



# Investors' day

Rüschlikon/Zurich

20 November 2006



## Agenda

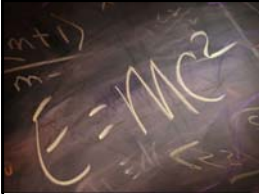
Topic	Presenter	Time
<b>Welcome and introduction</b>	Ann Godbehere	13:00 – 13:05
<b>Swiss Re P&amp;C reserves</b>	Christian Mumenthaler	13:05 – 14:20
<b>US GAAP</b>	Ann Godbehere	14:20 – 15:00
Coffee break		15:00 – 15:30
<b>Workshops (2 legs)</b>		15:30 – 16:15 16:30 – 17:15
P&C reserves	Ann Godbehere Christian Mumenthaler Michael Eves Anthony Boulter	
US GAAP	Susan Holliday Mark Swallow Alexandre Hristov Martin Müller	

## Key points P&C reserves

- Swiss Re believes its corporate governance, processes and methodology for P&C reserving are best in class
- Swiss Re has high confidence in its reserve adequacy, including Insurance Solutions reserves
- With Swiss Re's excellent diversification and overall P&C reserves of CHF 80bn at mid 2006, there is scope for positive reserve development, in particular from recent years

## Key points US GAAP

- 2005 US GAAP RoE 9.8% (Swiss GAAP 6.7%), with earnings up 59% primarily due to forex adjustments and shareholders' equity up 6%, primarily due to marking to market fixed income securities
- Presentation changes to Group accounts, but business segment results will remain largely unchanged other than equalisation reserves in P&C
- Accounting presentation has no impact on the economics of the Swiss Re Group and management targets remain unchanged



## Swiss Re P&C reserves

### **Christian Mumenthaler**

Chief Risk Officer

- **Reserving philosophy, governance and processes**
- Reserving methods
- Swiss Re P&C reserves
- Insurance Solutions P&C reserves
- Key points

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## Topics addressed today

1. Swiss Re's reserves are strong
  - disclosure of detailed development of past treaty years
2. Swiss Re has governance, methods and processes which are best practice and minimise reserving risk
  - disclosure of governance, methods and processes

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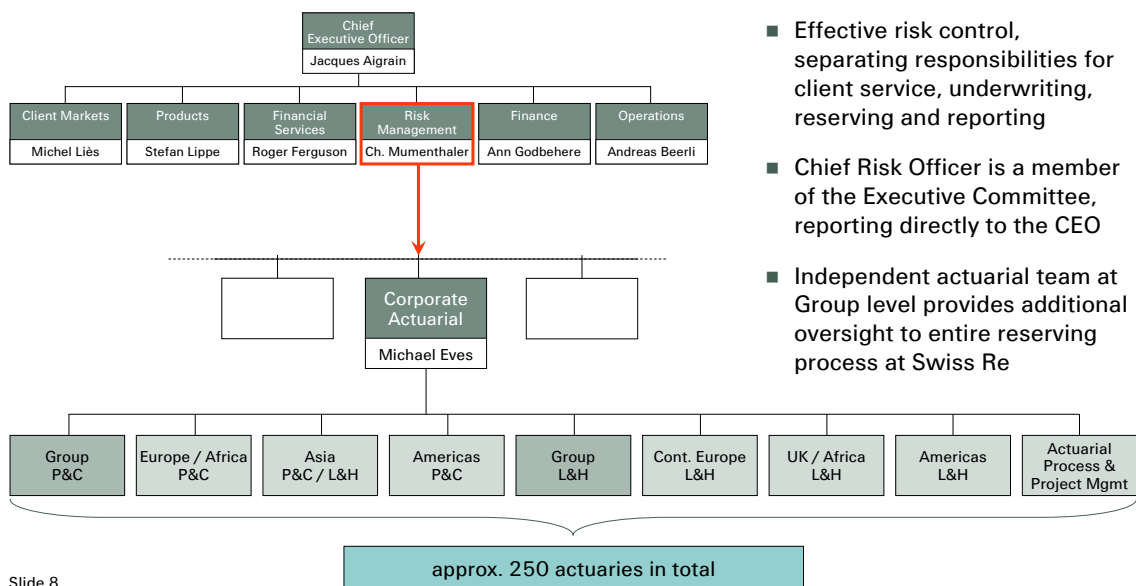
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## Swiss Re's key strengths to minimise reserving risk

- Reserving actuaries are independent of the business
  - all P&C and L&H reserving actuaries report directly to CRO who reports to CEO
- Within P&C actuarial, there is an independent team who reviews over 90% of all reserves (2nd level of review)
- Direct feedback loop from reserving actuaries to underwriters facilitates immediate price adjustments
- Swiss Re management selects best estimate in the upper half of the range determined by the actuaries
- This setup has been strengthened in the last 5 years

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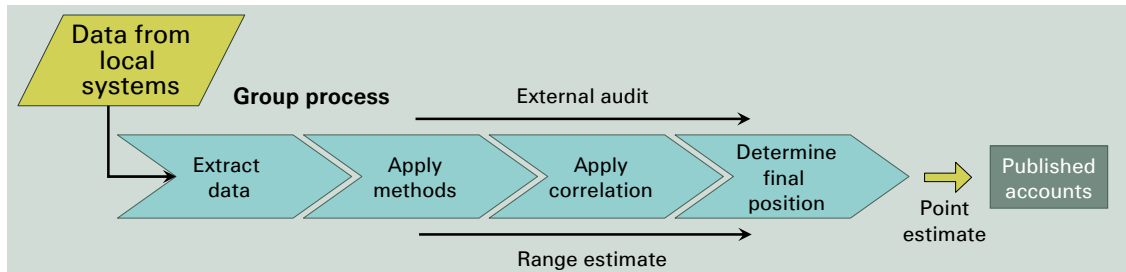
## Reserving actuaries are independent of business



- Effective risk control, separating responsibilities for client service, underwriting, reserving and reporting
- Chief Risk Officer is a member of the Executive Committee, reporting directly to the CEO
- Independent actuarial team at Group level provides additional oversight to entire reserving process at Swiss Re

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## Outline of Group process at Swiss Re

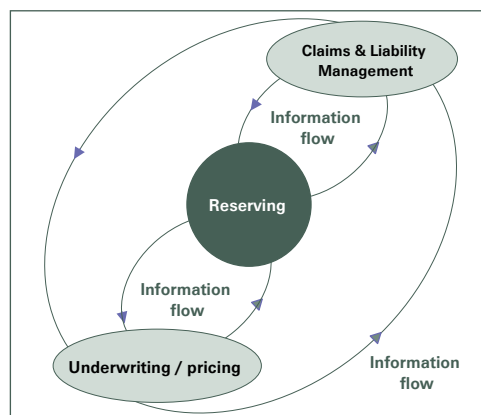


- To achieve consistency across the Group, the P&C Group Reserving team based in Zurich independently analyses the locally determined reserves
- Group reviews portfolios at a higher level than local; the results of the analysis are communicated as a reasonable range of actuarial estimates
- For year-end 2005, the range was approximately CHF 4 billion
- Swiss Re's reserve position within the indicated reasonable range is decided upon by management with final agreement of the Board of Directors and is always in the upper half of the range

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## Swiss Re has a continuous feedback loop

### Information flow cycle



➔ Reserving actuaries have access to most up to date information

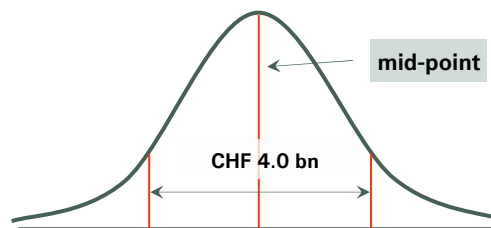
- Reserving is responsible for detecting as early as possible deviations between pricing claim ratio and ultimate claim ratio and adjusting (plus/minus) reserves accordingly
- Reserving is very closely linked to Claims Management and Underwriting, allowing all areas to learn from experience very quickly

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## Swiss Re's reserves always above the mid-point

- We chose a range of  $\pm 1$  standard deviation as representing the limits of what it would be reasonable to hold as a "best estimate"
- Because correlation is less than 100% between the main portfolios, the range at Group level is smaller than the sum of all local ranges (diversification effect)



➔ Swiss Re always sets reserves in upper half of reserve range

## Agenda

- Reserving philosophy, governance and processes
- **Reserving methods**
- Swiss Re P&C reserves
- Insurance Solutions P&C reserves
- Key points

