

**Swiss Re**



# Investors and Media meeting

Monte Carlo, 13 September 2010



## Today's agenda

- Introduction Stefan Lippe, CEO
- Market outlook Brian Gray, CUO
- Solvency II Michel Liès, CMO
- Questions & answers



# Introduction

Stefan Lippe, CEO

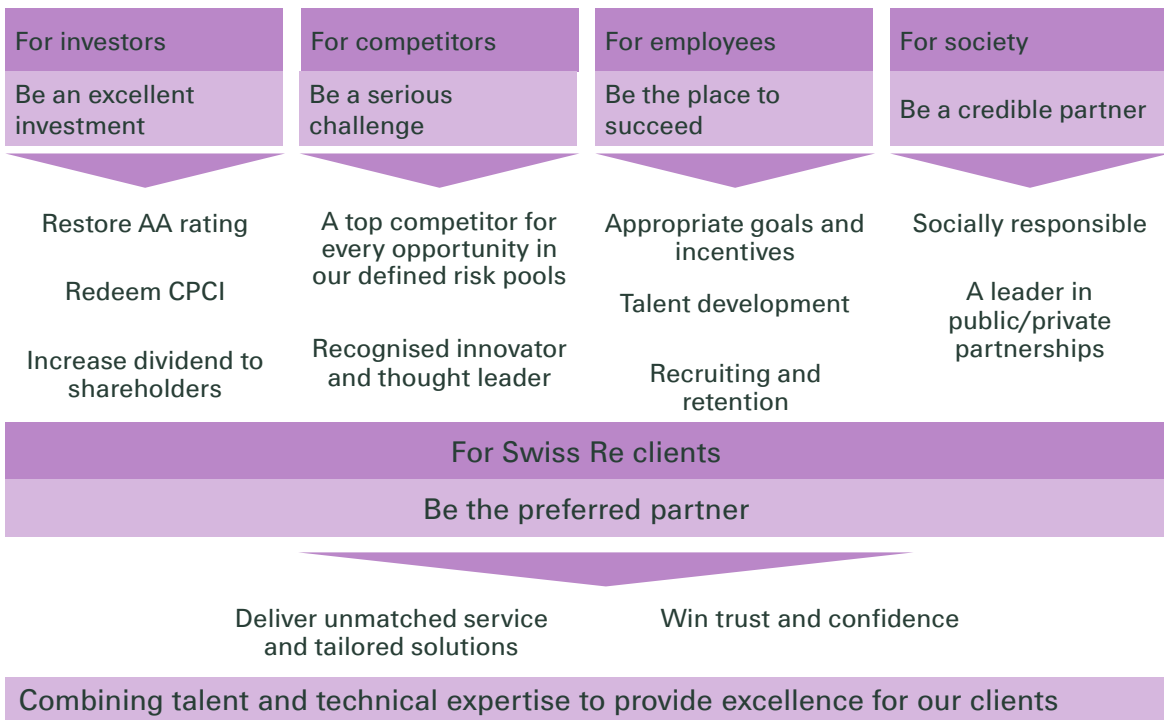


## Our vision



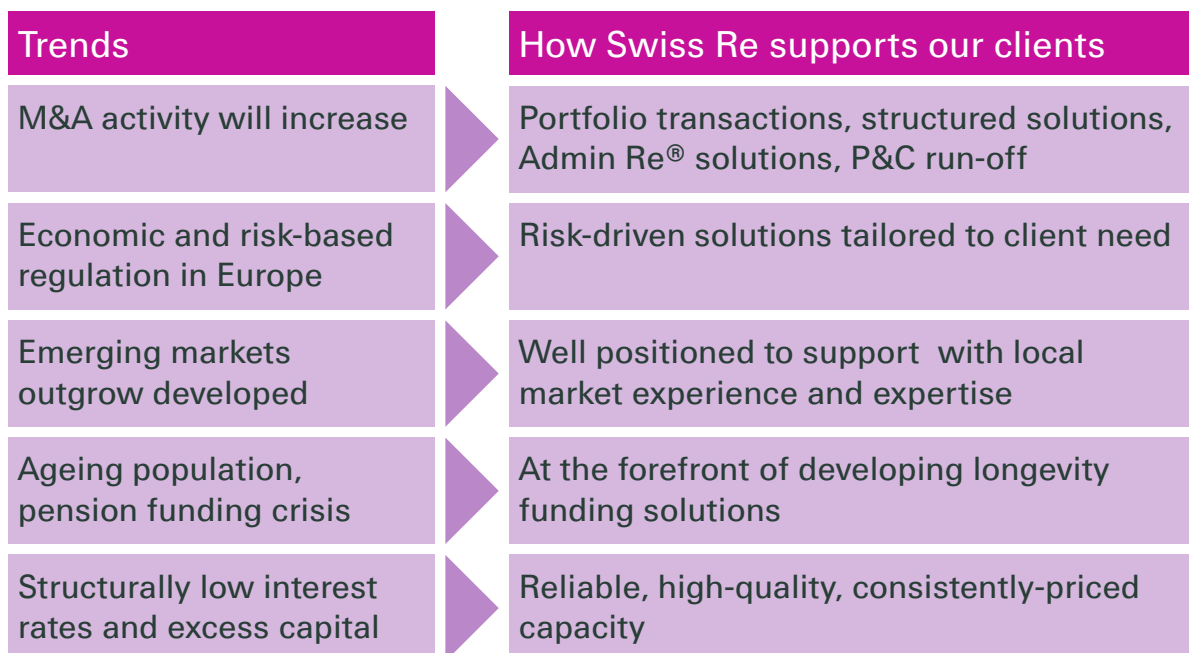


## Defining leadership in wholesale re/insurance



## Market trends play to our strengths

### Examples



# Market outlook

Brian Gray, CUO

## Economic conditions for reinsurance

### A mixed picture

- Excess capital is back
  - Non-life reinsurance capital has returned to pre-crisis levels
  - Client capital and retention management is accelerating
