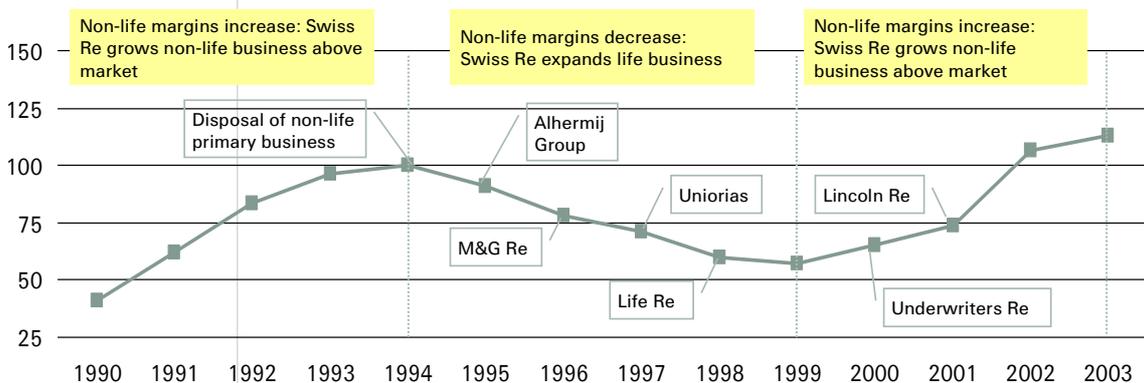


- An organisational structure which separates product pricing from the selling function
- Consistent benchmarks for cycle reference premium and renewal target premium and uniformity in pricing tools
- A clear understanding of each products' position in the cycle and a defined strategy for each
- Real time tracking through the renewal process
- Ongoing monitoring of reliability of claims estimates

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## How Swiss Re has managed the cycle in the past

Non-life pricing (Lloyd's non-marine price index); 1994 = 100



NPE <sup>1)</sup> CAGR	1990-1994	1994-1999	1999-2003
Swiss Re non-life	17%	1%	18%
Non-life market <sup>2)</sup>	9%	3%	9%
Swiss Re L&H	-2%	34%	9%
Swiss Re Group	14%	8%	14%

1) NPE = net premiums earned 2) Source: Swiss Re Economic Research & Consulting

## Renewals 2005: Industry perspective

- Underwriting conditions remain attractive, with the large reinsurers maintaining pricing discipline
- Overall:
  - Capacity more than adequate
  - More secure capacity and risk concentration are key themes in this renewal
  - Client retentions continue to increase in certain markets and products
  - Terms & conditions generally stable with slight signs of softening
- Casualty: Rates generally firm but softening observed in some segments
- Property: Markets hit by events in 2004 have seen prices rise; other markets are slightly off the high 2004 levels

## Renewals 2005: Swiss Re's perspective

- Disciplined focus on economic profit after cost of capital rather than volume
- Swiss Re's firm stance on terms and conditions maintained, even if business is lost
- Pricing levels remain above cycle reference premium
- Swiss Re's strong balance sheet and security becoming more significant
- Details will be covered during 14 February conference call

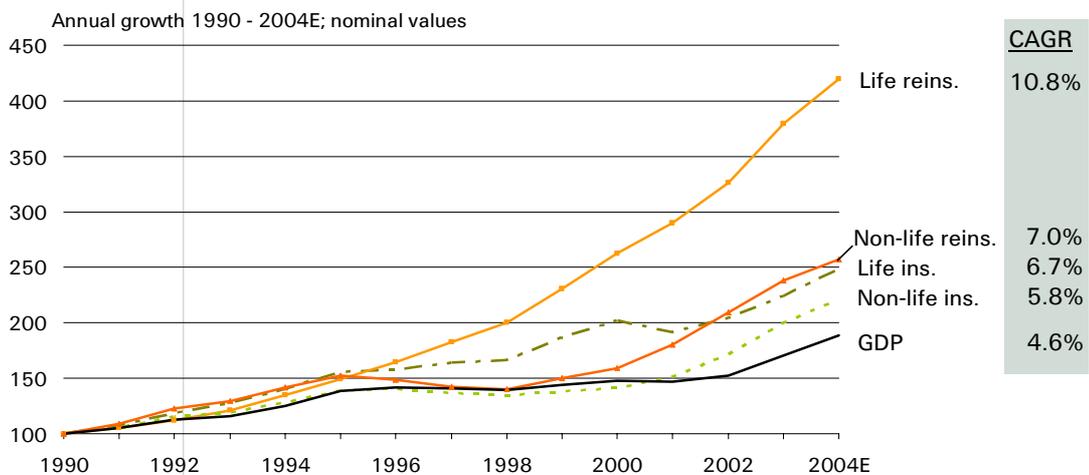
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## Risk is a growth business: Reinsurance outpaced insurance and GDP growth