## Development of a single treaty year (in theory)

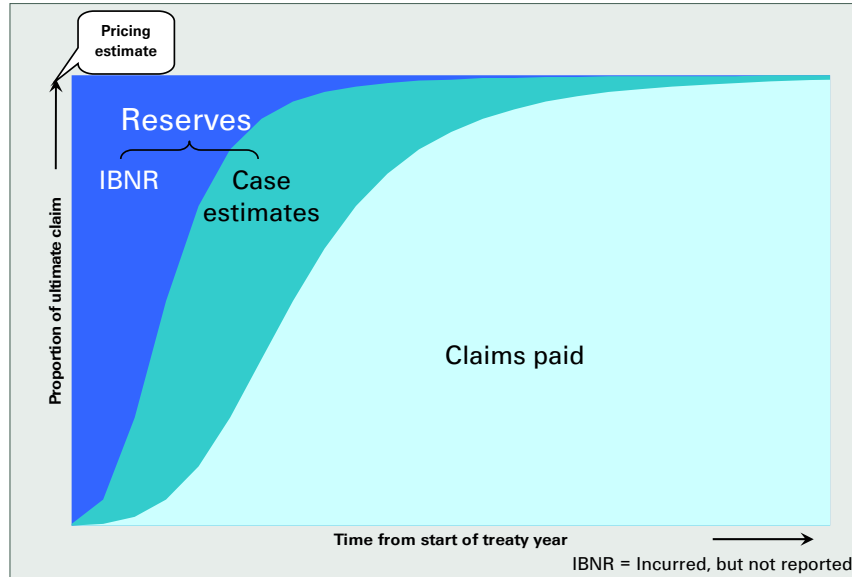
### Typical mean terms (yrs)

Tail	Reported	Paid
Short	< 2	< 3
Med.	2 - 4	3 - 6
Long	> 4	> 6

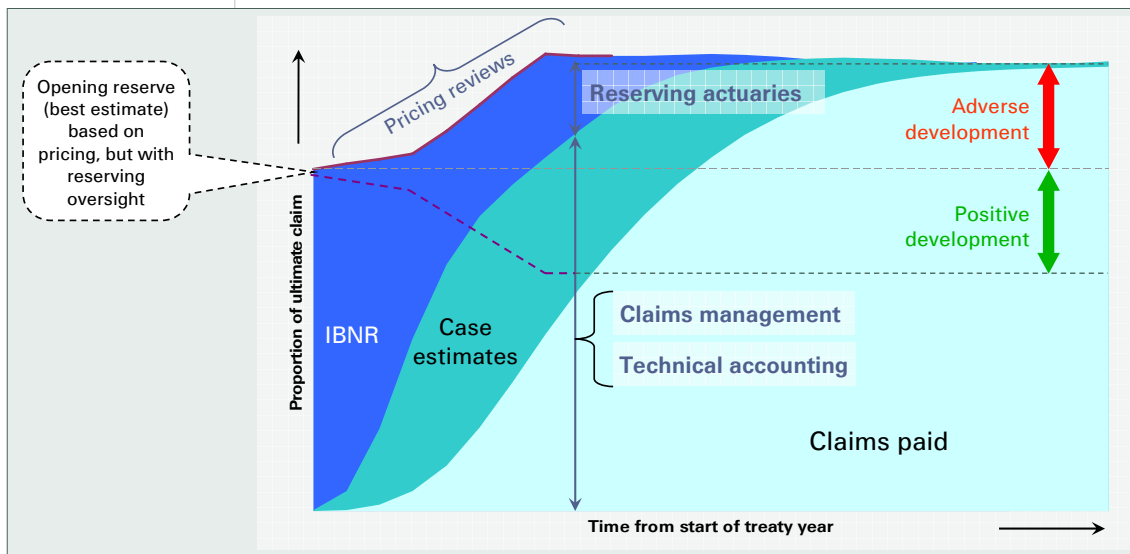
Fundamental assumption is that patterns of development in paid claims or reported (= paid + case estimates) claims after allowing for any trends, can be expected to repeat in the future

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## What might actually happen



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## Reserving data need pre-processing

- To calculate IBNRs the reserving actuaries require data on the development of claims paid and case estimates by treaty year and by year of development
- The raw data from the system is then subject to a “cleaning process” which takes time to do diligently; this process is essential to properly reflect portfolio changes and take out distorting effects, for example, large claims which are then dealt with separately

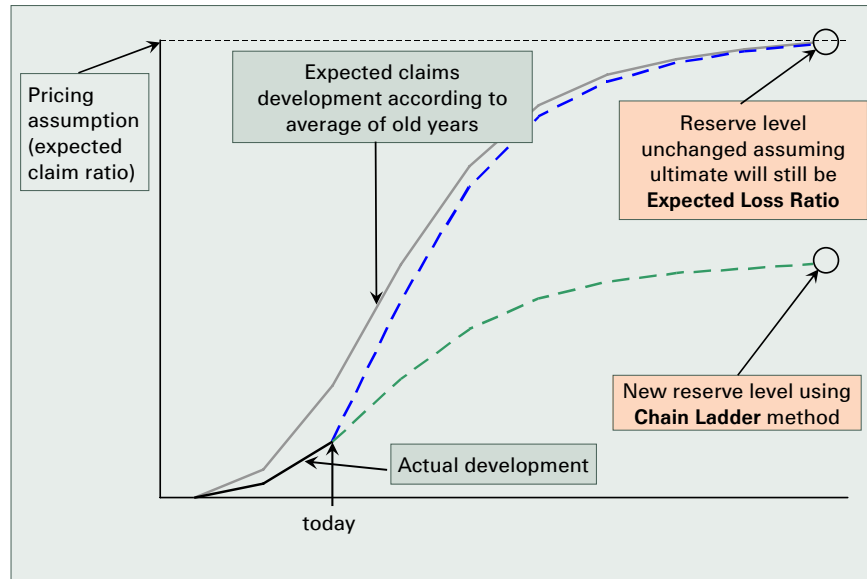
➔ It is only when the data is clean, free from distortions and is homogenous that the actuarial methods for calculating IBNRs are most effective

## The oldest methods for estimating IBNRs

- **“Chain Ladder”**
  - looks in history of portfolio and extracts how much in average %-age the changes in reported claims were from one development year to the next (eg +30% from year 1 to 2, +24% from year 2 to 3 etc.)
  - takes current experience of each treaty year and extrapolates using these factors to get a hypothetical ultimate claim ratio
  - resets reserves to that level
  - not only is any positive/negative development immediately taken into account in reserves, but future development is expected to be better/worse to the same extent
- **Expected Loss Ratio (“ELR”)** just assumes an ultimate claim equal to pricing and deducts paid/reported to date to give the reserve
  - means that any positive/negative development to date is assumed to reverse at some point in the future



## Illustration of how Chain Ladder and ELR methods work



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## Issues with Chain Ladder and ELR methods

- "Chain ladder": very strong weighting of current experience, even in early years means
  - nonsensical results if experience is still zero (→ zero reserves)
  - any deviation from the expected claims development is directly transmitted, indeed amplified, into the result; in the early years this can be very significant but becomes less so as the year matures
- Expected Loss Ratio ("ELR") requires complete faith in *a priori* estimates, so
  - it is best not to rely on a single source for these (eg cross-check with industry figures, or with experience elsewhere in the Group)
  - must eventually be abandoned as experience will never be *exactly* in line with expectation

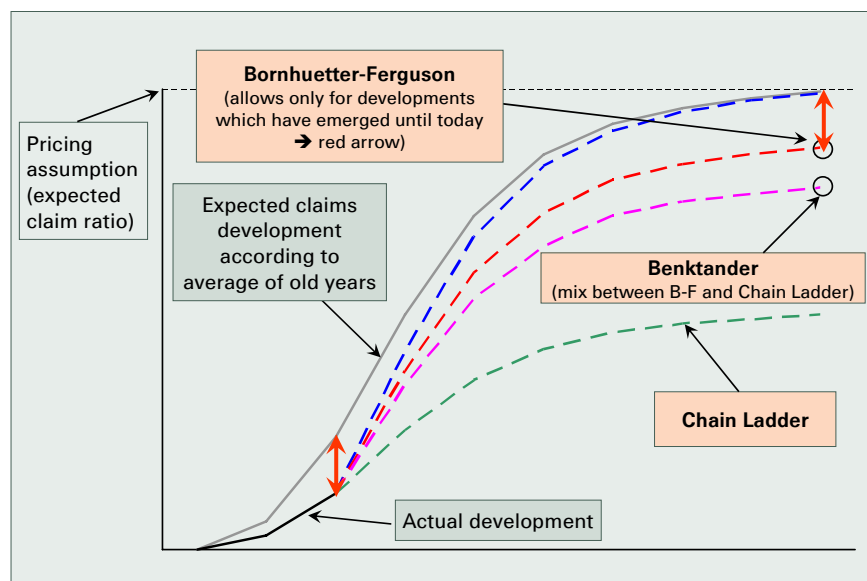
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Therefore, more sophisticated methods have been developed

