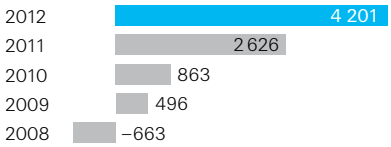
Swiss Re

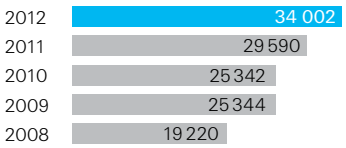
2012 Business Report
Working together, achieving the best

Key information

Net income
(USD millions)



Shareholders' equity
(USD millions)



Proposed dividend per share for 2012 (CHF)*

3.50 (CHF 3.00 for 2011)

4.00 **Proposed special dividend per share for 2012** (CHF)*

* Swiss withholding tax exempt distribution out of legal reserves from capital contributions

Financial strength rating

Standard & Poor's	Moody's	A.M.Best
AA–	A1	A+
stable	positive	stable

Financial highlights

For the twelve months ended 31 December

USD millions, unless otherwise stated	2011	**2012**	Change in %
Group			
Net income attributable to common shareholders	2 626	**4 201**	60
Premiums earned and fee income	22 176	**25 446**	15
Earnings per share in CHF	6.79	**11.13**	64
Shareholders' equity	29 590	**34 002**	15
Return on equity[1] in %	9.6	**13.4**	
Return on investments in %	4.4	**4.0**	
Number of employees[2] (31.12.2011/31.12.2012)	10 788	**11 193**	4
Property & Casualty Reinsurance			
Net income attributable to common shareholders	1 099	**2 990**	172
Premiums earned	10 135	**12 329**	22
Combined ratio in %	104.0	**80.7**	
Return on equity[1] in %	11.0	**26.7**	
Life & Health Reinsurance			
Net income attributable to common shareholders	1 664	**739**	–56
Premiums earned and fee income	8 404	**9 122**	9
Benefit ratio in %	74.5	**75.5**	
Return on equity[1] in %	21.2	**8.9**	
Corporate Solutions			
Net income attributable to common shareholders	81	**196**	142
Premiums earned	1 929	**2 284**	18
Combined ratio in %	107.9	**96.2**	
Return on equity[1] in %	3.7	**7.4**	
Admin Re®			
Net income attributable to common shareholders	329	**183**	–44
Premiums earned and fee income	1 686	**1 705**	1
Return on equity[1] in %	5.0	**2.6**	

[1] Return on equity is calculated by dividing net income attributable to common shareholders by average common shareholders' equity.
[2] Regular staff

In this Business Report...

About the 2012 Annual Report
The Annual Report consists of the Business Report and the Financial Report.

The 2012 Business Report uses concrete examples to show how Swiss Re is making progress against its strategy, as well as some of the steps it has taken in 2012 to maintain and build long-term value.

The 2012 Financial Report describes the Group in financial terms and gives a picture of its compensation, corporate governance, and risk and capital management policies and approaches.

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For more detailed financial information see the **2012 Financial Report**

For the online version of the Annual Report see **swissre.com/annualreport**

Our mission

Swiss Re continues to sharpen its focus on core business. Our mission is clear and simple: to be the leading player in the wholesale re/insurance industry.

Our building blocks:

Strategy

Our emphasis

In 2011 we announced the reorganisation of our business into the three Business Units shown at right. Since then Swiss Re has made good on its goal of becoming a more agile and flexible company. The new structure has also simplified performance assessment and, most importantly, positioned the Group to deliver shareholder value over the long term.

Superior performance

At Swiss Re we aspire to outperform our peers, especially through Reinsurance, the Admin Re Business Unit, and in our balanced and disciplined asset management approach.

Smart expansion

We see opportunities for growth in our Corporate Solutions business, in funding longer lives and health, and especially in high growth markets, where we aim to earn 20%–25% of our premiums by 2015.

Group structure and operating model

Swiss Re Group

Reinsurance

Reinsurance is Swiss Re's largest business in income terms and the foundation of our strength, providing about 80% of gross premiums through two segments — Property & Casualty and Life & Health. The unit aims to extend Swiss Re's industry-leading position with disciplined underwriting, prudent portfolio management and diligent client service.

To learn how Reinsurance helped meet health needs in South Korea **see page 16**

Corporate Solutions

Corporate Solutions offers innovative, high-quality insurance capacity to mid-sized and multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes to highly customised solutions. Corporate Solutions serves customers from over 40 offices worldwide.

To learn how Corporate Solutions supports sports and entertainment **see page 20**

Admin Re®

Admin Re® provides risk and capital management solutions by which Swiss Re assumes closed books of in-force life and health insurance business, entire lines of business, or the entire capital stock of life insurance companies. Admin Re® solutions help clients to divest non-core blocks of business, thus reducing administrative costs and freeing up capital.

To learn how Admin Re® has transformed its business **see page 24**

Our 2011–2015 financial targets

Target	2012 performance
Return on equity: 700 basis points above risk-free (average over 5 years)[1]	13.4% (9.6% in 2011)
Earnings per share growth: 10% average annual growth rate over 5 years, adjusted for special dividends[2] (in USD, base 2010)	54.5%[3] (16% in 2011)
Economic net worth per share growth plus dividends: 10% average annual growth rate over 5 years (in USD, base 2010)	19.9%[4] (–2.1% in 2011)

[1] Average US gov 5 years from 31 December 2011 until 31 December 2012: 0.75%
[2] EPS CAGR of 10% has been adjusted to 5% for 2013 to account for the distribution of excess capital through a proposed special dividend of approx. USD 1.5 billion. Special dividend assumed to be fully reinvested and thus comparable to excess capital re-deployment via share buyback at a share price of approx. CHF 70.
[3] EPS growth rate from 31 December 2011 until 31 December 2012
[4] ENW growth rate from 31 December 2011 until 31 December 2012, including dividends per share paid.