- Recovery in demand
  - Demand picking up in line with moderately growing economies
  - New regulation & solvency requirements increase demand for reinsurance
- Very low interest rates
  - Creates a fundamental shift in margins on UW activities



## P&C in classic late soft cycle; L&H recovering

### ■ P&C

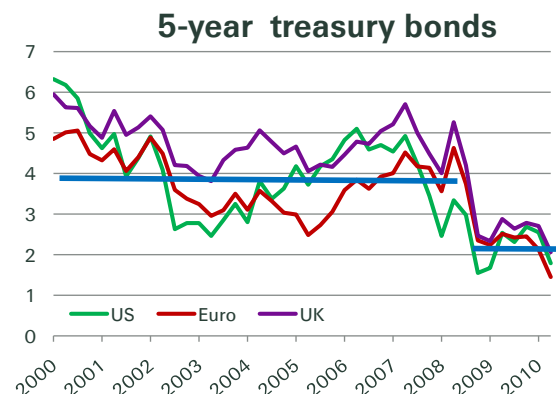
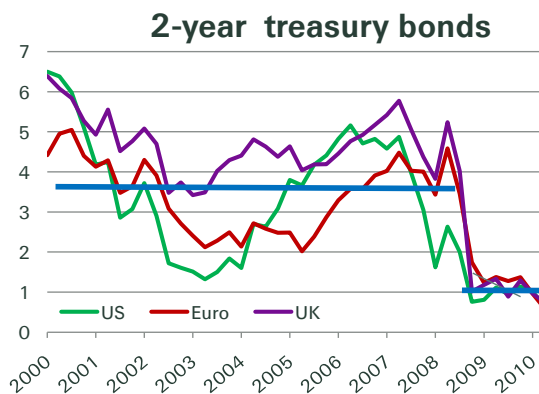
- Companies relying on reserve releases (financial year loss ratio is 6 points better than accident year in H1 2010 for US/Bermuda players)
- Substantial business in the market is priced at levels that destroys value
- First half claims events increase pressure, however a further catalyst is needed to drive market 'turn'

