

Swiss Re



UBS  
Swiss Equity Conference

**Jacques Aigrain**  
Chief Executive Officer

Zurich, 17 January 2008

Swiss Re



## Agenda

- Swiss Re at a glance
  - Swiss Re's view of the future of the industry
-

## Swiss Re at a glance

Swiss Re is the **world's leading and most diversified global reinsurer**, founded in Zurich (Switzerland) in 1863

The company offers **traditional reinsurance products and related services** for property and casualty, as well as for life and health businesses

These traditional products are complemented by **insurance-based corporate finance solutions** and supplementary **services for comprehensive risk management** under financial services

Swiss Re is the **industry leader in insurance-linked securities**

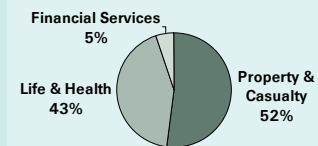
Swiss Re is rated "**AA-**" by S &P's, "**Aa2**" by Moody's and "**A+**" by A.M. Best

### Key statistics

	FY 2006 CHFbn	YTD 2007 <sup>1</sup> CHFbn
Premiums earned:	29.5	23.9
Net income:	4.6	4.0
Shareholders' equity:	30.9	32.4
P&C combined ratio:	90.4%	89.7%

<sup>1</sup>first nine months

### Revenues by business (Total 2006: CHF 40.3bn)



## First nine months 2007 results

### Results first nine months 2007

#### Performance

- Net income of CHF 4.0 billion, up 23%
- EPS of CHF 11.47

#### Quality

- P&C: operating income up 25% to CHF 4.5 billion, combined ratio 89.7%
- L&H: profit up 7% to CHF 1.4 billion
- FS: profit down 13% to CHF 0.3 billion
- Investment performance: RoI 5.3%

#### Shareholders' equity, buy-back, returns

- Shareholders' equity up 5% to CHF 32.4 billion despite ongoing share buy-back programme and dividend payout
- Share buy-back programme at 9 Nov 2007 already in excess of CHF 2 billion incl. GE buy-back
- Book value per share: CHF 92.35
- Annualised RoE YTD 17.2%









Strong performance in first nine months 2007 but Q4 will be impacted by mark-to-market loss of CHF 1.2bn on structured CDS announced 19 November. Swiss Re remains committed to its share buy-back programme and over the cycle targets.

## Agenda

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- Swiss Re's view of the future of the industry

## January 2008 renewals

### Expected development of **reinsurance market rates**

Property Europe (incl. nat cat)	
Property US (incl. nat cat)	
Casualty overall (excl. motor)	
Motor	
Casualty critical risks/products	
Specialties	
Credit	
Life and health	

## Continued bottom line focus – at expense of top line if necessary

- Insurance industry is historically inclined towards high earnings volatility
- Fluctuating price levels are a significant cause for earnings volatility
- A strong focus on accurate and unbiased cost calculation is essential, independent of the selling price decision
- Intensified solvency regulation favours transparent risk management and mature reinsurance buying behaviour

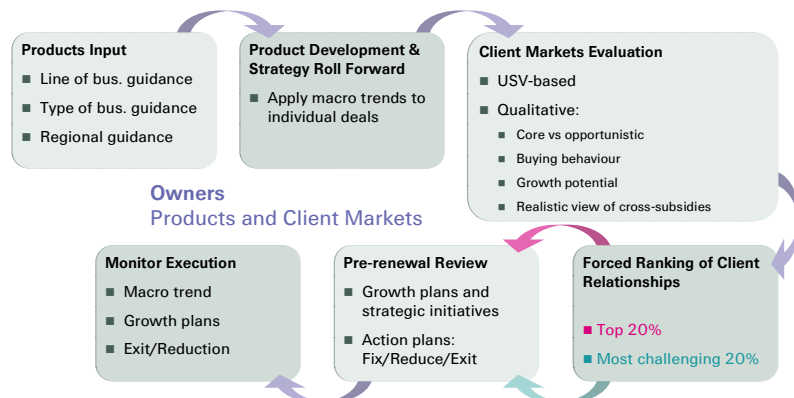
→ Swiss Re's target remains economic profit and we therefore continue to focus on underwriting quality vs. quantity