About these targets

Achieving the 2011–2015 financial targets is our top priority — at both Business Unit and Group level. To date we are well on track, ahead of schedule on our return on equity and earnings per share targets, and just slightly behind on our economic net worth per share target.

In Property & Casualty Reinsurance we aim to take advantage of a firming cycle and draw on our underwriting expertise to drive greater returns. We expect to deploy more capital to this segment as profitable opportunities allow. The Life & Health segment faces a more challenging market environment, and is engaged in improving margins going forward and in seizing opportunities in growth areas such as longevity. Corporate Solutions is managing its costs and investing for growth, notably in the expansion of its global footprint. In 2012 Admin Re sold its US business and is now positioned to focus directly on the UK and continental Europe. At Group level we undertook moderate re-risking over the year, allocating more of the asset portfolio to corporate bonds.

With these measures we aim to move toward higher returns and achieve our 2011–2015 financial targets.

Message from the Chairman

Excellent results earned in a difficult environment

3.50

Proposed dividend in CHF for 2012*
(CHF 3.00 in 2011)

4.00

Proposed special dividend in CHF for 2012*

Dear shareholders
Two years ago I wrote to you of our plans to establish a new organisational structure. The structure would allow us to be more flexible, transparent, accountable and client-focused. I can now report that the Group has successfully executed on these plans, delivering an excellent business performance in 2012 while making a seamless transition to a new Group Chief Executive Officer.

Based on this performance and in line with our commitment to active capital management, the Board of Directors will recommend a dividend of CHF 3.50 per share at this year's Annual General Meeting. Additionally we will propose a special dividend of CHF 4.00 per share. This translates to a total return of capital to shareholders of approximately USD 2.8 billion.

These excellent results have been earned in a difficult environment. Low interest rates are a challenge for all our business lines. The regulatory landscape is also changing, in particular the regulations related to solvency, capital markets, and national and global supervision. These changes are happening in a number of jurisdictions simultaneously and will have a cumulative and cross-sector impact. In early 2013, the G-20 is expected to approve a list of re/insurance companies designated as globally systemically important. As a leading re/insurer, we play an important role in the financial system and the economy. However our core activities are neither a source nor an amplifier of systemic risk, as has been acknowledged by many regulatory bodies.

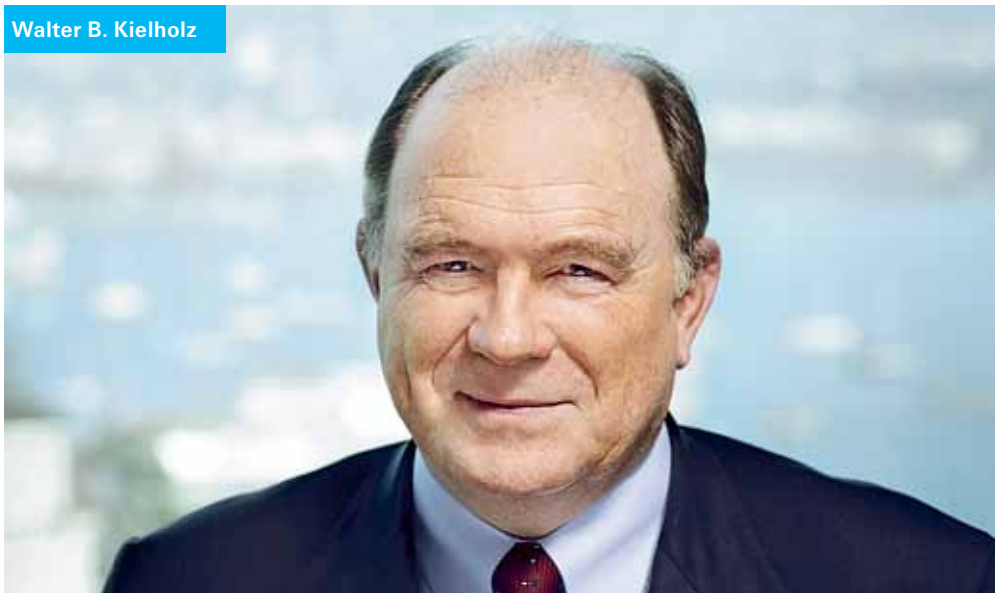
What would such a designation mean in practical terms for Swiss Re? Regulators are in the early stages of defining the policy measures that would apply to the companies appearing on this list. They are focusing on three areas — enhanced supervision, effective resolution, and loss absorption capacity. Swiss Re believes that it is well prepared to respond to requirements along these lines.

We expect the global economy to be less turbulent in the coming year. The US and European economies are expected to improve slightly, and growth in emerging markets is expected to remain quite robust. In 2012 we saw several positive developments in the euro area.

However the economic and financial market environment — particularly in Europe — remains fragile. The risks are often political: the decisions taken over the last year must now be implemented and further reforms will be necessary. Any delay increases the risk that the crisis will flare up again. We expect interest rates to rise slightly this year and next, but to remain quite low by historical standards.