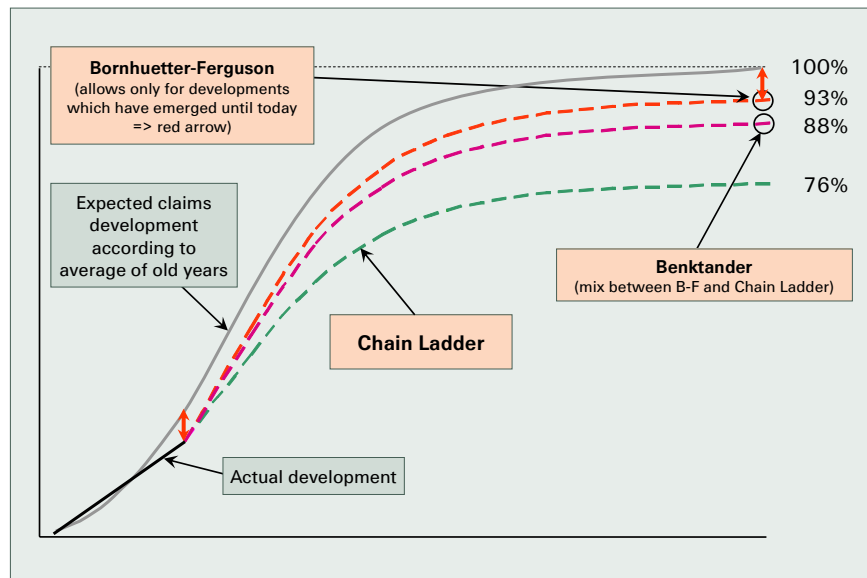
- **Bornhuetter-Ferguson** ("B-F") method initially uses the pricing estimate as an *a priori* claims ratio that is modified gradually as experience emerges, according to the expected claims development
  - good or bad experience to date is acknowledged (unlike the ELR) but not used to predict the future
- **Benktander** method creates a weighted average of Chain Ladder and B-F that mainly follows the B-F in the early stages and the Chain Ladder later on, thus progressively giving more weight to experience as the treaty year matures

→ These are what Swiss Re uses at Group level

Illustration of more sophisticated methods



## Concrete example with 2003 US liability proportional business

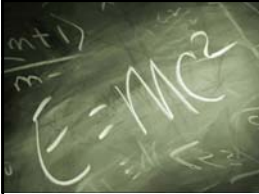


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## Actuarial methodology used for Swiss Re Group reserves

- **Setting of IBNR**
  - use of development factors from the data triangulation to assess future expected development
  - use of initial expected claim ratios that stabilise projections for the most recent treaty years where claims projections are too immature
- **Setting of reserve range**
  - use the variance of the past claim development data
  - allow for correlation (diversification) between lines of business
- **Special methods are used in some circumstances, such as US Asbestos and Environmental, where exposure, frequency and severity are modelled directly: reserves will be set equal to the modelled ultimate claim minus payments to date**

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## Agenda

- Reserving philosophy, governance and processes
- Reserving methods
- **Swiss Re P&C reserves**
- Insurance Solutions P&C reserves
- Key points

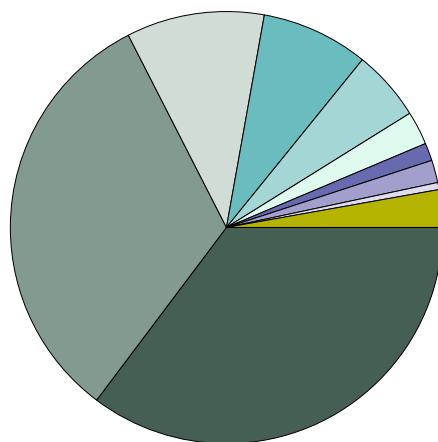
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## Swiss Re's well diversified reserve book

Group reserve  
review of gross  
inwards business  
excl. intra-group

as of 31.12.2005



	CHF bn	in %
■ SR Zurich	20.1	35.3%
■ SR America	18.3	32.1%
■ SR Germany	5.9	10.4%
■ SR International	4.7	8.1%
■ SR UK	2.9	5.1%
■ SR Italy	1.4	2.5%
■ European Int'l	0.9	1.5%
■ SR Canada	0.9	1.5%
■ M&G UK	0.4	0.7%
■ Other	1.6	2.8%

CHF 57.1bn = 100%

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## Swiss Re's IBNRs and ACRs more than 53% of total reserves

### Cedant reserve

Reserve reported by cedant based on actual, notified claims and excluding any allowance for unreported claims

### Additional Case Reserve (ACR)

Reserve created in respect of known claims where the claim reserve as assessed by Swiss Re Claims Management is different from reserve reported by cedant

### IBNR

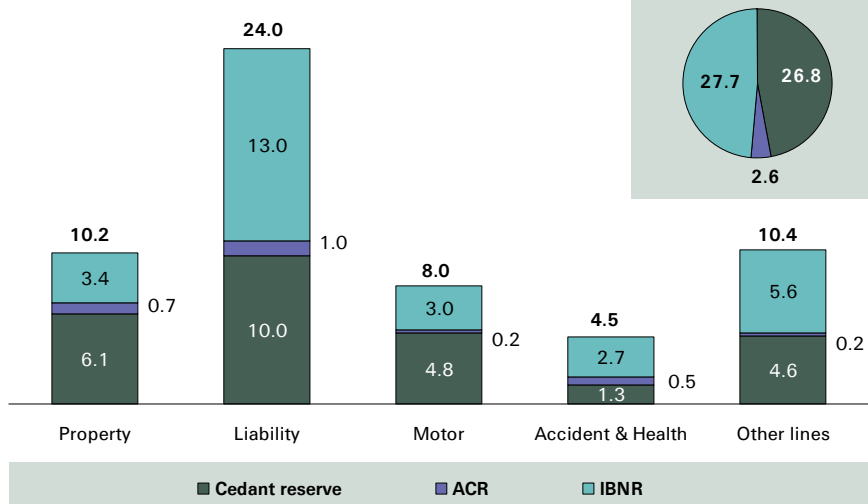
Reserve for claims relating to insured events that have occurred but that have not yet been reported (or not enough reported) as of the date of the financial statements

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### Total gross reserves: CHF 57.1 bn as of 31.12.2005

in CHF bn



## Loss development table<sup>\*)</sup> Net claim reserves and re-estimates

CHF millions		Original reporting year										
		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Net claim reserves as of 31.12.</b>		21 282	28 474	31 767	33 387	37 907	42 096	51 455	45 061	46 852	47 456	55 513
Current reserves plus payments since original reporting year	1 year later	23 797	28 385	29 904	34 765	37 388	41 760	46 380	46 098	46 865	52 453	
	2 years later	23 828	26 602	30 860	33 604	36 200	39 811	47 005	46 274	51 158		
	3 years later	22 701	37 423	29 193	32 112	34 472	40 588	47 500	50 167			
	4 years later	23 244	26 043	27 536	30 079	34 215	40 850	50 731				
	5 years later	22 286	24 660	25 596	29 402	34 389	42 197					
	6 years later	21 149	22 924	25 302	29 335	35 409						
	7 years later	20 039	22 493	25 175	30 071							
	8 years later	19 739	22 457	25 568								
	9 years later	19 708	22 959									
	10 years later	20 171										
<b>Surplus / (deficiency)</b>		1 111	5 515	6 199	3 316	2 498	-101	724	-5 106	-4 306	-4 997	
As a percent of original reserves		5.2%	19.4%	19.5%	9.9%	6.6%	-0.2%	1.4%	-11.3%	-9.2%	-10.5%	
<b>Excluding foreign exchange:</b>												
<b>Surplus / (deficiency)</b>		3 214	5 876	5 907	4 125	-84	-3 655	-5 906	-5 757	-2 923	-994	
As a percent of original reserves		15.1%	20.6%	18.6%	12.4%	-0.2%	-8.7%	-11.5%	-12.8%	-6.2%	-2.1%	

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<sup>\*)</sup> As previously published

## Estimated net accident year view Positive developments from earlier and recent years more than offset 1998-2001



CHF millions

### Ultimate claims, at 31.12.2005 exchanges rates

	Ultim. claims at end of first development year	1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	10 years later	Surplus/ (Deficiency)	Latest reserves <sup>1)</sup>
<b>Pre-1996</b>	22 797	22 537	22 199	21 685	21 164	20 530	19 395	19 042	18 905	19 063	19 193	3 603	3 961
<b>1996</b>	10 288	10 089	9 614	9 418	9 094	8 842	8 446	8 396	8 426	8 381		1 907	1 322
<b>1997</b>	9 515	9 590	9 413	9 244	8 998	8 984	9 123	9 069	8 877			639	1 350
<b>1998</b>	10 023	9 693	10 178	10 201	10 654	10 453	10 686	10 745				(722)	2 559
<b>1999</b>	9 545	10 268	10 494	11 170	11 759	12 088	12 152					(2 607)	2 312
<b>2000</b>	13 175	13 863	14 479	15 862	16 207	16 006						(2 832)	4 541
<b>2001</b>	16 643	15 590	15 889	16 537	17 701							(1 058)	7 381
<b>2002</b>	12 661	12 145	12 038	12 204								457	5 369
<b>2003</b>	13 734	12 779	12 725									1 009	6 083
<b>2004</b>	13 108	12 420										687	7 447
<b>2005</b>	14 887											0	13 188
<b>Total</b>												<b>1 084</b>	<b>55 513</b>

All years include the effect of discounting as at 31.12.2005 and figures include claim adjustment expenses

Slide 27 <sup>1)</sup> Equals latest estimate of ultimate claims less claims paid

## Swiss Re's reserving has been more than adequate



- The previous slide shows that over last 10 years there have been overall releases of reserves compared to the reserve set up at the end of the first development year
- Reserving accident years 1998-2001 impacted by significant adverse development for liability business
  - these years have seen severe claims development in certain areas, such as pharma, financial institutions and directors' & officers' risks
  - most of these claims took several years to emerge but are now reaching maturity
- Otherwise, Swiss Re has a history of positive reserve developments arising from its realistic reserving policy
- With such a large overall portfolio, reserving risk is spread across many sub-portfolios and across time; hence even the poor record of 1998-2001 has been absorbed

