Swiss Re

News release

Swiss Re's new SONAR report explores top emerging risks for the re/insurance industry and society

- **Swiss Re's SONAR report highlights 21 emerging risks that the re/insurance industry should keep on its radar**
- **The three emerging risks with the highest potential impact are "emerging markets crisis 2.0", "the great monetary experiment" and "Internet fragmentation"**
- **Others topics of concern include "human-induced earthquakes" and "mass migration"**

Zurich, 25 May 2016 – Turmoil in emerging markets, increased localisation of internet networks within country borders and financial repression are some of the key risks identified in this year's SONAR report published today. The publication is based on the SONAR process, an innovative crowdsourcing tool drawing on Swiss Re's unique internal risk management expertise to pick up early signals of what lies beyond the horizon.

The report offers insights into emerging risks, those newly developing or evolving risks whose potential impact and scope are not yet sufficiently taken into account. Among these, the report also highlights a "crisis of trust" in institutions, the "legal and pricing risks of the sharing economy" and technology-related topics, such as the rise of "precision medicine" and "distributed energy generation".

"Risk management is not just about managing risks in the present. It is about anticipating future ones to make sure we will be in a position to deal with them," says Patrick Raaflaub, Swiss Re's Group Chief Risk Officer. "These risks may only fully reveal themselves to future generations. That doesn't mean that we shouldn't act today to reduce uncertainty and alleviate their burden."

The identified risks are relevant to life and non-life insurance areas and are presented with the goal of helping industry players prepare for new scenarios by adapting their behaviours, market conduct and product portfolios.

Detecting early signals of looming threats allows for a proactive approach to risk mitigation and is an important step to help society as a whole to become more resilient.

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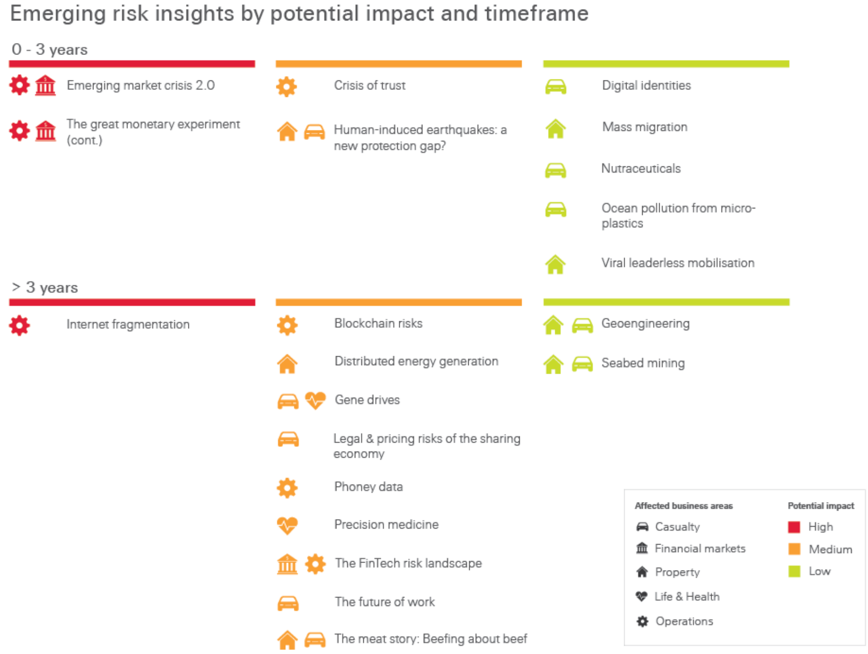
Table: Overview of the 21 new emerging risks and their potential impact over time



The three top risks with the highest potential impact:

Emerging markets crisis 2.0: Turmoil in emerging countries could hinder the market entry and the penetration strategies of global insurance companies and even result in higher underwriting losses, especially in property, personal and commercial lines, for example in the case of riots.

The great monetary experiment: The long-term costs of negative interest rates and unconventional monetary policies are still unknown, yet they might lead to a broader loss of confidence in the monetary system. Short-term benefits are limited as the policies are unlikely to boost economic growth.

Internet fragmentation: Firewalls, special software to filter out unwanted information and isolated IT infrastructure detached from global networks: disconnected nets could soon become a reality. Their potential impact includes increased costs and disrupted business models for insurance companies and other businesses operating across borders.

Notes to editors

Join the discussion on Twitter: #SRSonar16 and check out our infographics.

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Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase", "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 the Group's actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- the Group'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 the Group'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 the Group's investment assets;
- changes in the Group'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 the Group'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 carry forwards 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 the Group's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclicality 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 the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies and the interpretation of legislation or regulations;
- 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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