I am confident that our Group is well positioned for 2013. This confidence comes from our strong capital position and the long-term relationships we have with our clients. It also reflects the power of traditional Swiss Re strengths, such as disciplined underwriting and prudent asset management.

* Swiss withholding tax exempt distribution out of legal reserves from capital contributions



"I am confident that our Group is well positioned for 2013. This confidence comes from our strong capital position and the long-term relationships we have with our clients."

Indeed this is an appropriate time for taking the long view, as we will be celebrating our 150th anniversary beginning in 2013. Our company was founded after the 1861 fire in Glarus, Switzerland. Two Swiss insurance companies and one bank — themselves almost still start-ups — pooled their resources to develop a reinsurance solution as had been done in other countries after similar city fires. Since then we have been in the business of protecting society against major risk events and nurturing the growth of a private sector approach to managing risks. Our outlook was global almost from the start, with the San Francisco earthquake of 1906 representing an early major international test, which we passed as with so many disasters since — hurricanes, earthquakes, winterstorms and others. We were also there when society had to cope with man-made tragedies and outrages, such as 9/11.

Swiss Re has been a key innovator in the area of reinsurance. Today we are carrying this tradition forward with insurance-linked securities, longevity swaps and partnerships with governments. For 150 years we have been expanding the boundaries of the insurance solution, not only by innovation but also by reaching out to new clients. This year when we turn 150 is the right moment to commemorate these achievements. We will have a number of events in locations around the globe for clients, media and other stakeholders, not to mention the employees who make it all possible, as well as the families who support them.

In 2012, the Swiss Re Foundation began its activities. The non-profit foundation aims to increase society's resilience toward natural hazards, climate change, population growth, water scarcity and pandemics, along with other challenges to security, health and prosperity. The Swiss Re Foundation will also support community projects and employee volunteering in locations where Swiss Re has offices.

We are pleased to nominate Mary Francis to join us on the Board of Directors. A British citizen, she has previously served on the boards of the Bank of England and Aviva plc and worked as director general of the Association of British Insurers, among other institutions and roles. Her depth of experience and breadth of perspective will be an invaluable support in fulfilling the Board's oversight role.

I would like to conclude by expressing my thanks to you, our shareholders. We appreciate the trust you have placed in us and we are doing all we can to earn it.

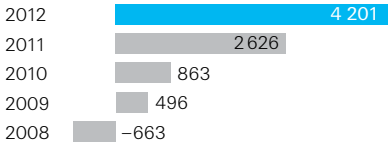
Zurich, 21 February 2013

Walter B. Kielholz
Chairman of the
Board of Directors

Message from the Group CEO

Performance and growth by the Swiss Re Group in 2012, demonstrated by net income of USD 4.2 billion

Net income
(USD millions)



Dear shareholders
I am very proud to report on the performance and growth of our Group in 2012, demonstrated convincingly by our net income of USD 4.2 billion. All Business Units contributed to this excellent result, including a strong return on Group investments of 4.0%.

These are my first annual results where I write to you as Group CEO. I am very glad that I can start by sharing such great news. This performance is the result of tireless effort from Swiss Re employees around the globe, to whom I would like to express my most sincere gratitude.

Let me run you quickly through their achievements:

The Property & Casualty Reinsurance segment delivered a very strong net income of USD 3.0 billion, represented by a combined ratio of USD 80.7%. The Life & Health Reinsurance segment turned a profit of USD 739 million, though we recognise we still have some work to do on the profitability of this segment. I am pleased by Corporate Solutions' net income of USD 196 million, or 142% higher than in 2011, making good on the growth aspirations we had for this segment when we put a stronger emphasis on the direct corporate business. Admin Re® underwent significant structural changes in 2012 with the sale of its US business, demonstrating the capital agility that was one of the key ideas of our corporate reorganisation. Admin Re® delivered net income of USD 183 million.

With these excellent results behind us we are moving in the right direction on our 2011–2015 financial targets. They remain our top priority and we are working hard to deliver on them. Return on equity was 13.4%, and our earnings per share were USD 11.85 or CHF 11.13.

By working together we can achieve the best: that is the title of this year's annual report and effective shorthand for this year's accomplishments. It is also a good summation of the value Swiss Re provides to its clients.

Across our Group we are harnessing the power of partnership to meet the challenges of business. In South Korea we have worked with Cigna/LINA to develop insurance that covers the cost of cancer treatment for people over the age of sixty. In China we have gone even further, teaming up with local insurers to deliver insurance that covers similar risks for people of all ages — a first in the market. We have become the official insurance provider for Solar Impulse, which aims to become the first solar-powered aircraft to fly around the world. In Vietnam and Mexico we are working together with governments to protect lives and livelihoods.

"With these excellent results behind us we are moving in the right direction on our 2011–2015 financial targets. They remain our top priority and we are working hard to deliver on them."

These examples of partnership and collaboration are equally powerful as examples of our commitment to building value over the long term — appropriate for 2013, as we celebrate Swiss Re's 150th anniversary at a number of events around the globe.

To continue to perform and grow we will add even more focus to two crucial areas: on talent development and on our high growth markets. And success in the latter depends on success in the first. By 2015 we aim to generate 20%–25% of our revenues from high growth markets. For this endeavour we need talented people — people endowed with the right skills and languages, as well as agility and the passion to perform. The development and management of our human capital in these markets will be key to success.