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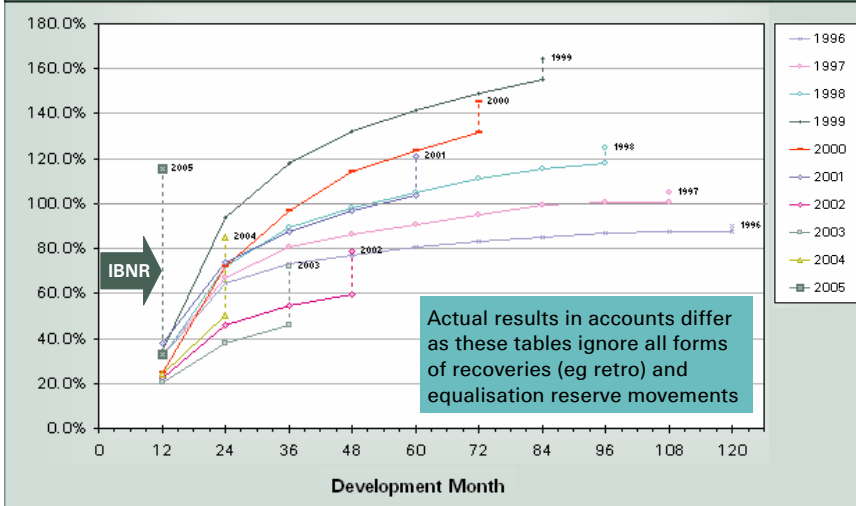
# Swiss Re Group – overall

## Reserving shows effect of underwriting cycle, recent years performing very well



Treaty year	Earned premium in CHFm	Ult claims ratio
1994	7 694	82.1%
1995	7 704	85.2%
1996	7 282	90.3%
1997	6 944	104.8%
1998	7 083	124.7%
1999	7 545	164.3%
2000	9 779	145.3%
2001	11 868	121.2%
2002	11 422	79.0%
2003	12 171	71.7%
2004	11 978	85.1%
2005	8 259	115.7%

Reported claims (paid plus case) for last 10 treaty years (in % of premiums earned, net of commission)



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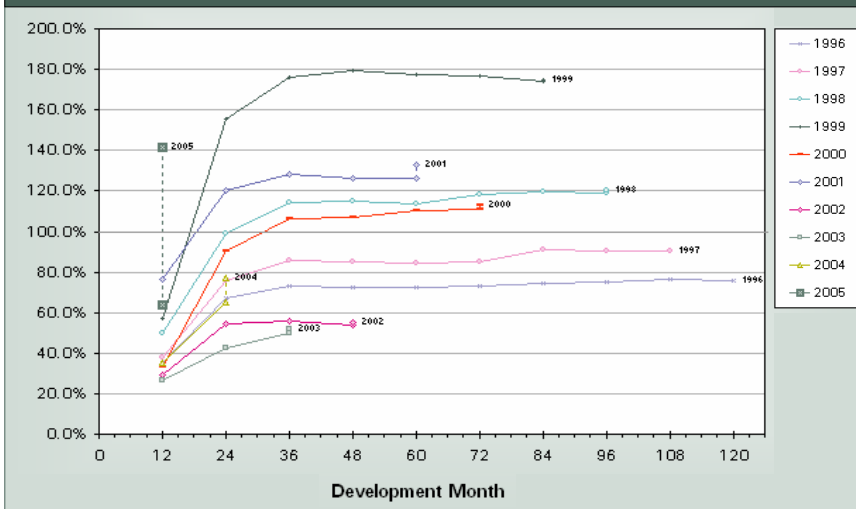
# Swiss Re Group – property

## Development complete after 3 years, large claims known quickly, no major reserve risk



Treaty year	Earned premium in CHFm	Ult claims ratio
1994	2 617	71.5%
1995	2 533	74.3%
1996	2 378	76.0%
1997	2 253	90.6%
1998	2 095	120.5%
1999	2 428	174.8%
2000	2 870	113.2%
2001	3 843	132.6%
2002	3 902	55.3%
2003	4 033	52.1%
2004	4 044	76.9%
2005	3 200	141.5%

Reported claims (paid plus case) for last 10 treaty years (in % of premiums earned, net of commission)



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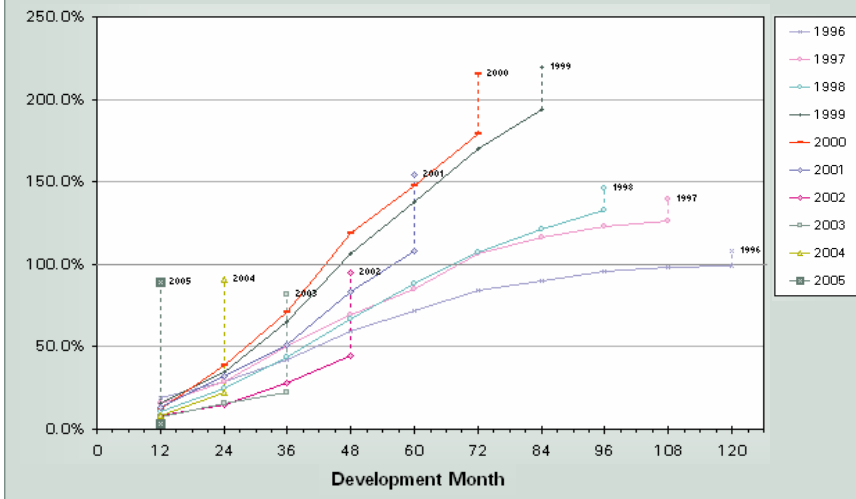
# Swiss Re Group – liability

Development of post-2001 even lower than pre-1998, coupled with much larger premiums



Treaty year	Earned premium in CHFm	Ult claims ratio
1994	1 116	92.0%
1995	1 207	99.9%
1996	1 183	108.4%
1997	1 214	139.7%
1998	1 714	145.6%
1999	1 632	219.3%
2000	2 387	215.5%
2001	2 669	154.4%
2002	2 942	94.7%
2003	3 564	81.8%
2004	3 247	90.4%
2005	1 796	89.3%

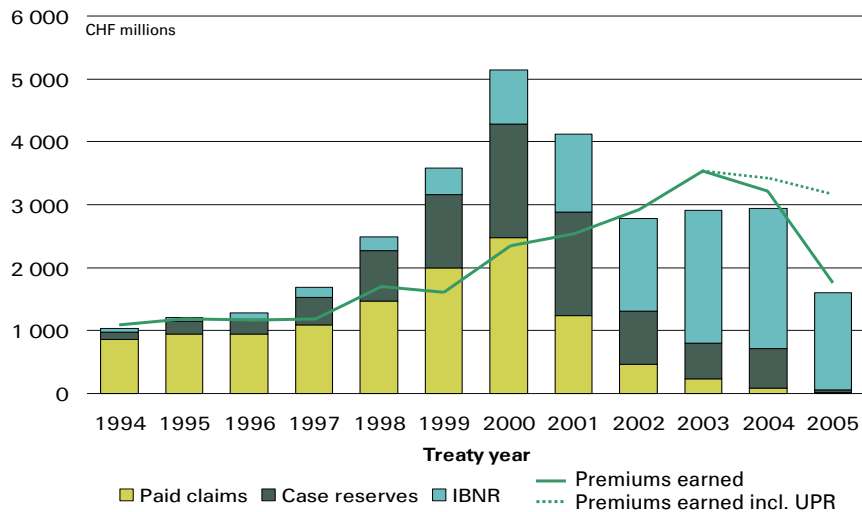
Reported claims (paid plus case) for last 10 treaty years (in % of premiums earned, net of commission)



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# Very significant value embedded due to interest earned before reserves are paid



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→ Even for the worst years, we have not yet paid out more than the premium we have received



## Areas of uncertainty – positive and negative

- Estimates for underwriting years 2002-5 based on Chain Ladder methodology are generally lower, and often significantly lower than Swiss Re's booked reserves (which are typically based on Bornhuetter-Ferguson or Benktander methodology)
- Estimates for US liability written in 1999-2001 reaching maturity
- Resolution of a number of individual large claims; Swiss Re currently reserved at best estimate based on legal/claims management assessment
- Asbestos and Environmental (A&E)
- Workers' compensation due to the very long development pattern of this business

➔ Economic value of the areas of reserve risk significantly less than the undiscounted value and for recent years potential for reserve releases

## US A&E declined to 1.3% of total reserves

**3-year survival ratio**  
 Reserves held divided by annual average claims paid over last 3 years

In addition to the annual review by in-house actuaries, there are regular reviews by external consultants, and a proactive run-off strategy is in place

CHF millions

Year end	Net A&E reserves	Net non-life reserves	A&E as % of net non-life risk	Total reserves <sup>1)</sup>	A&E as % of total reserves
2000	2 961	43 108	6.9%	79 421	3.7%
2001	2 757	52 169	5.3%	100 749	2.7%
2002	2 118	45 688	4.6%	92 122	2.3%
2003	1 675	47 414	3.5%	92 633	1.8%
2004	1 357	47 456	2.8%	97 366	1.4%
2005	1 375	55 513	2.5%	108 183	1.3%