### ■ L&H

- Modest recovery as GDP growth drives savings and protection demand
- Challenged by low yields
- M&A wave likely



## Lower investment yields Significant drop since late 2008

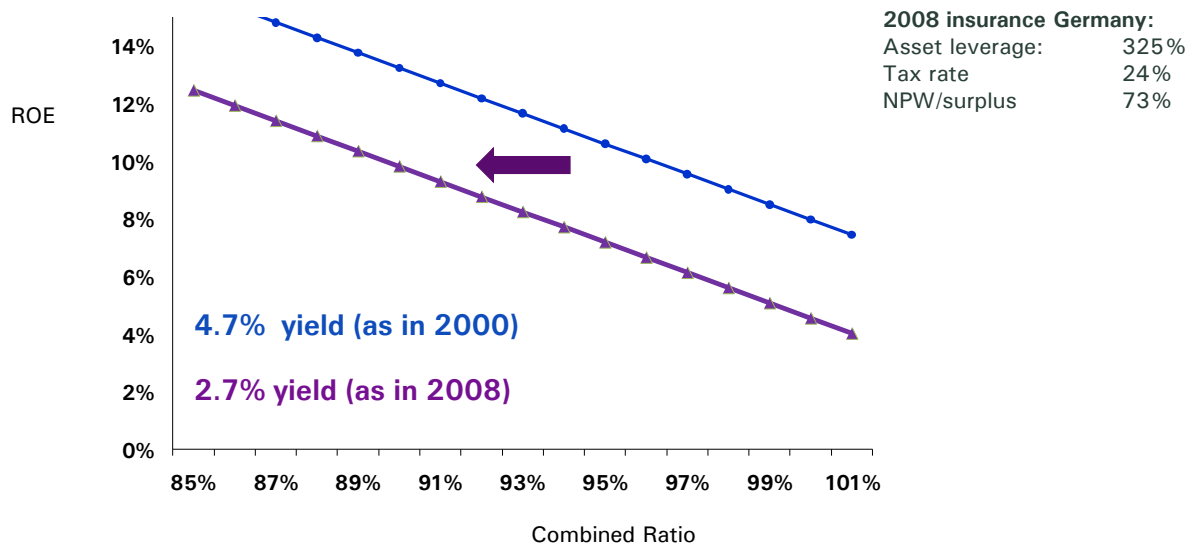


Continuing low yields are a significant dislocation for the industry

Source: Datastream



## Low yields pressure UW results Example: Germany



A combined ratio near 90% is needed for a 10% ROE in some segments



## Casualty, Credit & Surety Challenging reinsurance conditions

### ■ Motor

- Original German and Austrian markets weakening, with rate changes not covering loss trend, and combined ratios well above 100%
- UK and France slightly improving, from a weak starting point

### ■ Liability

- Typically flat conditions, except competition on large commercial continues to depress price levels
- Economics remain very weak in low interest rate environment

### ■ Credit & Surety

- Original trade credit market profitability has improved
- Vulnerability remains if the economy falters or double-dip materializes

## European natural catastrophe The recent past

Year	Event	Insured Loss EUR bn
2007	Windstorm Kyrill	4.2
	Floods in UK	3.1
2008	Windstorm Emma	0.7
	Hailstorm Hilal	0.4
2009	Windstorm Klaus	2.3
	Windstorm Quinten	0.3
	Earthquake in Italy	0.4
	Hailstorm Felix	0.5
	Hailstorm Wolfgang	0.8
	Floods Istanbul	0.3
2010	Windstorm Xynthia	2.1
	Floods in France	0.7