Our targets are ambitious, and conditions before us are challenging. Nevertheless we remain confident we can meet and exceed our goals, recognising that opportunities for risk management are practically limitless, provided we harness the power of collaboration. If the achievements of 2012 are any indication, we are moving in the right direction.

Zurich, 21 February 2013

Michel M. Liès
Group Chief Executive Officer

How we operate

Reinsurance creates stability. By managing risks and covering losses, we protect investments and enable economic growth.

Market forces

Shifting client needs
The set of risks – social, economic, political and environmental – is growing and changing ever more quickly.

Changing regulations
The pace of regulatory change in the financial industry has accelerated, and its scope is growing.

Our approach and why

Innovation and strength
We help clients handle challenges such as longevity and catastrophe risk with innovative, fully developed insurance solutions.

For examples of how we have helped clients meet their changing needs, read the stories from the Reinsurance and Corporate Solutions Business Units beginning on page 16 of the Business Report.

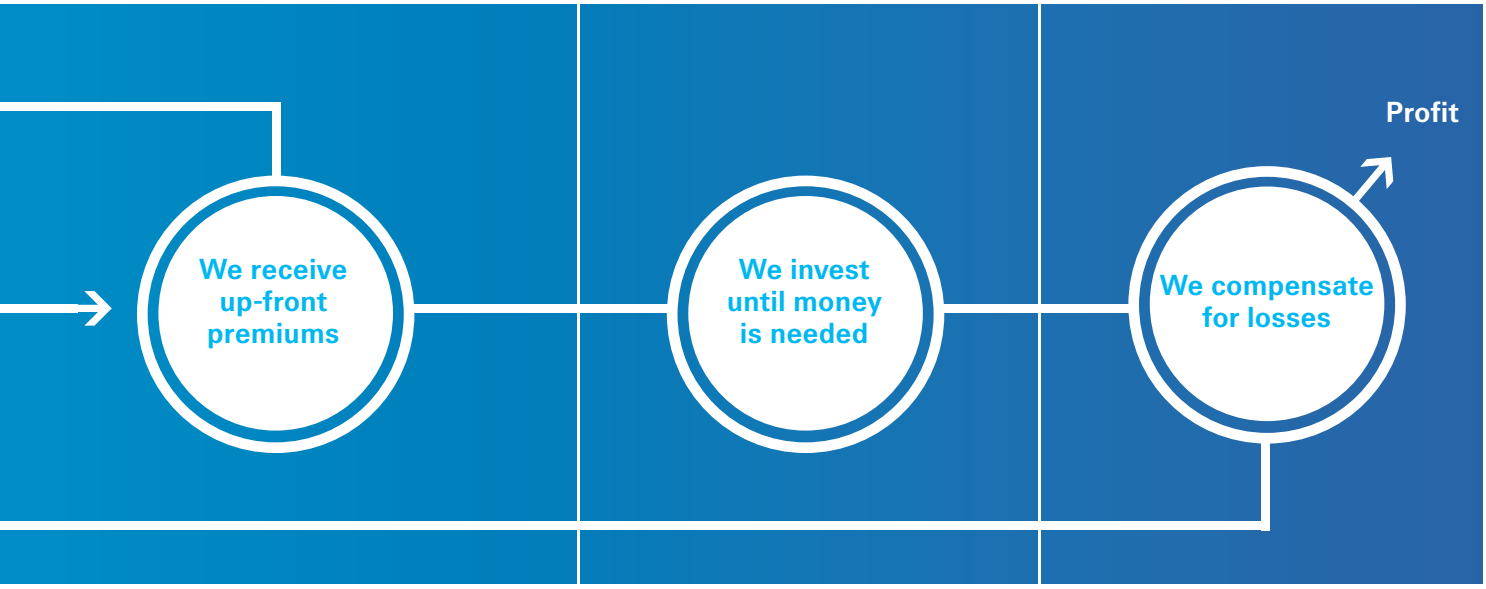
Advocating a smart response
We support a range of measures that will help financial industries to continue conducting business effectively and sustainably — indeed, we make it our business.

To see how our capital strength allows us to turn regulatory uncertainty into good business, read the Admin Re® story beginning on page 24 of the Business Report.

Momentary equilibrium
While re/insurance prices have held steady in 2012, a variety of factors, including low interest rates and regulatory change, point toward prices rising higher.

Low interest rates
Persistently low interest rates challenge the profitability of both life and non-life insurers.

Renewing trust
Many factors, weak growth and high unemployment among them, are putting pressure on private sector institutions to prove their social value.



A structure for success
Our realigned corporate structure enables capital to move more efficiently among our businesses, allowing us to be agile in meeting Group-wide financial targets — no matter where we are in the cycle.

To see how our businesses have performed in 2012 read the summary performance reviews on page 14. For full details, see pages 20–35 of the Financial Report.

Asset-liability management
We apply a top-down, Group-wide investment strategy consistently across all Business Units' (BUs) investments. Each BU's characteristics and objectives are reflected in its strategic asset allocations.

To read about our Group and BU investment results, see pages 20–35 of the Financial Report.

Broad resilience and sustainability
We embrace our role in supporting resilience against natural catastrophes and other perils. In 2012 we were named the most sustainable company in the insurance sector for the fifth year in a row by SAM, provider of one of the world's leading corporate sustainability benchmarks.

