



Swiss Re enters into a weather derivative contract with the World Bank covering drought in Malawi

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Zurich, 20 October 2008 – Swiss Re announced that it has entered into a weather derivative contract with the International Development Association (IDA), the arm of the World Bank that helps the world's poorest countries. Under the terms of the contract, Swiss Re will pay out up to USD 5 million in the event that Malawi's farmers suffer from a drought-related shortfall in maize production. With this transaction, the IDA backs its first-ever weather derivative contract with the Government of Malawi.

"The weather derivative contract with the World Bank is a prime example of an ex-ante disaster risk management strategy designed to mitigate the financial impact of drought for a country such as Malawi that is heavily dependant upon the income from its agricultural production," said Juerg Trueb, Swiss Re's Head of Environmental and Commodity Markets.

The World Bank, working together with the Government of Malawi, structured the contract as an option on a rainfall index. The index links rainfall and maize production, so that if precipitation falls below a certain level the index will reflect the value of the projected loss in maize production. The maximum payout is reached if maize production drops to 10% below the historical average.

"This weather derivative contract is just one instrument as part of a World Bank effort to deliver customized financial solutions and help members plan efficient responses to catastrophic events. The use of weather derivatives are most effective as part of a broader risk management strategy," said Gloria Grandolini, Director of the World Bank Treasury's Banking and Debt Management Department.

Juerg Trueb concluded: "The execution of the contract between the World Bank and Swiss Re demonstrates the ability and the interest of the international risk transfer markets to absorb such risks."

Swiss Re has pioneered weather risk transfer instruments in developing countries, starting in India in 2004 with a programme reaching over 350 000 smallholder farmers. In the meantime, the company has become a leading solution provider in weather and

weather contingent commodity price structures with a share of more than 30% in the worldwide weather risk markets. Under its Climate Adaptation and Public Sector Business Development Programmes, the company fosters the use of modern risk management instruments, such as weather derivatives and insurance-linked securities, to the benefit of non-OECD countries.

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 25 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.