## Intelligent Cycle Management (ICM) Strict cycle management is key

### Key elements of "Intelligent Cycle Management" (ICM):

- Early and pro-active approach (roll-forward)
- Structured, forward looking and client-specific
- Costing accuracy
- People

**We are determined to act as the leader!**



# Cycle management at work

## Real time monitoring of qualitative trends

Established **traffic light approach** to monitor current situation and trend for rate adequacy, economic profit and coverage terms (wordings)

	Business Units							
	BU 1	BU 2	BU 3	BU 4	BU 5	BU 6	BU 7	BU 8
Property proportional	●	●	●	●	●	●	⚡	
Property non-proportional	●	⚡	⚡	●	●	⚡	●	⚡
Engineering proportional	⚡	⚡	⚡	⚡	⚡	⚡	⚡	⚡
Engineering non-proportional	⚡	⚡	⚡	⚡	⚡	⚡	⚡	⚡
Liability proportional	●		●	●	●	●	●	
Liability non-proportional	⚡	●	⚡	●	●	●	●	●
Non-life accident proportional	●	●			●	●	●	
Non-life accident non-prop.	●	●			●	⚡	●	
Motor proportional	●			●	●	⚡	●	↗
Motor non-proportional	●	●	●	●	●	⚡	↗	●

<span style="color: green;">■</span> Above renewal target	<span style="color: orange;">■</span> Between production cost and cycle reference	↗ Increasing rates (>5%)
<span style="color: yellow;">■</span> Between cycle reference and renewal target	<span style="color: red;">■</span> Below production cost	● Stable rates
<span style="border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> No observation		⚡ Weakening rates (>5%)

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Excerpt from a traffic light overview for rate adequacy

# Strategic direction

### Our aspiration

To be the leading force in the risk transfer industry, combining professional resources and skills with customer focus to deliver economic profit growth

### Generate economic profit growth

through intelligent cycle management and efficient capital allocation

### Reduce earnings volatility

through our capital markets expertise, scale and diversification

### Enlarge market scope

through organic and transaction-related activities to address the needs of our clients

### Talent, culture and organisational efficiency

through efficient processes, innovative skills and professional expertise

Higher sustainable shareholder returns

Best-in-class customer service

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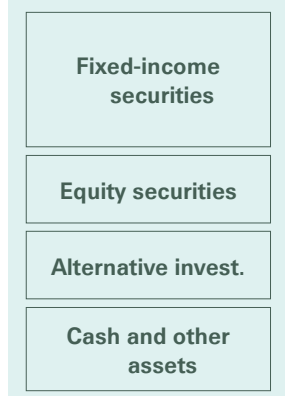
## Asset-liability management is key

**Hedging opportunities:**

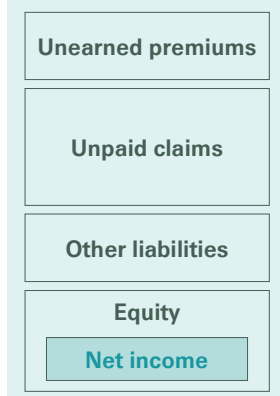
Management of credit spread exposure

Active management of financial market risk

### Assets



### Liabilities



**Hedging opportunities:**

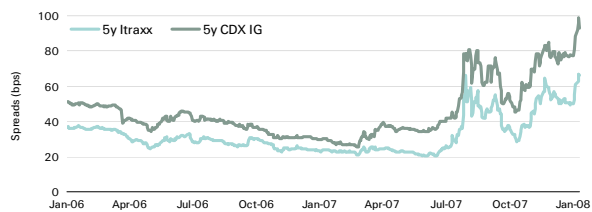
Transfer of insurance risks to capital markets