To see some of the measures we have taken to maintain and build long-term value, see pages 32–39 of the Business Report.

Our business

Swiss Re is a leader in wholesale reinsurance, insurance and risk transfer solutions. Our clients include insurance companies, mid-sized and multinational corporations and public sector bodies. Our capital strength and knowledge enable the risk-taking on which economies depend.

The Swiss Re Group

Business Unit		Net premiums earned and fee income (USD billions)	Net income (USD millions)
Reinsurance We cover the reinsurance needs for non-life and life insurers through the Property & Casualty and Life & Health segments.	Property & Casualty	2012: 12.3 2011: 10.1	2012: 2 990 2011: 1 099
	Life & Health	2012: 9.1 2011: 8.4	2012: 739 2011: 1 664
Corporate Solutions We offer innovative, high-quality insurance capacity to mid-sized and large multinational corporations.		2012: 2.3 2011: 1.9	2012: 196 2011: 81
Admin Re® We acquire closed in-force life and health books of business, which we administer through Admin Re®.		2012: 1.7 2011: 1.7	2012: 183 2011: 329
Total (after consolidation)		2012: 25.4 2011: 22.2	2012: 4 201 2011: 2 626

Diversified and global

Return on equity

26.7%
(11.0% in 2011)

8.9%
(21.2% in 2011)

7.4%
(3.7% in 2011)

2.6%
(5.0% in 2011)

13.4%
(9.6% in 2011)

Operating performance

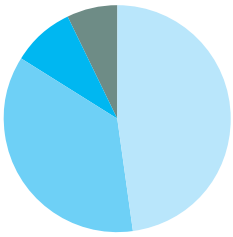
80.7%
(104% in 2011)
Combined ratio

75.5%
(74.5% in 2011)
Benefit ratio

96.2%
(107.9% in 2011)
Combined ratio

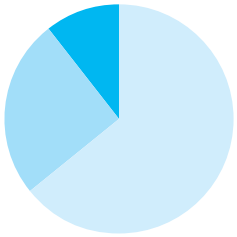
1196m
(USD 302m in 2011)
Gross cash generation

Net premiums earned in 2012
(Total: USD 25.4 billion)



48% P&C Reinsurance
36% L&H Reinsurance
9% Corporate Solutions
7% Admin Re®

Employees
(Total: 11 193 regular staff[1])



64.2% EMEA
25.4% Americas
10.4% Asia-Pacific

[1] as of 31 December 2012

For the online version of our Annual Report see **swissre.com/annualreport**

Board of Directors

Our oversight body

As of 31 December 2012, Swiss Re's Board of Directors was composed of the 13 members shown below. Collectively they are responsible for setting over-arching policies and for oversight of management. All directors meet our independence criteria.

1 **Walter B. Kielholz**
2 **Mathis Cabiallavetta**
3 **Renato Fassbind**
4 **Jakob Baer**
5 **Raymund Breu**
6 **Raymond K. F. Ch'ien**
7 **John R. Coomber**
8 **Rajna Gibson Brandon**
9 **C. Robert Henrikson**
10 **Malcolm D. Knight**
11 **Hans Ulrich Maerki**
12 **Carlos E. Represas**
13 **Jean-Pierre Roth**

For Directors' full biographies see the **2012 Financial Report**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Board changes in 2012 / 2013

The General Meeting of Shareholders 2012 elected C. Robert Henrikson as new member to the Board of Directors. Swiss Re's Board of Directors proposes Mary Francis, a UK citizen, for election as new member to the Board of Directors at the next Annual General Meeting. Among other roles and honours, Ms. Francis was on the boards of directors of the Bank of England and Aviva plc and remains a Senior Independent Director of Centrica plc and a Senior Advisor to Chatham House. From 1999 to 2005, she was Director General of the Association of British Insurers.

Group Executive Committee

Our executive body

As of 31 December 2012, the Group Executive Committee was composed of the 12 members shown below. They are responsible for the day-to-day management of Swiss Re's businesses.

1 **Michel M. Liès**
Group CEO
2 **David Cole**
Group CRO
3 **John R. Dacey**
Group Chief Strategy Officer
4 **Guido Fürer**
Group CIO
5 **Agostino Galvagni**
CEO Corporate Solutions
6 **Jean-Jacques Henchoz**
CEO Reinsurance EMEA
7 **Christian Mumenthaler**
CEO Reinsurance
8 **Moses Ojeisekhoba**
CEO Reinsurance Asia
9 **George Quinn**
Group CFO
10 **J. Eric Smith**
CEO Swiss Re Americas
11 **Matthias Weber**
Group CUO
12 **Thomas Wellauer**
Group COO

For full biographies of GEC members see the **2012 Financial Report**


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Group EC changes in 2012

Jean-Jacques Henchoz, Martyn Parker and J. Eric Smith were appointed Regional Presidents EMEA, Asia and Americas respectively and joined the Group EC on 1 January 2012. Moses Ojeisekhoba was appointed Regional President Asia and member of the Group EC as of 15 March 2012 succeeding Martyn Parker who was appointed Chairman Global Partnerships. John R. Dacey joined the Group EC as of 1 November 2012 as the Group Chief Strategy Officer and also became Chairman of Swiss Re's Admin Re® business. Guido Fürer was appointed Group Chief Investment Officer and member of the Group EC as of 1 November 2012, succeeding David Blumer who left the company.