The last four years have seen a high frequency of small and mid-sized insured losses

## Reinsurance renewal 2011 European price trends

2010

*Mild softening,  
 especially in short-  
 tailed lines*

2011

### Key Cycle drivers

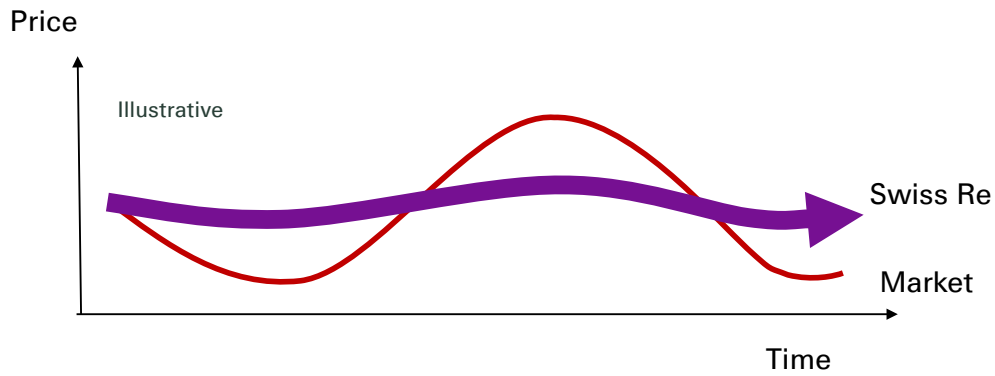
- Continuation or reversal of extremely low interest rates
- Nat cat events rest of 2010

- A "broad brush" market movement is unlikely, absent a major cat or economic event

Client-specific underwriting and discussion will prevail



## Swiss Re's cyclical approach Reliable, consistently-priced capacity



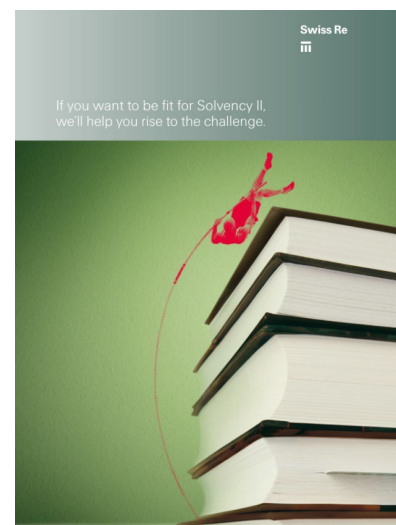
Swiss Re will continue to offer **high-quality, consistently-priced capacity**, as the market fluctuates

# Solvency II

Michel Liès, CMO

## Solvency II – our appraisal

- Solvency II will
  - impact decision making and capital management for European based companies
  - influence internal business processes supporting risk reporting and disclosure
- The current test run of the implementation measures, Quantitative Impact Study (QIS) 5, is key to obtain clarity on the possible impact of Solvency II
- The industry is at a critical juncture: the debate on implementation measures is vital and could have implications for the competitiveness of the entire EEA market



QIS 5 is key for insurers to understand possible impact of Solvency II

## Solvency II – the opportunities

### The change from Solvency I to Solvency II ...

- Under **Solvency I** many fundamentals of the insurance business model have been neglected in the regulatory regime
- Under **Solvency II** the real risk landscape of an insurance company is considered in the calculation of the solvency capital requirements
- Economic valuation of Solvency II balance sheets will improve transparency
- Solvency capital requirements under Solvency II are influenced by more economic-based **capital drivers** compared to Solvency I

