

## **Swiss Re Ltd**

**6th Annual General Meeting  
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Speech

Walter B. Kielholz  
Chairman of the Board of Directors

Check against delivery.

Dear ladies and gentlemen, dear shareholders

It gives me great pleasure to welcome you to our Annual General Meeting here at Hallenstadion. As we have many votes again this year, I will keep my comments brief. Following my address, our Group CEO, Christian Mumenthaler, will present to you our financial results – along with other information.

However, let me start by saying that in the last financial year, Swiss Re once again achieved a good result in a difficult market environment. Nevertheless, it is clear that there will be no shortage of challenges in the international market environment over the coming years.

We see four central issues. First, significantly heightened geopolitical risk. Second, the transformation of business models in the insurance industry as a result of the seemingly boundless possibilities of digitalisation. Third, we will experience changing times in the monetary policy of the key central banks. And fourth, the impact of global climate change will be noticeably greater. I would like to talk briefly about these four challenges and explain to you how we at Swiss Re propose to tackle them.

In regard to the first issue, radical geopolitical change: global political upheaval has been on the rise since our last Annual General Meeting in 2016. Brexit and the election of Donald Trump as US president are just two events that spring to mind. The international political environment is becoming more unpredictable. Many aspects of the geopolitical constellation that we took for granted for years, now seem to be up for renegotiation. I am thinking of security alliances, of European integration, of global trade and, indeed, of globalisation generally. Furthermore, the global regulation of financial markets and of their institutions, including insurance regulation, faces challenges, and liberal values as well as respect for human rights are increasingly being questioned. There is a lack of effective instruments for stemming and settling conflicts. A particular cause for concern is the noticeable trend away from free trade and towards protecting and isolating one's own economy. Switzerland, as a small economy with very close links to the rest of the world, is particularly vulnerable in the face of these developments. And reinsurance is by definition a global business. We depend on diversifying risk globally and on moving capital flexibly and swiftly to wherever it generates the best return. Accordingly, at an international level, we systematically champion open markets and mutual recognition of supervisory regimes.

Against this backdrop of international upheaval, we face a second major challenge: digitalisation is profoundly changing not only our day-to-day lives but also business processes and models. Huge volumes of data and the ability to draw new findings from them are opening up new business opportunities. Internet-based services accessible on smartphones are cutting out intermediate trade in an increasing number of areas, disrupting traditional production and supply chains. We are following these developments very closely and making use of the new opportunities that this rapid technological change offers.

Let me give you two examples: First, we have partnered up with IBM Watson to analyse the huge amounts of data from our Life & Health portfolio to gain new insights of how to improve our underwriting.

Second, over the last three years, we conducted more than 500 case studies on digital products and applications, and have already brought some to market. "Magnum Mobile", for example, is an underwriting application for life insurance. Using this tablet solution, insurance brokers can approve life insurance applications and set premiums in real time. Magnum Mobile guides the user intuitively through the risk assessment process and collects the information required.

The third challenge is the central banks' policy of cheap money. Although the US Federal Reserve decided to raise interest rates mid-March, the unabated continuation of the cheap money policy in Europe is a great worry. Every month, the European Central Bank buys 60 billion euros' worth of bonds, yet we see no discernible effect from this huge influx of money. The tools used by the central banks have become blunt-edged. Since the financial crisis, the central banks have played an extraordinarily dominant role when seen in the historical context. Indeed, sometimes they have been the "only game in town". However, this era now seems to be coming to an end. Political decision-makers are eager to wrest back control of events and to play a greater role in determining the course of economic policy. It is unclear how this paradigm shift will come about and what economic and political upheaval it will entail. What is certain, though, is that insurance companies, as major institutional investors, will be in the front line of those affected.

Finally, in parallel with political discussions about climate change, we are experiencing quite concrete effects in the form of extreme weather events. 2014, 2015 and 2016 were the warmest years since recording began in the 19th century. While the political dialogue mainly becomes heated when discussing the causes of climate change, insurers and reinsurers, by contrast, are busy putting in place solutions for preventing and dealing with the damages resulting from climate change.