One Group, three businesses

The three distinct Business Units of the Swiss Re Group correspond to Swiss Re's core activities in reinsurance, insurance and risk transfer solutions.

3729

Net income in 2012
USD millions

REINSURANCE

We provide Property & Casualty and Life & Health clients and brokers all over the world with reinsurance products, insurance-based capital market instruments and risk management services. With our proven reputation for innovative reinsurance and risk management solutions, we understand and meet client need.

For examples of how our two Reinsurance segments lived up to that reputation in South Korea and the United States, see page 16.

Property & Casualty performance
P&C Re had a particularly strong performance in 2012. Premiums increased by 21.6% and margins increased as well. The result also benefited by realised gains on investments and the release of reserves that had been set aside in previous years. The P&C Re combined ratio, a measure that captures both profitability and underwriting quality, was significantly better than the year before, at 80.7%. This takes into account the estimated USD 756 million loss from Hurricane Sandy.

Life & Health performance
Net income in L&H Re decreased this year to USD 739 million. This was mostly the result of a lower investment result and some poorly performing business that we wrote in the US before 2004. We are addressing those challenges and have aimed to generate new business in high growth markets in Asia and Latin America, particularly in Health. We had strong growth in the Health segment globally this year, and we also booked a number of successful, innovative longevity transactions in Europe. We see strong longer-term growth prospects for life and health protection markets: we estimate a protection gap of USD 80 trillion worldwide.

196

Net income in 2012
USD millions

CORPORATE SOLUTIONS

Backed by nearly 150 years of collective experience, significant capacity and the financial strength of the Swiss Re Group, Corporate Solutions offers innovative, high-quality insurance capacity to large and mid-sized multinational corporations across the globe.

For examples of how Corporate Solutions meets client needs, turn to page 20.

Performance
Corporate Solutions demonstrated profitable growth in 2012. Gross written premium net of intra-group transactions grew 38% to USD 3.5 billion, compared to USD 2.5 billion in 2011.

Net income increased 142% to USD 196 million. The Business Unit opened new offices in Amsterdam, Dubai and Genoa, increasing its footprint to over 40 offices in 17 countries.

In 2013, Corporate Solutions will continue to grow consistent with its strategy. While global commercial insurance rates are generally expected to remain stable, the upward trend in property insurance is likely to be sustained, though differences in rate adequacy between geographies and segments will persist. Corporate Solutions is well positioned to capture opportunities thanks to its value proposition, strong balance sheet and expanding geographic reach.

