Letter to shareholders

Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

The first quarter of 2011 represented a test of strength for the insurance and reinsurance industry. Swiss Re has weathered this test well.

Dear shareholders

We were all deeply affected by the devastation caused by the earthquake and ensuing tsunami that hit Japan on 11 March 2011. With a magnitude of nine, it is the fifth largest earthquake to occur in the last hundred years. Despite its massive human and financial impact, from an insurance perspective, the Japan earthquake lies within the range of forecasted events.

Strong capital position despite large claims from natural catastrophes
Swiss Re reported a loss of USD 665 million for the first quarter of 2011, with the result for Property & Casualty heavily impacted by the natural catastrophe events in Australia, New Zealand and Japan. Earnings per share were CHF –1.84 (USD –1.94). Shareholders' equity was USD 24.4 billion. Annualised return on equity was –10.7% for the first quarter of 2011.

Property & Casualty operating income was USD –1.2 billion in the first quarter of 2011. The decrease in operating income was largely driven by the natural catastrophe events in Australia, New Zealand and Japan, impacting the result by USD 2.3 billion, pre-tax. Consequently, the combined ratio increased to 163.7% in the first quarter of 2011. The net impact from natural catastrophes on the combined ratio in the first quarter of 2011 was 89.4 percentage points, which is 79.8 percentage points above the expected level.

Life & Health reported operating income of USD 144 million in the first quarter of 2011. The change in operating performance was driven by less favourable mortality and variable annuity results, only partially offset by favourable morbidity experience. The benefit ratio increased to 89.4% in the first quarter of 2011.

Asset Management delivered a strong operating income of USD 1.2 billion for the first quarter of 2011. The annualised return on investments was 4.0% in the first quarter of 2011. The annualised total return on investments of 1.5% was impacted by mark-to-market losses of USD 0.7 billion, mainly as a result of higher interest rates.

The natural catastrophes in the first quarter of 2011 reflect the nature of our business model: years of low losses and few natural disasters contrast with years in which losses are high and events more frequent. The key to our success is diversification over types of risk and locations, as well as our very strong capital position.

Successful 2011 April renewals, P&C outlook improved
After very successful 2011 January renewals, Swiss Re renewed approximately 10% of its Property & Casualty treaty book in April (approximately 64% is renewed in January and 26% in the remainder of the year). April is the main renewal period in Japan, Korea and India, and represents a smaller share of renewals in Europe, the Americas and elsewhere in Asia.

Swiss Re continued its focused and disciplined underwriting approach. The following price changes were observed:

- Strong price increases in Japan (typically in the 20-50% range for earthquake-exposed non-proportional catastrophe cover);
- A flattening of price moves elsewhere, including small increases in the Americas and decreases in Europe, reversing the broad trend of falling price adequacy that was seen in January.

Swiss Re's Property & Casualty treaty business premiums written grew 5% in the April renewals. Including both the January and April renewals, Property & Casualty treaty 2011 premiums written are estimated to have increased 13%, compared to 2010.

Historically, large catastrophe events have been followed by market hardening, such as following storms Lothar and Martin in 1999, the attack on the World Trade Centre in 2001, and hurricanes Katrina, Rita and Wilma in 2005. Swiss Re believes the combination of the recent natural catastrophe events, very low interest rates, and years of price cutting are likely to bring forward the turn in the cycle.

Well on track towards the creation of a new holding company
Swiss Re is well on track with the transition to the new holding company, Swiss Re Ltd. You, our shareholders, have been invited to exchange your shares in Swiss Re for new shares in the holding company, on a one-for-one basis and subject to applicable securities laws. The initial offer period started on 15 April 2011 and will end on 17 May 2011. If, by 18 May 2011, the exchange offer is declared unconditional by the Board of Directors, Swiss Re Ltd shares will be traded for the first time on 23 May 2011.

New member of and re-elections to the Board of Directors
We are pleased that you, our shareholders, approved the appointment of Renato Fassbind as a new member of the Board of Directors at the recent 147th Annual General Meeting. Having served as Chief Financial Officer for major international companies such as Credit Suisse Group and ABB Ltd, Renato Fassbind will reinforce and broaden the Board's accounting and finance expertise. At the same time, you re-elected Raymund Breu, Mathis Cabiallavetta, Raymond K. F. Ch'ien, Rajna Gibson Brandon and Hans Ulrich Maerki to the Board.

Swiss Re is well positioned to take advantage of market opportunities
The first quarter of 2011 represented a test of strength for the insurance and reinsurance industry. The accumulation of natural catastrophe events – floods in Australia and earthquakes in New Zealand and Japan – is expected to turn 2011 into a year with one of the highest historical natural catastrophe claims burdens. Swiss Re has weathered this test well thanks to:

- Our exceptional capital strength: Swiss Re is in a strong position to underwrite large and complex risks;
- Our global diversification over types of risk and regions: a key factor in our resilience; and
- Our outstanding re/insurance expertise and innovation power: core to our ability to help clients and societies deal with such challenges.

We remain committed to our five-year targets and are confident that we can deliver. The impact of natural catastrophe losses in the first quarter creates an additional challenge but it will also accelerate the market turn we had previously expected in 2012/2013.

Zurich, 5 May 2011

Walter B. Kielholz
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