To achieve this, we are working on closing what is called the "protection gap" – the huge difference between the amount of uninsured risks and insured risks globally. Worldwide, 75% of insurable assets are not insured, promising growth potential for our industry. To tap into this potential, we are working closely with political agencies and international organisations. In many markets, we need suitable regulatory frameworks first to enable provision of private insurance and reinsurance and to create corresponding investment incentives. We are committed to solution-based political dialogue and to working in partnership to benefit the people affected. This often is a stony path, but we have had some success. At the beginning of 2017, the Indian insurance regulator granted us a reinsurance licence for the vast Indian market. In Africa, Swiss Re Corporate Solutions is involved in the "African Risk Capacity" – the first multinational risk pool of its kind in Africa, an innovative approach to risk transfer. Over

the past 35 years, there have been over 200 periods of drought in Africa. The risk pool offers drought cover for farmers in Kenya, Mauritania, Mozambique, Niger and Senegal. For the governments involved, this common pool is an important step towards preventive financing for natural catastrophe risks – enabling them to protect their finances against the cost shocks that can be caused by natural catastrophes, with their enormous follow-on costs for government budgets.

These examples show you how we capitalise on the opportunities presented to us by a dynamic market environment. We are set up in such a way that we can swiftly allocate capital to wherever we see promising risk transfer opportunities and potential for market development. We always proceed with caution, seizing upon acquisition opportunities that fit with our strategic development plans. For instance, in October 2016, Swiss Re Corporate Solutions entered into a joint venture in Brazil with Bradesco Seguros, laying the foundations for becoming a leading industry insurer in Brazil. Thanks to this partnership, we can offer our innovative risk transfer solutions through an existing extensive distribution network in the Brazilian market.

Despite the investments I have referred to, we still have sufficient excess capital, which we had also returned to you last year. In recent years, we distributed more than CHF 13 billion in capital to you, our shareholders.

In view of our very good capital position, we propose to you, the Annual General Meeting, an increase in the ordinary dividend to CHF 4.85, and we would also like to encourage you to approve a new share buyback programme of up to CHF 1.0 billion purchase value.

If we are to remain relevant in the future, it is vital that we find promising opportunities for development and investment. Therefore, we launched the Swiss Re Institute on 1 March 2017. Around 400 staff already work in risk research at Swiss Re. The focal points of our research encompass natural catastrophe modelling, autonomous driving vehicles, the development of the third-party risk landscape and the identification of new risks across all areas of business. With the Swiss Re Institute, we are bundling our research capabilities. One of our aims in doing this is to create the basis for decision-making when it comes to developing our business. This includes, for instance, the identification of attractive new risk pools or of new acquisition opportunities. A further objective is to carry out projects in collaboration with our customers to help them be more successful in their markets. Bundling our knowledge and more than 150 years of experience through the Swiss Re Institute will strengthen our ability to set ourselves apart from the competition and make us a very attractive expert partner.

If I had to sum up the times we are living through in a single word, dear shareholders, it would be: upheaval! However, even in times of upheaval, I am confident that Swiss Re is well equipped to stay on course. We are prepared to adapt to change by changing ourselves constantly – this is how we remain fit for the future!

This applies to our ways of working and our working environment also. Let me conclude by saying a few words about our new office building, Swiss Re Next, which will be completed in the coming months. We have built Swiss Re Next right beside our historic headquarters on Mythenquai, and it will be ready this September. The exhibition at today's Annual General Meeting is devoted to this new building. Swiss Re Next underlines our ability to keep pace with multifarious changes and with the modern world of work. With its open-plan interior and its various work zones, Swiss Re Next increases our flexibility how and where we work. No matter the type of work – quiet concentration, a team discussion or a video conference with colleagues abroad – there is a suitable work zone to go to.

We will move around more in Swiss Re Next – physically and mentally. Our new workplace design is part of our answer to the challenges of an ever more complex world. At our offices in Munich, London, Hong Kong and Sydney, we have already switched fully or partially to the new workplace design. Feedback from our employees has been exceedingly positive and confirms to us that this forward-looking path is the right one. Our new workplace design fosters spontaneous, informal encounters across all levels, encouraging networked working and inviting people to exchange ideas across teams. This enables innovation and sets Swiss Re on a solid footing for the future.

The future is, by its very nature, uncertain. It brings risks, and risks are our business. However, it also creates many opportunities, which we can actively shape if we remain mobile, curious, creative and open-minded. When I talk to employees at our different offices, when I feel their commitment and enthusiasm, I am very optimistic that we can shape the future together.

Before I hand over to our Group CEO Christian Mumenthaler, please sit back and enjoy a short video that gives you a close-up picture of our unique new building Swiss Re Next and illustrates our close connection with Zurich as a location.

Thank you for your attention.