183

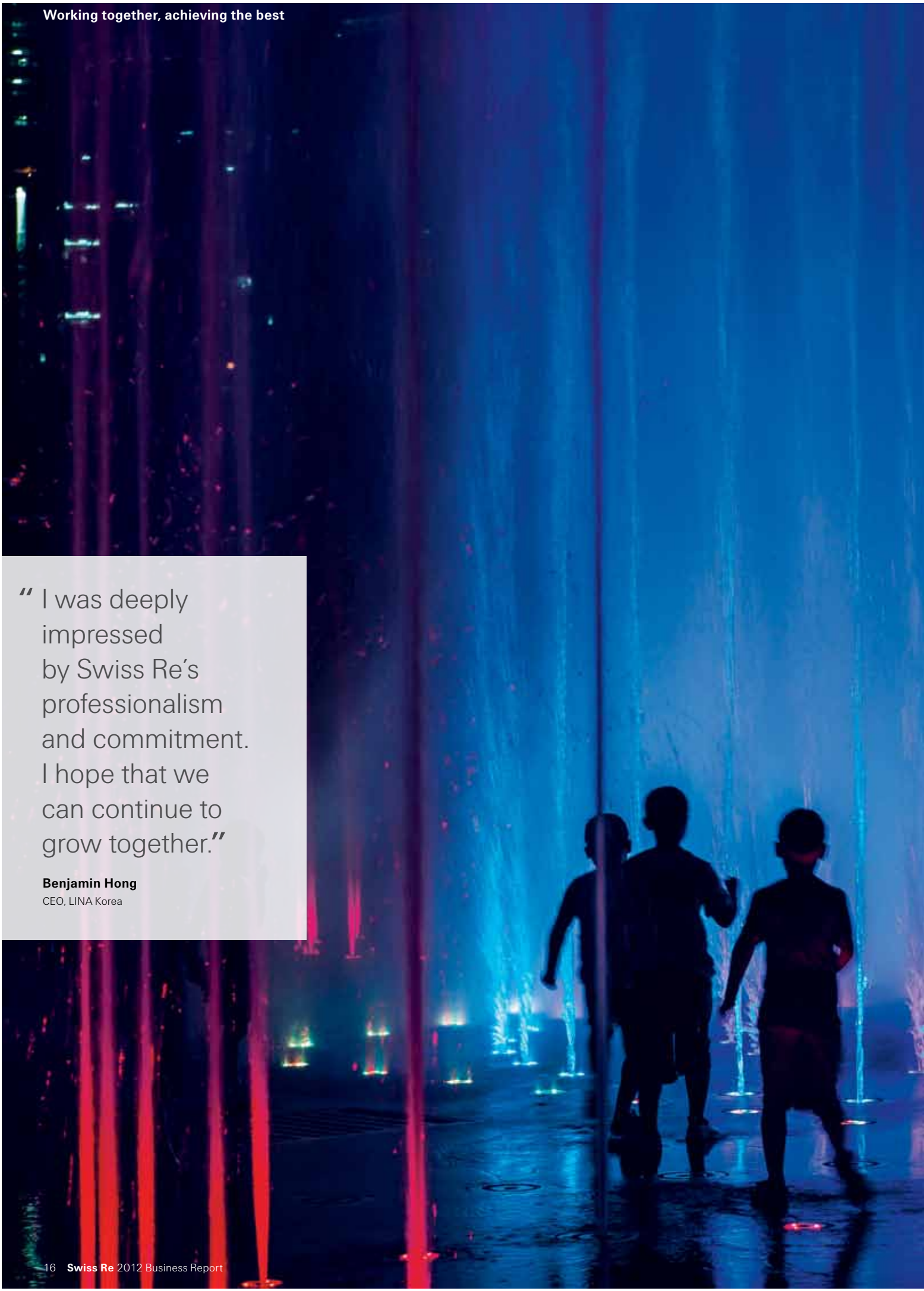
Net income in 2012
USD millions

ADMIN RE®

Admin Re® is a recognised force in closed life business. We take on closed books of in-force life and health insurance business, whole lines of business, or the entire capital stock of life insurance companies. This helps insurers to divest themselves of non-core businesses, reduce administrative costs and release capital in order to realise other opportunities.

To read about Admin Re®'s ongoing transformation, turn to page 24.

Performance
In 2012 Admin Re® sold its US business in order to focus on growth opportunities in Europe, especially the UK. The proceeds can be channelled to profitable opportunities either within Admin Re® or within the Swiss Re Group. The closed life book market shows positive medium-term prospects. Based on the achievements of 2012, we believe that Admin Re® is in great position to take advantage of this opportunity.



"I was deeply impressed by Swiss Re's professionalism and commitment. I hope that we can continue to grow together."

Benjamin Hong
CEO, LINA Korea

Foundations for the future

Life & Health Reinsurance helps South Koreans face the consequences of living longer

Who would not wish to live to be a hundred? We naturally desire a long life for ourselves and our loved ones – but every fulfilled desire brings its own unforeseen consequences.

Walk through the restaurant district of Seoul, with its youthful bali bali or "hurry up" culture, and it would be hard to believe that South Korea has the most rapidly ageing society on the planet. From 2000 to 2019, the proportion of South Koreans over 65 will have doubled, from 7% to 14%. That proportion will more than double again, to 33%, by 2050. In just 50 years, South Korea's youthful tiger economy will turn grey, challenged by a range of social issues currently faced only by the "old" countries of Europe and Japan.

South Koreans today work more hours than anyone else in the industrialised world. Nevertheless, their savings rate is among the lowest – while their life expectancy is among the highest. Medical care is world class, but many procedures and conditions are not fully covered by national health insurance.

Private insurers work to bridge the gaps, but eligibility issues can leave whole sections of the population without cover. Small wonder, then, that many South Koreans worry about funding their inevitable medical costs.

For example, it used to be impossible for people over 60 to take out insurance to pay for future cancer care; such policies simply did not exist. That is, until now.

ShinOk You is Head of Product of LINA Korea, a subsidiary of the CIGNA Corporation and South Korea's largest and best-known life and health insurer among direct marketers. She explains the dilemma they face in catering to a rapidly ageing market:

"LINA almost always retains its insurance risk, so we take a cautious view. We need to understand every aspect of the risk we're taking on. In the case of cancer products for people over 60, we knew there was strong demand, but since this is essentially a new customer segment – and one with a wide variation in basic health – we were unsure about the risk profile." >

Left Children running through a fountain, Seoul, South Korea

01 **YongSuk Kwon in Hong Kong**

02 **Food vendor at Gwangjang market, Seoul, South Korea**

> Swiss Re Korea had also spotted this dilemma and in July 2011 assembled a team of experts from across Asia – actuaries, underwriters, medical doctors and client managers – to explore solutions. "We saw the demand," explains YongSuk Kwon, Swiss Re's Head of Client Market Life & Health Korea, "but to meet it we had to draw on our global reserves of knowledge and experience."

Within a month of that first meeting, the Swiss Re team had an answer. Using demographic information from Japan (an otherwise similar population but with even greater life expectancy than South Korea's), Swiss Re Korea designed a cancer care product that could be taken out after age 60 and renewed up to age 100. While the National Health Care system covers some medical costs, the new product would provide wider coverage. The application and underwriting process would be simplified – an important requirement for this segment. The product would also manage the increased risk from many pre-existing chronic conditions without excluding the people who suffered from them. "Our simplified underwriting opened the door to new markets without sacrificing sound risk management standards," says YongSuk. "With this new approach, we developed a first-time product."

The challenge now was to find the right insurer to introduce it to the market. "Immediately, LINA was the obvious choice," continues YongSuk; "it has the scale and reach. It has great presence in direct marketing through telephone and television infomercials, which is ideal for an elderly market."

"However, while LINA's disciplined approach was a tremendous endorsement," he goes on, "it was also an obstacle: since they rarely bought reinsurance, we hadn't had a business relationship with them for more than 10 years."

Nevertheless the logic of the partnership was so compelling that Swiss Re Korea reached out to LINA to earn their trust. Actuarial and underwriting teams made sure that the product's risk profile was fully aligned with LINA's own risk management structure. Swiss Re then closely partnered with LINA through the negotiations to secure approval from Korea's insurance regulators. "I was deeply impressed by Swiss Re's professionalism and commitment," says Benjamin Hong, CEO of LINA Korea, "I hope that we can continue to grow together."