**Asset leverage >500% (invested assets of CHF 180.9bn vs. shareholders' equity of CHF 32.4bn)**

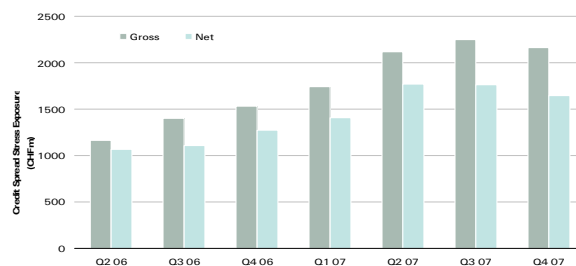
## Management of credit spread exposure

- PAM has been proactive in managing its credit exposures via cash sales or buying protection in CDS form. Both single-name and index CDS are used
- A number of indices have been utilized, covering different rating spectrums and currencies, leaving net zero high yield exposure
- Most of the hedges were put on when the credit market was benign, thus reaping benefits from the recent spread widening
- Hedges were not as effective as expected in late 2007 due to the market dislocation between CDS and corporate bond credit spreads

Development of major CDS indices 1.1.2006 – YTD 2008



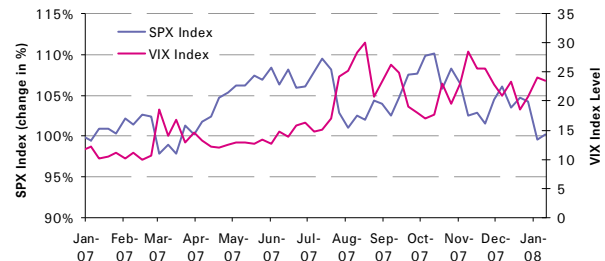
Effect of hedges in reducing credit spread stress exposure



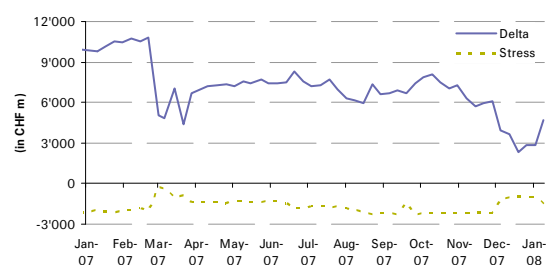
## Active management of beta exposure

- An overlay program to protect the downside risk of the listed equity exposure is dynamically adjusted based on market and portfolio developments
- During the periods of market weakness, the overlay program was well positioned and improved overall portfolio performance
- Protection has been kept at high levels. At the end of November, net delta exposure was further reduced through collars. Early in January, these short calls were bought back and some put options closed, following the market decrease
- Equity derivative capability is also used to hedge equity risk in the insurance liabilities (e.g. variable annuity)

Development of S&P 500 Index and VIX Index since Jan 2007



Listed Equity Delta and Stress Exposures since Jan 2007 - Investment Portfolio<sup>1</sup>



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<sup>1</sup> Includes listed equities managed within Alternative Investments

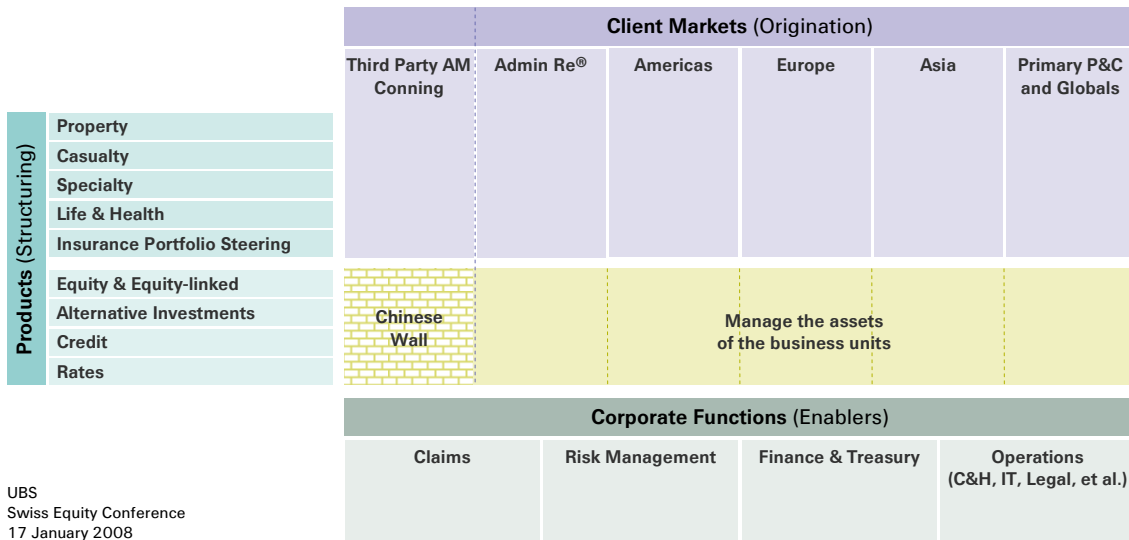
## Financial Services Products as an enabler