World premium volume 2003: life: USD 30bn; non-life: USD 146bn

## Swiss Re's deal track record: Numerous deals in all areas

### Disposals

1994	Lloyd Adriatico
1994	Elvia Group
1994	Vereinte/Magdeburger
1994	SCHWEIZ Seguros
1994	SCHWEIZ Italia
1994	La Equitativa
1997	M&G Re America
2000	IRMG
2001	NCM Group

**Total CHF 6.7bn**

### Acquisitions

1995	Alhermij Group
1996	M&G Re
1996	Uniorias
1998	NCM Holding
1998	Falcon Asset Management
1998	Reaseguros Alianza
1998	Life Re
1998	Fox-Pitt, Kelton
1999	Reacol
2000	Underwriters Re
2000	Washington International
2000	Società Italiana Cauzioni
2001	Conning
2001	Lincoln Re

**Total CHF 14.0bn**

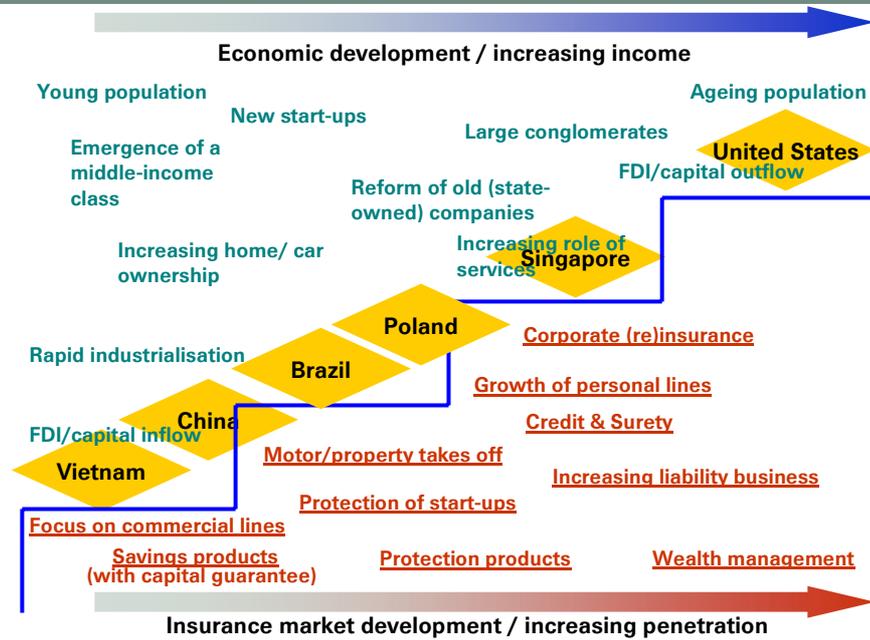
- In the last 10 years, Swiss Re has invested CHF 14bn on acquisitions (excluding Admin Re)
- Swiss Re divested operations (about CHF 6.7bn) to support growth in reinsurance business (CHF 5.5bn of primary insurance in 1994)

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## Insurance and economic developments are linked

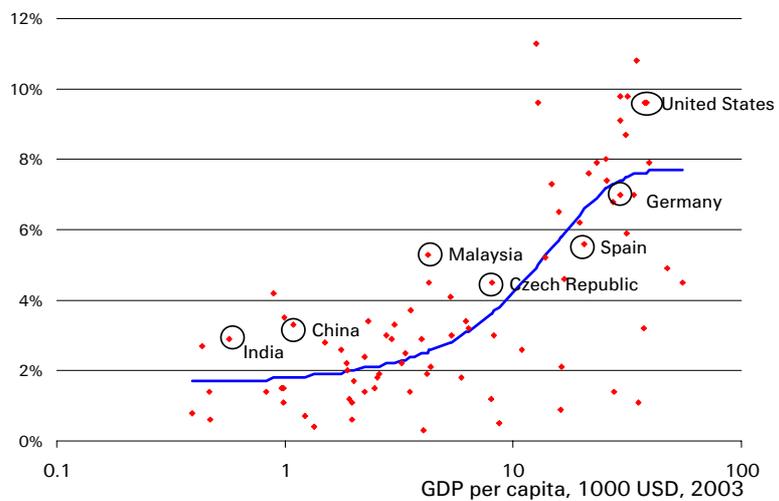


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## Attractive growth opportunities in emerging markets