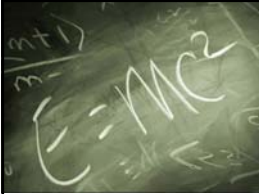
➔ Major reason for decline in A&E is successful commutations

<sup>1)</sup> Includes liabilities for life and health policy benefits

### 3-year A&E net survival ratio

	2000	2001	2002	2003	2004	2005
US insurance industry <sup>2)</sup>	5.8	7.4	8.7	8.5	7.8	n/a
Swiss Re	6.8	6.0	6.1	7.4	6.8	5.8
Swiss Re (adjusted for commutations)	12.6	13.3	13.9	12.1	12.3	11.0

<sup>2)</sup> Source: A.M. Best



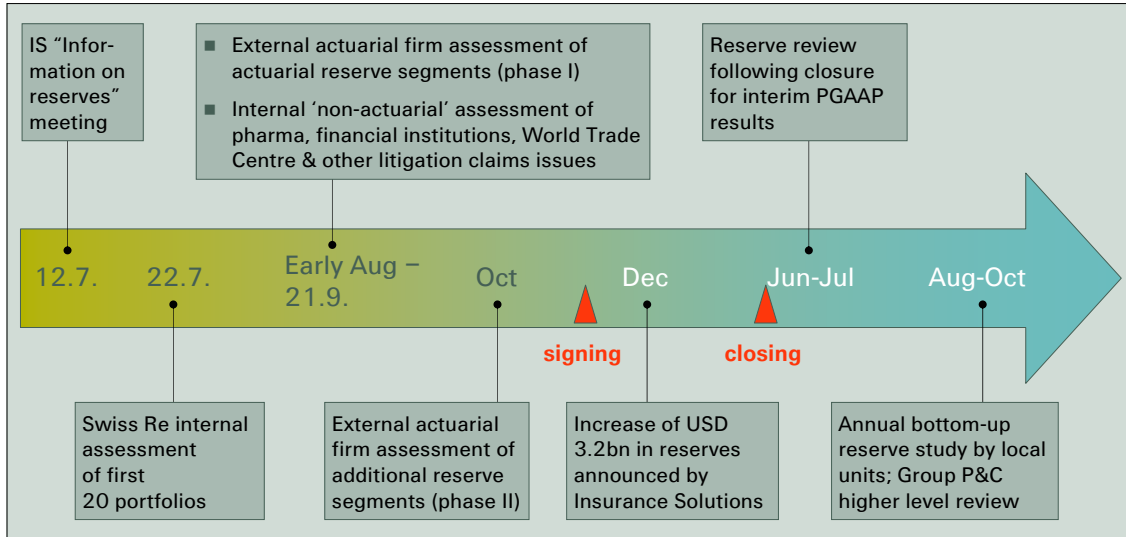
## Agenda

- Reserving philosophy, governance and processes
- Reserving methods
- Swiss Re P&C reserves
- **Insurance Solutions P&C reserves**
- Key points

## Insurance Solutions reserves – thorough due diligence process

- Swiss Re conducted a detailed and thorough review of Insurance Solutions' reserves, utilising the assistance of an external actuarial firm
- P&C (incl. A&E): Swiss Re identified significant deficiencies, generally attributable to years 2001 and prior
- Non actuarial reserves (eg pharmaceutical, financial institutions, litigation): analysis suggested deficiency and a portion of overall reserve strengthening was attributable to these segments
- L&H: reserves were reviewed and US business was subsequently excluded from the transaction

## Swiss Re's due diligence timeline July 2005 up to November 2006



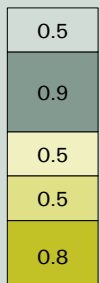
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## Insurance Solutions reserves since closing

### Pre-closing increase: composition by line

in USD bn

**3.2**



- Other lines
- Other liability
- A&E
- Product liability
- Workers' comp

- Acquisition agreement priced in USD 3.4 billion reserve increase; actual increase pre-closing was USD 3.15 billion
- USD 250 million adjustment in 1H 2006 PGAAP balance sheet
- Reserve review substantially complete; confirms reserves within best estimate range, minor adjustment (less than 1% of reserves) to move reserves up in range

### Total gross reserves as of 30.6.2006: USD 24.5bn

in USD bn



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## Insurance Solutions adequately reserved

### Reserve adequacy

- The results of subsequent analyses post closure are consistent with the due diligence findings
- Reserves are assessed to the same standards as for other Swiss Re companies

### Areas of uncertainty

- Additional uncertainties to those inherent to the Swiss Re portfolio:
  - retrocession
  - individual case assessment

➔ Swiss Re is comfortable with the overall level and quality of the Insurance Solutions reserves (Swiss Re's past acquisitions have run off positively, eg Mercantile & General, Unione Italiana)

## Agenda

- Reserving philosophy, governance and processes
- Reserving methods
- Swiss Re P&C reserves
- Insurance Solutions P&C reserves
- **Key points**

## Key points P&C reserves

- Swiss Re believes its corporate governance, processes and methodology for P&C reserving are best in class
- Swiss Re has high confidence in its reserve adequacy, including Insurance Solutions reserves
- With Swiss Re's excellent diversification and overall P&C reserves of CHF 80bn at mid 2006, there is scope for positive reserve development, in particular from recent years



## US GAAP

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**Ann Godbehere**  
Chief Financial Officer

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- **2005 adjusted to US GAAP**
  - Purchase GAAP accounting for Insurance Solutions P&C reserves
  - Key points
-

## Main impacts

- 2005 US GAAP RoE 9.8% (Swiss GAAP 6.7%)
- 2005 US GAAP earnings up 59% primarily due to foreign exchange adjustments for US dollar
- 2005 US GAAP shareholders' equity up 6% primarily due to marking to market fixed income securities
- Other adjustments (goodwill, equalisation reserves, discounting on P&C reserves and tax) broadly offsetting

## Reconciliation of 2005 Swiss GAAP to US GAAP

CHF millions	Net income	Shareholders' equity
<b>Swiss GAAP</b>	<b>1 451</b>	<b>22 929</b>
Fixed income securities marked to market		1 912
Shadow adjustment recognised on fixed income securities		-340
Amortisation and other adjustments to goodwill	274	954
Equalisation reserve reversed	-613	569
Discounting of certain P&C reserves reversed	33	-1 030
Trading gains (excluding foreign exchange)	-17	
Foreign currency remeasurement	913	-279
Other impacts	-4	293
Taxation	267	-674
<b>US GAAP</b>	<b>2 304</b>	<b>24 334</b>

- Net income higher due to strengthening of USD in 2005
- Shareholders' equity higher due to marking to market fixed income securities

## Fixed income securities

2005 impact	
Net income	Net equity
0	1 912
0	-340
CHF millions	CHF millions

- Fixed income securities marked to market
  - fixed income securities carried at fair value (previously amortised cost) with unrealised gains/losses reported in shareholders' equity if assets classified as "available for sale" or in earnings if assets classified as "trading"
- Life & Health "shadow" adjustment
  - adjustment to unrealised gains/losses for impact on PVFP and policyholder liabilities (i.e. portion of unrealised gains if realised that would not belong to shareholders)

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## Goodwill

2005 impact	
Net income	Net equity
274	954
CHF millions	CHF millions

- Goodwill not amortised under US GAAP from 1 January 2002
  - amortisation of goodwill in 2005 reversed through earnings (Amortisation of goodwill)
  - amortisation of goodwill in 2002 through 2004 reversed through retained earnings in the 2005 opening balance sheet
  - other minor impacts including deferred taxes on goodwill and goodwill impairment following reversal of goodwill amortisation under US GAAP

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## Equalisation reserves

2005 impact	
Net income	Net equity
-613	569
CHF millions	CHF millions

- Equalisation reserves not recognised under US GAAP
  - release of equalisation reserves in 2005 reversed through earnings (Claims and claim adjustment expenses)
  - equalisation reserves balance transferred from liabilities to retained earnings in the 2005 opening balance sheet
  - change does not affect local statutory treatment of equalisation reserves or their deductibility for local tax purposes

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## P&C reserves

2005 impact	
Net income	Net equity
33	-1 030
CHF millions	CHF millions

- Historically, Swiss Re discounted certain P&C reserves, principally provisions which are discounted for US statutory accounting purposes
- This approach is permitted but not required under US GAAP
- Swiss Re has adopted a cautious policy not to discount P&C reserves under US GAAP
- The discount in 2005 reversed through earnings (Claims and claim adjustment expenses)
- The previously recognised discount has been reversed through retained earnings in the 2005 opening balance sheet
- Purchase GAAP accounting rules are not affected by this policy and require acquired assets and liabilities to be stated at fair value

