



Swiss Re expects re/insurance prices to increase moderately and is well-positioned to support clients on a sustainable basis

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- **Swiss Re expects moderately increasing re/insurance prices**
- **Low interest rates and new solvency rules are major factors influencing re/insurance pricing**
- **Underwriting expertise, based on strong Research & Development capabilities, is a key Swiss Re strength**

**Monte Carlo, 10 September 2012 – An increased focus on economic capital due to new solvency rules and rising pressure on investment returns from record-low interest rates are major factors driving re/insurance pricing, Swiss Re says at the annual Les Rendez-vous de Monte Carlo meeting. With prices expected to increase moderately, Swiss Re is prepared to support clients on a sustainable basis as well as to deploy more capital to those areas that offer the most attractive returns.**

Group Chief Executive Officer Michel M. Liès says: "Our industry is facing a particularly turbulent economic and financial market environment. But our strengths as a well-capitalised company with unique expertise in underwriting and a demonstrated track-record in developing innovative solutions mean we are well placed to support them."

While traditional markets will remain the mainstay of Swiss Re's global business, selected high growth markets offer tangible opportunities for non-life and life solutions that can be seized through Swiss Re's unique combination of Reinsurance, Corporate Solutions, Global Partnerships and Direct Investment expertise.

**Forces driving the re/insurance market**

Re/insurance pricing is generally impacted by various factors: On the one hand, lower interest rates and higher solvency requirements point to firmer pricing, while low inflation rates, reserve releases and excess capital speak for lower prices. The particularly devastating earthquakes in Tohoku, Japan, and Christchurch, New Zealand, in 2011, together with the extensive flooding in Thailand, serve as a reminder that pricing is heavily dependent on natural catastrophe experience in a given period.

Chief Executive Officer Reinsurance Christian Mumenthaler says: "Upwards pressure on prices for (re)insurance is likely to rise, as low interest rates continue to depress running yields and drag return-on-



equity (ROE) levels down, significant reserve releases will not go on forever and solvency rules are tightening all over the world. In addition, re/insurers' IFRS or US GAAP capital levels may appear inflated in an environment of falling interest rates due to the build-up of unrealised gains; this does not reflect economic capital levels."

### **Underwriting is a key differentiator**

Swiss Re's Research & Development (R&D) is a true value driver in underwriting. Unparalleled mortality experience data in key markets, as well as a leading team of researchers, doctors, underwriters and actuaries provides Swiss Re with the ability to better quantify risks in Life & Health. A proprietary model for natural catastrophes allows for comparison with commercial tools in order to understand the differences. Swiss Re can adapt its model quickly to incorporate lessons learned from past losses. By way of example, the recently launched Swiss Re Global Flood Zones™ tool helps Swiss Re to assess flood risks on a global basis.

In Casualty, Swiss Re is developing a forward-looking "nat-cat-like" model that is based on a systematic assessment of risk drivers.

Group Chief Underwriting Officer Matthias Weber says: "Swiss Re's underwriting expertise is a recognised differentiator in the marketplace and key to superior risk selection."

### **Opportunities identified in upcoming renewals**

Looking ahead to the 2012-2013 renewals, increased demand is expected for natural catastrophe capacity, frequency protection covers, and capital relief transactions. Swiss Re also expects higher demand for external run-off transactions. The company is well positioned to support clients through innovative and tailored solutions.



## Notes to editors

Swiss Re will hold an Investors and Media Meeting on 10 September 2012 at the Hotel Fairmont, Salle d'Or, Monte Carlo from 2.00 to 3.00 pm.

### Swiss Re

The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients. From standard products to tailor-made coverage across all lines of business, Swiss Re deploys its capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend. Founded in Zurich, Switzerland, in 1863, Swiss Re serves clients through a network of over 60 offices globally and is rated "AA-" by Standard & Poor's, "A1" by Moody's and "A+" by A.M. Best. Registered shares in the Swiss Re Group holding company, Swiss Re Ltd, are listed on the SIX Swiss Exchange and trade under the symbol SREN. For more information about Swiss Re Group, please visit: [www.swissre.com](http://www.swissre.com) or follow us on Twitter [@SwissRe](https://twitter.com/SwissRe).

### 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 of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements. Such factors include, among others:

- further instability affecting the global financial system and developments related thereto, including as a result of concerns over, or adverse developments relating to, sovereign debt of euro area countries;
- further deterioration 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 due to actual or perceived deterioration of Swiss Re's financial strength or otherwise;
- 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 their 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 Swiss Re's hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of Swiss Re companies, and developments adversely affecting Swiss Re's ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;



- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity 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;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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