



Challenges for the insurance business model, some huge potential for innovation and new business opportunities, Swiss Re tells Nordic conference

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Oslo, 30 August 2011 – In Oslo today, Swiss Re, a leading reinsurer in the Nordic markets, will use its flagship Nordic Risk & Insurance Summit (NORIS™) conference to warn that the economic environment in the wake of the financial crisis is still very challenging and turbulent. The industry is moving from coping and survival to fixing profitability, product development, risk management and maximising capital efficiency. Many life companies still have a heavy focus on savings-type products with expensive guarantees. Refocusing after the crisis will have massive consequences for cash flow, product distribution, and the skills needed to run these firms. But there will also be new business opportunities.

The consequences of the worst global financial crisis since the 1930s have yet to fully play out. At the conference later this morning, Swiss Re's Chief Economist and Head of Economic Research & Consulting, Thomas Hess, will warn: "After three years, we can begin to draw some conclusions. The global banking system teetered on the brink of collapse. The insurance sector remained functional throughout the crisis. Its business model proved robust even in times of extreme financial stress, but it's unclear if we can continue as before. The tectonic plates of capital and insurance markets have shifted."

Nordic countries

During the crisis, economic performance differed across Nordic countries. None suffered exceptional insurance sector damage. "Nordic insurers face challenges but will be spared those associated with stressed sovereigns that were in relatively good shape when the crisis hit and did not have to borrow as heavily to keep their economies afloat," he will say.

Life insurance

In life insurance, tighter regulation and low investment returns not only threaten industry profitability but for several product lines, the very business model. Savings products with return guarantees will need to be either redesigned or re-priced. Some are no longer viable. Higher capital requirements for these products will call for thicker buffers or capital, Thomas Hess predicts. Given the importance of savings products for many life insurers, the whole business model needs to be re-thought.



Mortality and disability protection products may need re-pricing but are fundamentally secure.

Non-life insurance

For Thomas Hess, in non-life insurance, the new environment will require less of a change in the business model but needs tighter cost controls and higher premiums to counter lower investment returns and higher claims expense inflation. The new solvency standards under the EU's Solvency II regime will challenge companies that are less well capitalised.

Challenges

The post-crisis environment presents massive challenges for insurers. Products will have to be redesigned. Demand changes are difficult to predict. Dealing with both national and international regulations will make capital and risk management far more complex.

Growth and innovation

The Global Risks Report issued annually by the World Economic Forum - to which Swiss Re experts made a substantial contribution- provides a compelling list of future risk and challenges that must be mitigated to ensure a prosperous global economy that provides a reasonable quality of life for the world's population.

Reto Schneider, Swiss Re's Head of Emerging Risk Management, also speaking at NORIS™ today, will explain: "One major cluster of risk relates to food, water and energy security. These things must be successfully managed based on future population and economic growth, which in turn will create tremendous pressure on the environment. In light of global governance failures and the widening economic disparity between rich and poor countries, the potential for geopolitical conflicts is on the increase."

Reto Schneider will say, it is possible to spot huge potential for innovation and new business opportunities: "In order to successfully manage the global risks of the future, we need dramatic improvements in energy efficiency, renewable energy, energy storage. We also need a boost in the development of clean technologies. The insurance industry can play a pivotal role as an enabler of this urgently-needed technology transformation. But to 'de-risk' these new technologies, we also need a mutual and sound understanding of emerging risks among the stakeholders involved."



Notes to editors

Swiss Re in the Nordic markets

Swiss Re is a leading reinsurer in the Nordic insurance markets, with annual premiums of more than EUR 195 million written in 2010. The company intends growing its presence in these markets.

Swiss Re Ltd

Swiss Re Ltd is the holding company for the Swiss Re Group. Its shares are listed on the SIX Swiss Exchange and trade under the symbol SREN.

Swiss Reinsurance Company Ltd

Swiss Reinsurance Company Ltd is a leading and highly diversified global reinsurer and part of the Swiss Re group of companies. The company operates through offices in more than 20 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 Reinsurance Company Ltd is rated "A+" by Standard & Poor's, "A1" by Moody's and "A" by A.M. Best.

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