- Generate superior returns from asset management
- Play a leading role in the development of solutions for earnings volatility and capital efficiency such as Insurance Linked Securities, Industry Loss Warranty products
- Develop new products to meet client demand in fast growing areas such as variable annuities and longevity
- Use environmental and commodity risk taking capabilities to develop new client solutions
- Continue the profitable trade credit and surety reinsurance business
- Extend the Group's specialised third party asset management

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## An integrated approach



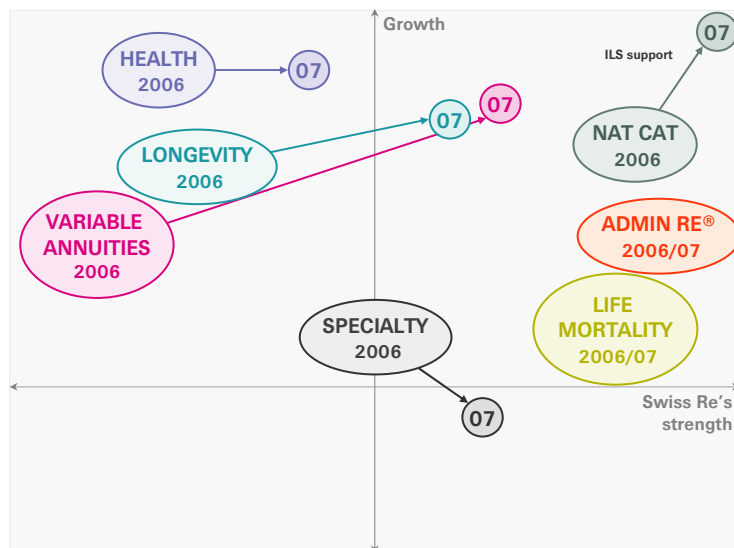
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## Areas with significant growth potential

### Key is to focus on areas of high potential

- **Longevity**  
 Assets under management CHF 20bn up in H1 2007
- **Variable annuities**  
 USD 80m net revenues in H1 2007 (Life & Health and Financial Services combined)
- **Health**  
 Joint venture initiated in India; China to follow
- **Admin Re®**  
 Continuing strength (CHF 0.7bn of capital invested YTD)
- **ILS**  
 Trading capabilities/disconnect from cycle (nat cat, etc.)



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# Insurance-linked securities

## Key market trends

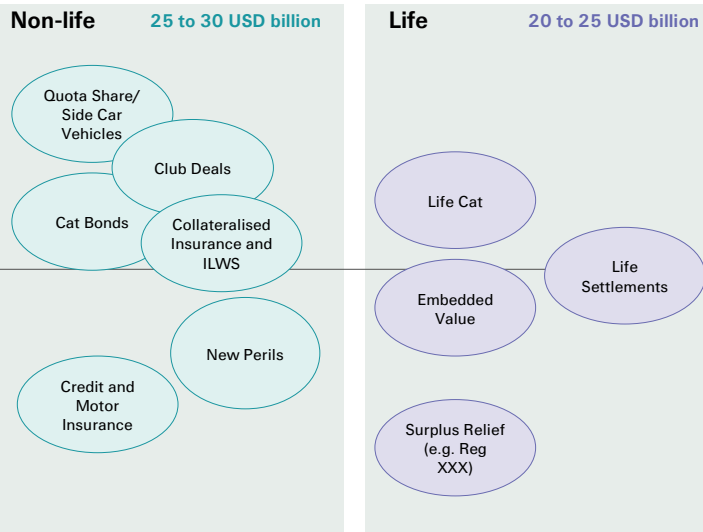
The Capital Markets currently engage with the insurance sector through a number of instruments:

- Securities
- Derivatives
- ILWs
- Side Cars

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Non-traditional Investors  
 ↑  
 ↓  
 Traditional Fixed Income Investment Grade Investors

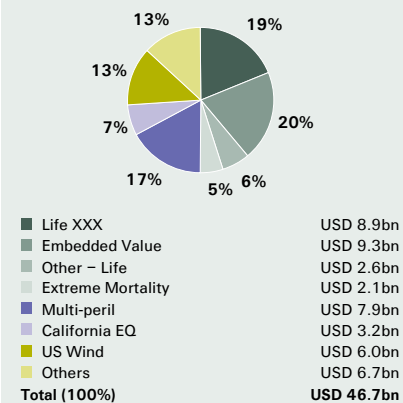


# Insurance-linked securities

## Swiss Re is the market leader

### Insurance-linked securities reduce risk and provide growth

#### Securitised risks 1997-2007



#### Recent securitisations sponsored by Swiss Re

Programme	Size	Type
Globe Cat	USD 85m	US Wind, California & Latin America EQ
Successor	USD 160m	US Wind, California & Japan EQ, Euro Wind

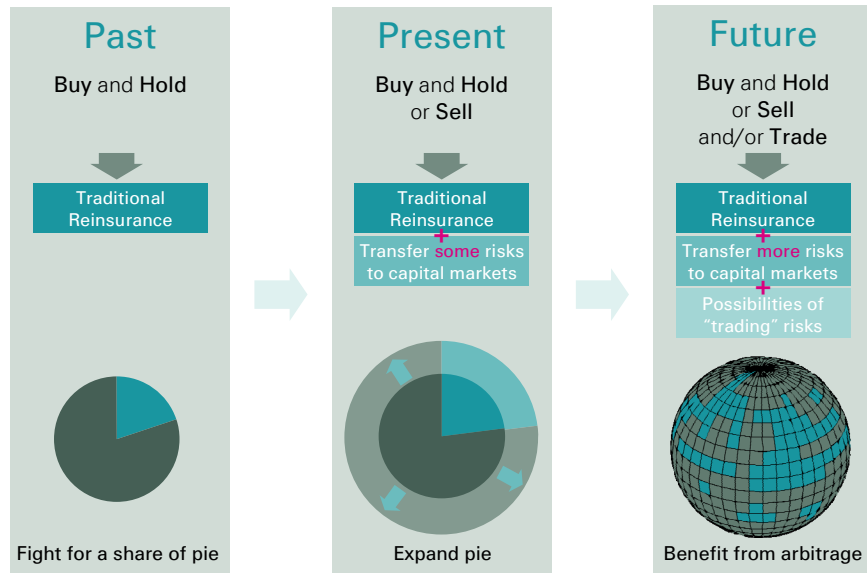
#### Recent securitisations on behalf of 3rd parties

Programme	Size	Type
Redwood X	USD 499m	California EQ
Green Valley	EUR 200m	French Windstorm

#### Green Valley on behalf of Groupama S.A. on 7 January 2008

- Issuance is part of a EUR 800 million programme providing a flexible, fully collateralised, multi-peril and multi-year platform
- Programme relies on a parametric index trigger based on wind speed at various locations and calculated by RMS
- Coupon: Euribor + 360bps; Rating: BB+; Transaction was oversubscribed and met by strong interest from a wide variety of investors, including dedicated ILS funds, hedge funds and money managers

## Evolution of Swiss Re's business model



## Corporate calendar & contacts

### Corporate calendar

2007 annual results	29 February 2008
144th Annual General Meeting	18 April 2008
First quarter 2008 results	6 May 2008

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## Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements and illustrations 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 significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions, including, in the case of acquisitions, issues arising in connection with integrating acquired operations;
- 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 invested 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.