- Step change in demand function. When GDP per capita gets close to USD 10 000, insurance penetration rises to a level above 4% with a steep slope
- Swiss Re Asian network already built. Branches/ subsidiaries in Beijing, Shanghai, Mumbai, Bangalore, Hong Kong, Kuala Lumpur, Manila, Singapore, Taipei, Seoul, Tokyo, Sydney, Melbourne

Premiums per GDP, life and non-life, 2003



Source: Swiss Re Economic Research & Consulting

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## Swiss Re's strategic priorities

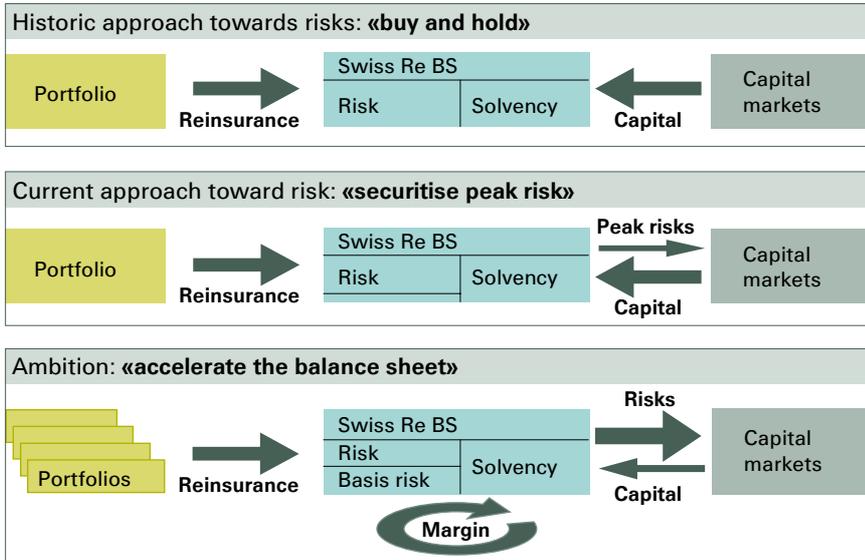
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## Use ILS to increase velocity of Swiss Re's balance sheet and improve RoE

- Industry surplus: USD 650 billion
- Capital markets: (bonds & equities) USD 65 trillion





## A new innovative transaction just closed

- On 20 January 2005 Swiss Re successfully completed a USD 245m securitisation of future life profits
- Transaction was well received
- Significant step forward in Swiss Re's strategy to accelerate the balance sheet through securitisation by transferring insurance risk to the capital markets
- Acceleration of the balance sheet will ultimately improve capital efficiency and overall return on capital
- Transaction can in many ways be regarded as parallel to mortgage or credit card securitisation



## Transaction summary

- Swiss Re sells selected blocks of Admin Re through a combination of reinsurance and securitisation technology
- USD 245m securities issued in three distinct tranches
  - Security is future cash flow from the blocks of business
  - Allows investors to participate directly in closed blocks of life business
- 87% of future cash flows converted into cash, significantly higher percentage than any previous securitisation of future life profits
  - Remaining 13% and any further upside retained by Swiss Re
- Weighted average pre-tax coupon on notes is 6.96%
- Of total amount, USD 210m of proceeds available to fund future growth
  - USD 30m of proceeds held as collateral in a newly created special purpose reinsurer to fund any losses going forward
  - Remaining USD 5m for expenses



## Recovery of acquisition costs of USD 153m, deferred gain of USD 57m

- Transaction represents a recovery of acquisition costs of USD 153m and a gain of USD 57m
  - The gain is deferred and recognised in the income statement over the life of the cash flows estimated to be 11 years
- Selling future profits at rates lower than our acquisition cost creates gains and will improve return on equity over time
- Proceeds available to be reinvested in new opportunities
- Transaction has no impact on Swiss Re's financial leverage ratios