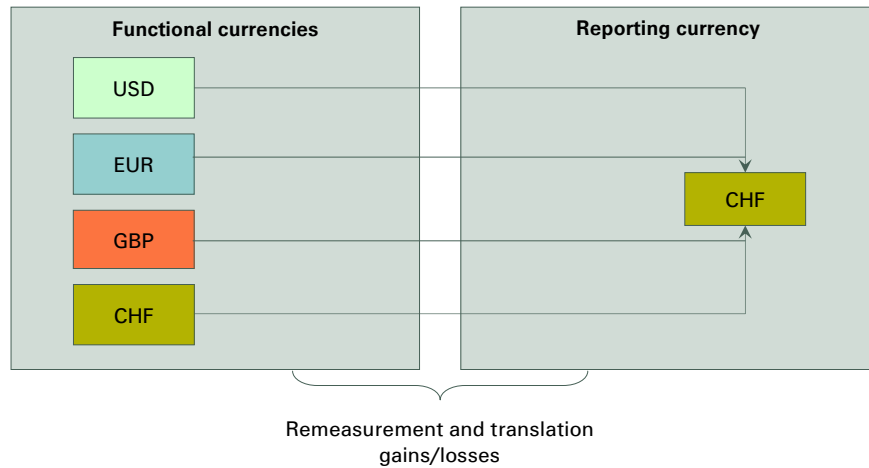
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## Comparison of foreign exchange treatment under Swiss GAAP and US GAAP I/II

Entities with multiple functional currencies

### Swiss GAAP



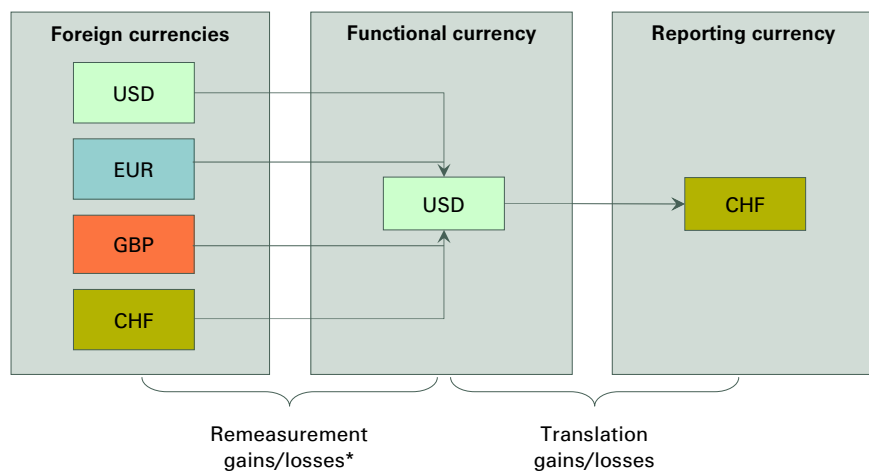
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## Comparison of foreign exchange treatment under Swiss GAAP and US GAAP II/II

Entities with a single functional currency

### US GAAP

Remeasurement gains/losses arise on entity level foreign exchange  
 Translation gains/losses arise on consolidation



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\* Except for non-monetary assets/liabilities which remain at historical rates

## Foreign exchange I/II

2005 impact	
Net income	Net equity
913	-279
CHF millions	CHF millions

- Swiss Re matches assets and liabilities by currency; shareholders' equity is a basket of currencies reflecting capital needs by currency
- Swiss GAAP generally recognises economic basis of how business is managed – hence most forex remeasurement of assets/liabilities reflected in equity with little P&L impact
- US GAAP has unintended consequences as it creates presentational mismatch between recognition of forex movements on assets/liabilities depending upon the classification of invested assets regardless of whether they are matched by currency to liabilities
- Overall impact on shareholders' equity of US GAAP treatment is relatively small compared to Swiss GAAP however some forex movements reflected in P&L rather than straight to equity

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## Foreign exchange II/II

Remeasurement gains/losses arise on entity level foreign exchange  
 Translation gains/losses arise on consolidation

- Under US GAAP, treatment of foreign exchange follows treatment of mark-to-market movements on investment securities, hence:
  - remeasurement gains/losses on securities classified as “available for sale” are recognised in unrealised gains/losses in shareholders' equity
  - remeasurement gains/losses on securities classified as “trading” are recognised in realised gains in earnings
- Remeasurement gains/losses on other assets/liabilities:
  - recognised in earnings for items categorised as “monetary” (eg reinsurance liabilities)
  - not recognised for items categorised as “non-monetary” (eg real estate) which remain at historical rates
- Translation gains/losses (i.e. the conversion to Swiss francs for consolidation/reporting purposes) continue to be recognised in shareholders' equity (no change from Swiss GAAP)

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## Designation of trading securities

2005 impact	
Net income	Net equity
-17 <sup>*)</sup>	0
CHF millions	CHF millions

### Swiss Re's approach to US GAAP foreign exchange issue:

- Swiss Re has designated certain investment portfolios as "trading" securities (rather than "available for sale")
- These portfolios are currency matched to "monetary" liabilities
- Foreign exchange remeasurement gains/losses on trading securities are recognised in earnings, hence consistent treatment of foreign exchange on reinsurance liabilities and currency matched assets backing those liabilities
- This has been necessary for those legal entities where there is a significant remeasurement issue under US GAAP (primarily Euro and Sterling denominated assets in SR Zurich)
- Consequently, mark-to-market movements now go through the income statement rather than shareholders' equity for those assets designated as trading

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<sup>\*)</sup> Excluding foreign exchange

## 2005 income statement: Adjustments from Swiss GAAP to US GAAP I/II

Presentation changes only

CHF millions	Swiss GAAP	Unit linked gross presentation	Other L&H presentation changes	Adjusted presentation
<b>Revenues</b>				
Premiums earned	27 779		-873	26 906
Fee income			881	881
Net investment income	5 352	751	-8	6 095
Net realised investment gains	1 249	1 396		2 645
Trading revenues	343			343
Other revenues	286			286
<b>Total revenues</b>	<b>35 009</b>	<b>2 147</b>	<b>0</b>	<b>37 156</b>
<b>Expenses</b>				
Claims and claim adjustment expenses	-14 178			-14 178
Life and health benefits	-9 521		886	-8 635
Interest credited to policyholders		-2 147	-872	-3 019
Acquisition costs	-5 938		-8	-5 946
Amortisation of goodwill	-274			-274
Other operating costs and expenses	-3 125		-6	-3 131
<b>Total expenses</b>	<b>-33 036</b>	<b>-2 147</b>	<b>0</b>	<b>-35 183</b>
<b>Income before income tax expense</b>	<b>1 973</b>	<b>0</b>	<b>0</b>	<b>1 973</b>
Income tax expense	-522			-522
<b>Net income</b>	<b>1 451</b>	<b>0</b>	<b>0</b>	<b>1 451</b>

- Gross presentation of unit linked contracts
- Separate line item for fee income on life contracts
- Separate line item for interest credited on life contracts

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## 2005 income statement: Adjustments from Swiss GAAP to US GAAP II/II

CHF millions	Adjusted presentation	US GAAP impacts excl. forex	Foreign exchange impacts	US GAAP
<b>Revenues</b>				
Premiums earned	26 906		-15	26 891
Fee income	881			881
Net investment income	6 095	38	4	6 137
Net realised investment gains	2 645	-72	901	3 474
Trading revenues	343		3	346
Other revenues	286	-3		283
<b>Total revenues</b>	<b>37 156</b>	<b>-37</b>	<b>893</b>	<b>38 012</b>
<b>Expenses</b>				
Claims and claim adjustment expenses	-14 178	-580		-14 758
Life and health benefits	-8 635	-33		-8 668
Interest credited to policyholders	-3 019			-3 019
Acquisition costs	-5 946	16	3	-5 927
Amortisation of goodwill	-274	274		
Other operating costs and expenses	-3 131	33	17	-3 081
<b>Total expenses</b>	<b>-35 183</b>	<b>-290</b>	<b>20</b>	<b>-35 453</b>
<b>Income before income tax expense</b>	<b>1 973</b>	<b>-327</b>	<b>913</b>	<b>2559</b>
Income tax expense	-522	430	-163	-255
<b>Net income</b>	<b>1 451</b>	<b>103</b>	<b>750</b>	<b>2 304</b>

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## Agenda

- 2005 adjusted to US GAAP
- **Purchase GAAP accounting for Insurance Solutions P&C reserves**
- Key points

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## Insurance Solutions: Purchase GAAP accounting for P&C reserves I/II

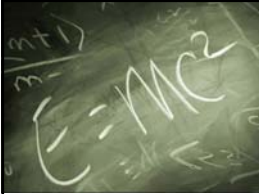
- Purchase GAAP accounting rules require acquired assets and liabilities to be stated at fair value; hence P&C liabilities which are normally carried undiscounted must be adjusted to reflect fair value
- Amount and timing of ultimate claims payments are estimated
- Ultimate claims estimates used to calculate:
  - discount, based on risk free rates by major currency
  - risk margin, based on estimated cost for holding capital to support acquired business
- Net adjustment recognised at acquisition of Insurance Solutions USD 1.7 billion before tax



## Insurance Solutions: Purchase GAAP accounting for P&C reserves II/II

- Discount net of capital cost will unwind over estimated average duration of reserves (11%, 16%, 12%, 10%, and 8% in 2006 to 2010, respectively)
- Investment income will be earned on the assets supporting the reserves and the capital supporting the acquired business
- Earnings will reflect expected return on capital invested in the acquired business, subject to any change in estimates (experience variances)

➔ Purchase GAAP accounting presents an economic view of acquired P&C business similar to embedded value of Life & Health business

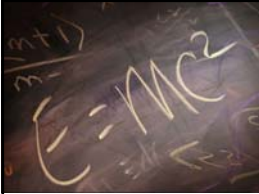


## Agenda

- 2005 adjusted to US GAAP
- Purchase GAAP accounting for Insurance Solutions P&C reserves
- **Key points**