### ... creates new capital drivers for regulatory capital requirements

#### Underwriting (UW) risk

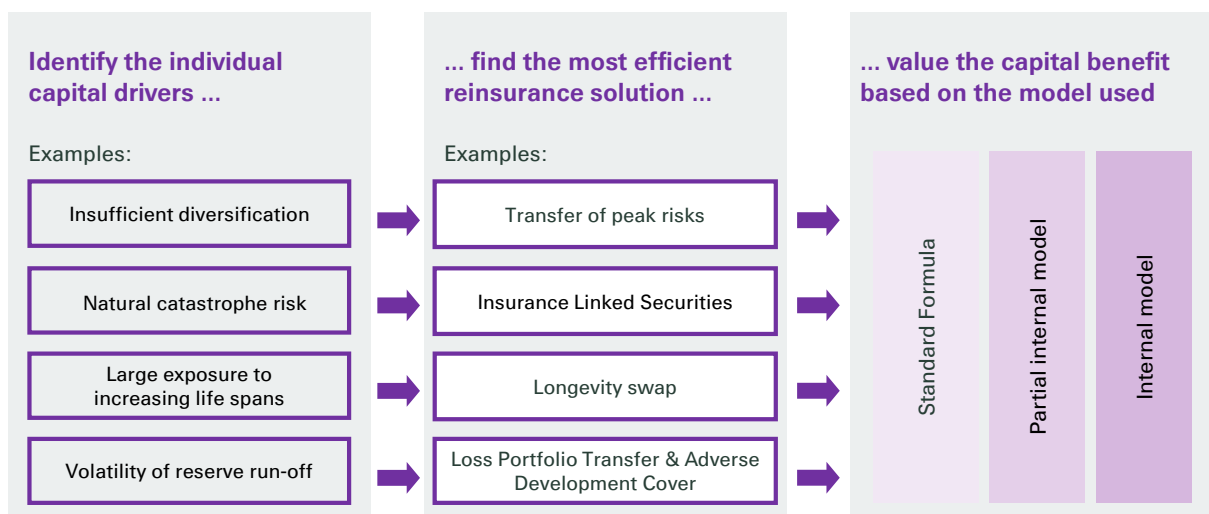
- Insufficient diversification
- Peak risks
- Volatility of reserve run-off
- Frequency risk

#### Market risk

- Embedded options & guarantees
- Duration mismatch (ALM)
- Equity & property price risk
- Exchange rate mismatch
- Unexpected widening of bond spreads

Swiss Re can support clients in fulfilling their capital requirements

## Solvency II – our value proposition



Reinsurance is a powerful capital management ... tool under Solvency II



## Solvency II – Swiss Re as a partner

- We have many years of practical experience with economic models and the Swiss Solvency Test
- We benefit from our strong expertise in risk and capital management
- We provide essential reinsurance capacity to the insurance market
- We can assist our clients in pricing and product design
- We have unparalleled experience in the acquisition of closed blocks of insurance business
- Swiss Re is a leader in
  - structured and tailor-made reinsurance solutions
  - Insurance Linked Securities (ILS) products



Swiss Re has the experience and products to assist clients with their Solvency II needs

# Questions & answers

## Corporate calendar & contacts

### Corporate calendar

---

04 November 2010  
17 February 2011  
15 April 2011

**Third Quarter 2010 results**  
**Annual Results 2010**  
**147<sup>th</sup> Annual General Meeting**

Conference call  
Zurich  
Zurich

### Investor Relations contacts

---

**Hotline**  
+41 43 285 4444

**E-mail**  
[Investor\\_Relations@swissre.com](mailto:Investor_Relations@swissre.com)

Susan Holliday  
+44 20 7933 3890

Ross Walker  
+41 43 285 2243

Chris Menth  
+41 43 285 3878

John Piper  
+44 20 7933 4287

Simone Fessler  
+41 43 285 7299

## 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:

- further instability affecting the global financial system and developments related thereto;
- changes in global economic conditions;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls under derivative contracts due to actual or perceived deterioration of Swiss Re's financial strength;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to its mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of one or more of the companies in the Group or developments adversely affecting the ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- 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;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies, and regulatory or legal actions;
- changes in accounting standards;
- 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;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.