## Looking forward

- Swiss Re believes current structure is scalable and can be applied to other blocks of life business and potentially other risks
- These transactions accelerate balance sheet and improve return on capital employed

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## Conclusions

- Swiss Re has the financial strength, product knowledge and people skills to realise today's market opportunities
- Non-life pricing levels remain above cycle reference premium
- Risk is a growth industry; particularly in Asia
- Swiss Re successfully manages the cycle through its ability to diversify across products and markets
- Proven transactional capabilities provide additional growth prospects
- Swiss Re will continue to increase capital efficiency through insurance-linked securities and subsequently improve return on capital

## Upcoming events in 2005

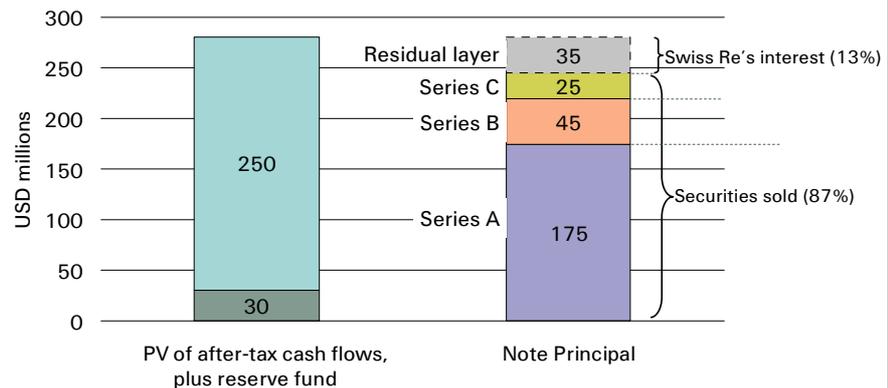
- 14 February: January 2005 non-life renewals (conference call)
- 17 March: Annual results 2004 (analysts' meeting)
  
- For more information:
  - [www.swissre.com/investorrelations](http://www.swissre.com/investorrelations)
  - phone: +41 43 285 4444

## Appendix



## Swiss Re retains a 13% residual interest and a 10% quota share

- 90% quota share of the selected blocks are subject to this transaction
- Of this 90% approx. 87% of the present value of available cash flow is securitised in the offering



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Credit protection represents the percentage of total discounted projected after-tax cash flows, plus the initial amount of the Reserve Fund, that must be lost before a particular Series loses the first dollar of principal.



## Description of blocks

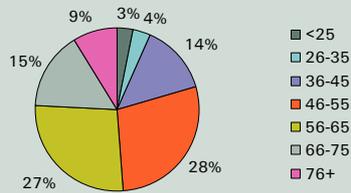
- The Admin Re<sup>SM</sup> blocks included in the transaction broadly include two types of life insurance policies:
  - Traditional life and in particular small-face final expense products
  - Interest-sensitive life
- The Admin Re<sup>SM</sup> blocks included were acquired between 1999 and 2003
- Total statutory reserves of the proportion of the selected blocks are subject to the transaction and are approx. USD1.5bn and total sum assured is approximately USD13.1bn
- Blocks were primarily chosen for this transaction based on the overall transaction size and their structural simplicity (original legal entities have been merged into REALIC)

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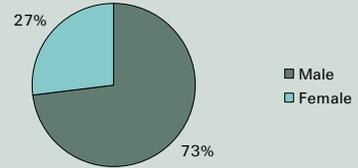
# Profile of underlying liabilities <sup>1</sup>

## Attained age distribution

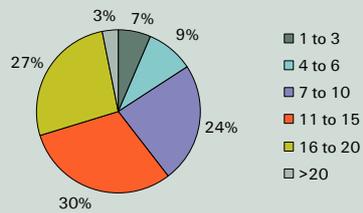


Weighted average age: 58 years old

## Gender distribution

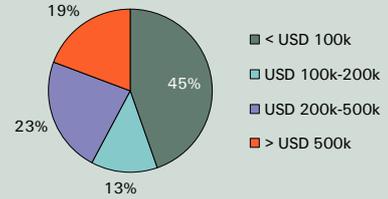


## Years policies have been in-force



Weighted average in-force of policies: 12.1 years

## Policy size distribution



Weighted average policy size: USD 25 100

(1) As of 30.9.2004; weighted averages approximated and based on policy in-force amounts.