## Key points US GAAP

- 2005 US GAAP RoE 9.8% (Swiss GAAP 6.7%), with earnings up 59% primarily due to forex adjustments and shareholders' equity up 6%, primarily due to marking to market fixed income securities
- Presentation changes to Group accounts, but business segment results will remain largely unchanged other than equalisation reserves in P&C segment
- Accounting presentation has no impact on the economics of the Swiss Re Group and management targets remain unchanged



## Swiss Re P&C reserves workshop

**Ann Godbehere**  
Chief Financial Officer

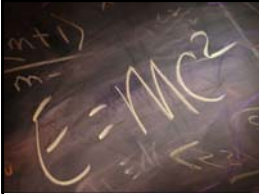
**Christian Mumenthaler**  
Chief Risk Officer

**Michael Eves**  
Group Chief Actuary

**Anthony Boulter**  
Head P&C Group Reserves

## Key points P&C reserves

- Swiss Re believes its corporate governance, processes and methodology for P&C reserving are best in class
- Swiss Re has high confidence in its reserve adequacy, including Insurance Solutions reserves
- With Swiss Re's excellent diversification and overall P&C reserves of CHF 80bn at mid 2006, there is scope for positive reserve development, in particular from recent years



## US GAAP workshop

**Susan Holliday**  
 Head Investor Relations

**Mark Swallow**  
 Chief Accounting Officer

**Alexandre Hristov**  
 Head Accounting Research

**Martin Müller**  
 Head External Reporting

## 2005 income statement: Adjustments from Swiss GAAP to US GAAP I/II

Presentation  
 changes only

CHF millions	Swiss GAAP	Unit linked gross presentation	Other L&H presentation changes	Adjusted presentation
<b>Revenues</b>				
Premiums earned	27 779		-873	26 906
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<b>Income before income tax expense</b>	<b>1 973</b>	<b>0</b>	<b>0</b>	<b>1 973</b>
Income tax expense	-522			-522
<b>Net income</b>	<b>1 451</b>	<b>0</b>	<b>0</b>	<b>1 451</b>

Gross presentation of unit linked contracts  
 Separate line item for fee income on life contracts  
 Separate line item for interest credited on life contracts





## 2005 income statement: Adjustments from Swiss GAAP to US GAAP II/II

CHF millions	Adjusted presentation	US GAAP impacts excl. forex	Foreign exchange impacts	US GAAP
<b>Revenues</b>				
Premiums earned	26 906		-15	26 891
Fee income	881			881
Net investment income	6 095	38	4	6 137
Net realised investment gains	2 645	-72	901	3 474
Trading revenues	343		3	346
Other revenues	286	-3		283
<b>Total revenues</b>	<b>37 156</b>	<b>-37</b>	<b>893</b>	<b>38 012</b>
<b>Expenses</b>				
Claims and claim adjustment expenses	-14 178	-580		-14 758
Life and health benefits	-8 635	-33		-8 668
Interest credited to policyholders	-3 019			-3 019
Acquisition costs	-5 946	16	3	-5 927
Amortisation of goodwill	-274	274		
Other operating costs and expenses	-3 131	33	17	-3 081
<b>Total expenses</b>	<b>-35 183</b>	<b>-290</b>	<b>20</b>	<b>-35 453</b>
<b>Income before income tax expense</b>	<b>1 973</b>	<b>-327</b>	<b>913</b>	<b>2559</b>
Income tax expense	-522	430	-163	-255
<b>Net income</b>	<b>1 451</b>	<b>103</b>	<b>750</b>	<b>2 304</b>

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## Deferred income taxes

2005 impact	
Net income	Net equity
267	-674
CHF millions	CHF millions

- Deferred income tax impacts depend on the statutory and former deferred tax treatment of the underlying items
- The US GAAP adjustments vary in their tax treatments and their tax jurisdictions

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## 2005 income statement: Business segment results

CHF millions	Property & Casualty	Life & Health	Financial Services	Other	Total
<b>Revenues</b>					
Premiums earned	16 346	9 638	907		26 891
Fee income		881			881
Net investment income	1 965	4 000	108	64	6 137
Net realised investment gains	1 155	1 799	62	458	3 474
Trading revenues	27		319		346
Fees, commissions and other revenues	46		220	17	283
<b>Total revenues</b>	<b>19 539</b>	<b>16 318</b>	<b>1 616</b>	<b>539</b>	<b>38 012</b>
<b>Expenses</b>					
Claims and claim adjustment expenses; life and health benefits	-14 430	-8 668	-328		-23 426
Interest credited to policyholders		-3 019			-3 019
Acquisition costs	-3 411	-2 221	-295		-5 927
Other operating costs and expenses	-924	-765	-558	-834	-3 081
<b>Total expenses</b>	<b>-18 765</b>	<b>-14 673</b>	<b>-1 181</b>	<b>-834</b>	<b>-35 453</b>
<b>Operating income US GAAP</b>	<b>774</b>	<b>1 645</b>	<b>435</b>	<b>-295</b>	<b>2 559</b>
<b>Operating income Swiss GAAP</b>	<b>1 025</b>	<b>1 643</b>	<b>366</b>	<b>-1 061</b>	<b>1 973</b>

- P&C: no equalisation reserve release and higher realised gains due to FX treatment
- L&H: presentation adjusted for investment type contracts
- FS: higher realised gains due to forex treatment
- Other: impacted by foreign exchange and mark-to-market adjustments on trading securities (in realised gains) and no goodwill amortisation

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## Presentation changes to balance sheet: L&H contracts I/III

- **Presentation of L&H investment contracts and universal life contracts (including unit-linked business)**
  - separate balance sheet line item for policyholder account balances
  - related assets are classified within Investments according to the nature of the asset

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## Presentation changes to balance sheet: L&H contracts II/III

### Assets as of 31.12.2005

CHF millions	Swiss GAAP	L&H present. changes	Adjusted basis
<b>Investments</b>			
Fixed income securities: Trading, at fair value	2 550	1 131	3 681
Equity securities: Trading, at fair value	328	11 144	11 472
Investment real estate	1 557	297	1 854
Short-term investments, at amortised cost which approximates fair value	4 041	496	4 537
Other invested assets	2 811	657	3 468
Assets held for linked liabilities	14 656	-14 656	
<b>Total investments</b>	<b>129 571</b>	<b>-931</b>	<b>128 640</b>
Cash and cash equivalents	8 126	242	8 368
Accrued investment income	1 323	63	1 386
Other assets	4 355	626	4 981
<b>Total assets</b>	<b>219 147</b>	<b>0</b>	<b>219 147</b>

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## Presentation changes to balance sheet: L&H contracts III/III

### Liabilities as of 31.12.2005

CHF millions	Swiss GAAP	L&H present. changes	Adjusted basis
Liabilities for life and health policy benefits	49 579	-19 294	30 285
Provisions for linked liabilities	14 692	-14 692	0
Policyholder account balances	0	33 951	33 951
Funds held under reinsurance treaties	11 829	-588	11 241
Accrued expenses and other liabilities	4 722	623	5 345
<b>Total liabilities</b>	<b>196 218</b>	<b>0</b>	<b>196 218</b>

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## Presentation changes to balance sheet: Financial Services Assets/Liabilities I/II

- Financial Services assets/liabilities remain under US GAAP with the following additional line items now shown separately:
  - Fixed income securities – Trading
  - Short-term debt
  - Long-term debt
  
- During the US GAAP conversion, one item was identified which had been grossed up in Financial Services assets/liabilities; this item has now been netted

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## Presentation changes to balance sheet: Financial Services Assets/Liabilities II/II

### As of 31 December 2005

CHF millions	Swiss GAAP	FS present. changes	Adjustment for gross up	Adjusted basis
<b>Assets</b>				
Financial Services assets:	23 498	- 23 498		0
Fixed income securities, trading		15 218		15 218
Other Financial Services assets		8 280	-1 132	7 148
<b>Total Financial Services assets</b>	<b>23 498</b>	<b>0</b>	<b>-1 132</b>	<b>22 366</b>
<b>Liabilities</b>				
Financial Services liabilities:	23 487	- 23 487		0
Financial Services liabilities: Short-term debt		7 217		7 217
Financial Services liabilities: Long-term debt		4 389		4 389
Other Financial Services liabilities		11 881	- 1 132	10 749
<b>Total Financial Services liabilities</b>	<b>23 487</b>	<b>0</b>	<b>-1 132</b>	<b>22 355</b>

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## Presentation changes to balance sheet: Other changes

### ■ Other balance sheet reclassifications

- Review of allocation of certain other balance sheet categories for US GAAP as part of conversion
- Changed allocation of certain amounts to respective published line item in the balance sheet

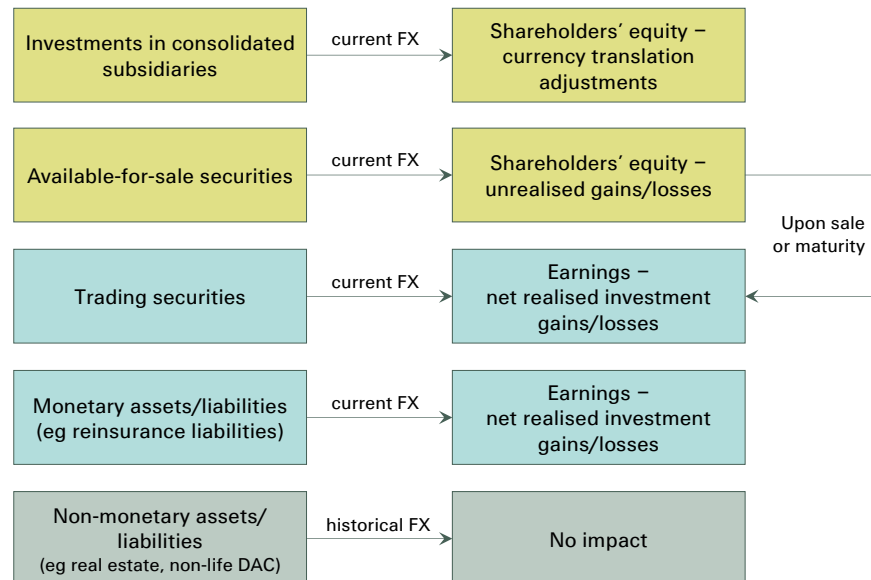


## Presentation changes to balance sheet: Treasury shares in shareholders' equity

- Under US GAAP, treasury shares are accounted for in shareholders' equity; the acquisition cost of treasury shares is classified as a reduction to equity and realised gains are classified as an increase to additional paid-in capital
- In 2004, Swiss GAAP aligned the treatment of treasury shares with US GAAP on a prospective basis
- Before 2004, realised gains/losses on treasury shares were recognised in earnings and, therefore, retained earnings in shareholders' equity
- The Group has reclassified the amount recognised in retained earnings to additional paid-in capital to the extent that it was practical to determine the balance to be reclassified



## Recognition of remeasurement gains/losses under US GAAP



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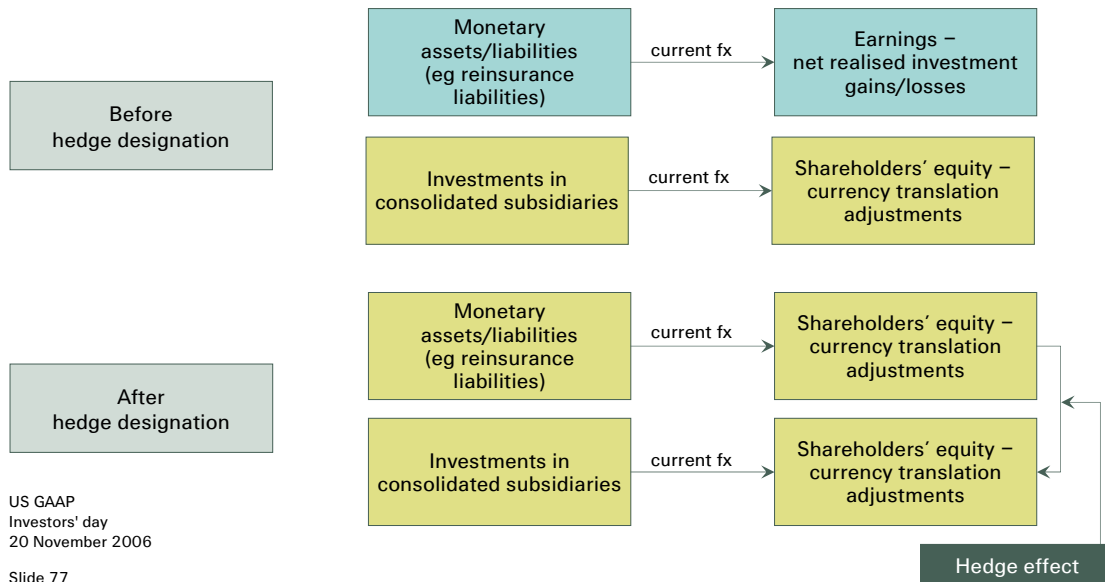
## Foreign currency accounting hedge of net investment in subsidiaries

- To further mitigate the US GAAP P&L impact of foreign currency, the Group has designated existing monetary liabilities as an accounting hedge for the foreign currency exposure of its net investment in certain European subsidiaries
- As a result, forex remeasurement gains/losses on the designated monetary liabilities are recognised in shareholders' equity to offset forex remeasurement gains/losses on the hedged net investment
- Achieving hedge treatment can only be done on a prospective basis, therefore the hedge was designated in 4Q 2006
- The hedge is for US GAAP accounting purposes only and does not reflect any economic change to the business, which is already currency matched
- Pro forma if the hedge could have been designated as of 1.1.2005, net foreign exchange impact would have reduced from CHF 913m to CHF 489m (in a year of major USD movement of approx. 15%)

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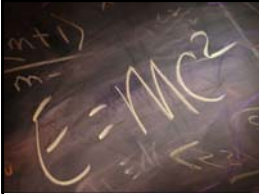


## Hedging the foreign exchange exposure of net investments in subsidiaries



## Change to US GAAP 2006 pension accounting

- At 31 December 2006, US GAAP will require companies to recognise deferred gains or losses, including the funded status, of defined benefit pension plans in shareholders' equity
- Amount will be net of deferred taxes
- At 31 December 2005, Swiss Re's unrecognised loss and prior service cost, including funded status, was CHF 771 million, net of tax (see note 11 to the annual financial statements)
- 2006 balance will depend on 2006 actuarial valuation and asset values



## Appendix

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		Swiss Re 	
		2005 US GAAP balance sheet	
		Invested assets	
CHF millions	Swiss GAAP	US GAAP	
<b>Invested assets</b>			
Fixed income securities:			
- Available-for-sale, at fair value	88 207	79 344	
- Trading, at fair value	2 550	14 457	
Equity securities:			
- Available-for-sale, at fair value	8 116	8 116	
- Trading, at fair value	328	11 476	
Mortgages and other loans	7 305	7 305	
Investment real estate	1 557	1 729	
Short-term investments, at amortised cost which approximates fair value	4 041	4 539	
Other invested assets	2 811	3 635	
Assets held for linked liabilities	14 656	0	
<b>Total invested assets</b>	<b>129 571</b>	<b>130 601</b>	

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## 2005 US GAAP balance sheet

### Other assets

CHF millions	Swiss GAAP	US GAAP
Total Invested assets	129 571	130 601
<b>Other assets</b>		
Cash and cash equivalents	8 126	8 368
Accrued investment income	1 323	1 379
Premiums and other receivables	10 748	10 754
Reins. recoverable on unpaid claims and policy benefits	12 099	12 045
Funds held by ceding companies	14 311	13 927
Deferred acquisition costs	5 378	5 393
Acquired present value of future profits	6 797	6 535
Goodwill	2 475	3 429
Income taxes recoverable	466	466
Deferred tax assets		0
Financial services assets:	23 498	0
- Fixed income securities, trading		15 218
- Other financial services assets		7 143
Other assets	4 355	4 895
<b>Total assets</b>	<b>219 147</b>	<b>220 153</b>

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## 2005 US GAAP balance sheet

### Liabilities

CHF millions	Swiss GAAP	US GAAP
<b>Liabilities</b>		
Unpaid claims and claim adjustment expenses	71 272	71 759
Liabilities for life and health policy benefits	49 579	30 024
Provisions for linked liabilities	14 692	0
Policyholder account balances	0	34 026
Unearned premiums	6 491	6 563
Funds held under reinsurance treaties	11 829	10 941
Reinsurance balances payable	4 237	4 772
Income taxes payable	917	896
Deferred tax liabilities	2 125	2 798
Financial services liabilities	23 487	0
Financial services liabilities: Short-term debt	0	7 217
Financial services liabilities: Long-term debt	0	4 389
Other financial services liabilities	0	10 749
Short-term debt	1 015	1 015
Accrued expenses and other liabilities	4 722	4 818
Long-term debt	5 852	5 852
<b>Total liabilities</b>	<b>196 218</b>	<b>195 819</b>

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## 2005 US GAAP balance sheet Shareholders' equity

CHF millions	Swiss GAAP	US GAAP
<b>Shareholders' equity</b>		
Common stock, CHF 0.10 par value 322 092 742 shares authorised and issued	32	32
Additional paid-in capital	5 843	6 852
Treasury shares	-297	-209
Accumulated other comprehensive income:		
- Net unrealised investment gains, net of deferred taxes	1 031	1 908
- Cumulative translation adjustments	-469	971
<b>Total accumulated other comprehensive income</b>		<b>2 879</b>
Retained earnings	16 789	14 780
<b>Total shareholders' equity</b>	<b>22 929</b>	<b>24 334</b>
<b>Total liabilities and shareholders' equity</b>	<b>219 147</b>	<b>220 153</b>

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## Investor Relations contacts

■ Hotline	+41 43 285 4444
- Susan Holliday	+41 43 285 6516
- Andreas Leu	+41 43 285 5603
- Kathrin Schriber	+41 43 285 2298
■ E-mail	<a href="mailto:investor_relations@swissre.com">investor_relations@swissre.com</a>

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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:

- the impact of completed and future investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transaction, including the ability to efficiently and effectively integrate the former GE Insurance Solutions operations into our own;
- 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 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.