For Reinsurance financial results see
2012 Financial Report

For the online annual report see
swissre.com/annualreport

> "We don't want to wait for opportunities to come to us: we want to create those opportunities and find partners who share our vision to bring them to the market."

YongSuk Kwon
Head of Client Market Life & Health,
Swiss Re Korea

Indeed, the LINA/Swiss Re agreement is envisioned for the long term, so that both partners can meet the critical needs of a changing South Korean society. "This is what our strategy calls for: extending our risk appetite and broadening our business," concludes YongSuk; "We don't want to wait for opportunities to come to us; we want to create those opportunities and find partners who share our vision to bring them to the market."

Further reading:
More on how the LINA/Swiss Re agreement reflects our larger approach to longevity, beginning on page 29

An opportunity to innovate

You can see what your client needs — but it's something that doesn't exist. The solution? Invent it.

In the spring of 2011 the US suffered some of the worst tornado activity in history. Coming into 2012, long-time client American Agricultural Insurance Company asked Swiss Re to assist two of its farm bureau insurance company partners, COUNTRY Mutual Insurance Company® (COUNTRY) and the North Carolina Farm Bureau (NCFB). Both were looking for aggregate indemnity protection from similar weather events, but both had found capacity scarce in the traditional reinsurance market.

Russell McGuire of the Regional and National team invited Richard Pennay and Vincent Myers of the Insurance-Linked Securities team to meet with the two companies. Russ, Richard and Vince first met with COUNTRY to suggest that they might find capacity in the capital market through an insurance-linked security – specifically, a catastrophe or 'cat' bond. Then they met with NCFB and suggested the same. COUNTRY asked Swiss Re to structure an aggregate cat bond in November 2011. Three days later NCFB followed suit.

Suddenly the Swiss Re team was faced with a unique opportunity. Given that these were two farm bureaus with a history of working together, could Swiss Re help them leverage their relationship to find an innovative solution?

> **"We don't rest until we've found the best solutions for our customers. We were pleased to work with a company that looked at things the same way."**

Steven Carroll
Executive Vice President
North Carolina Farm Bureau

After weeks of brainstorming and number-crunching, a ground-breaking solution was created: COUNTRY and NCFB would be combined into one cat bond.

Over the next four months, a broad Swiss Re team structured an innovative transaction: Combine Re. It was the first cat bond to combine two unrelated companies and the first cat bond to achieve an investment grade rating since 2007. Through Combine Re, both COUNTRY and NCFB have three years of protection from a range of severe weather events, with significant cost savings for each.

"We don't rest until we've found the best solutions for our customers," says Steven Carroll, Executive Vice President at NCFB. "We were pleased to work with a company that looked at things the same way."

Right Aerial view of a tractor mowing a large field of grass in North Carolina

Corporate Solutions has built up the capacity, product design skills and underwriting expertise to provide contingency cover for some of the most well-known sports and entertainment events in the world.

Insuring your summer

There's a lot to making sure your favourite concert, movie or sporting event goes off without a hitch — and Corporate Solutions plays a starring role

Each summer millions of people enjoy blockbuster films, concerts and sporting events. Some of those people may be surprised to learn that the support staff contains more than coaches, film crews and make-up artists.

Corporate Solutions provides contingency coverage for some of the most renowned entertainment and sporting events in the world. "We're particularly well-known for deploying large net capacity for global sporting events," says Tom Phillipson, Head of Contingency for Corporate Solutions.

Event organisers face enormous expectations and inviolable deadlines — and they can't be slowed by every what-if scenario. Corporate Solutions supports the successful execution of such events by helping to manage the risks intelligently.

Drawing on more than twenty years of experience in handling the insurance needs of world sport and entertainment events, Corporate Solutions has built up the capacity, product design skills, and underwriting expertise to cope with challenges ranging from a multi-site sporting festival taking place in one city or country over just a few weeks, to a months-long tour covering the world's biggest cities by some of today's most famous musical acts.

Left Fans in stadium of auto racing event

Tom explains further: "Our clients put on very big, very complicated events that absolutely have to happen. They can't just decide to start a week late because one of their venues is behind schedule. The organisers need insurance partners with the capacity to match the scale of their projects, as well as the knowledge base to structure covers that accurately reflect the risks on the ground."

For sporting events, potential clients extend beyond the organisers, who would typically have to meet the costs of any interruption, curtailment, relocation, or boycott. Broadcasters also require cover for revenue lost if they fail to televise the event, while caterers, hotels and merchandisers have their own financial interests at stake. For Corporate Solutions, the range of potential business extends beyond the event itself to include surety and engineering cover for facilities construction and infrastructure projects.

As Tom explains, "With so many separate risks and insured parties, it's not just a question of having enough capacity — although that's essential. It's also having the ability to create custom coverage to fit the exposure. Our covers are entirely custom made.">

01 **Tom Phillipson, Corporate Solutions Head of Contingency**

02 **Spectators at a rock concert**

> With events on the world stage, terrorism is an unfortunate but ever-present concern. Of course this is a special concern for host governments, who already run a reputational risk if the events they host aren't ready on time. Some will take out their own insurance to make sure everything stays on track. Emerging markets are arguably under even more pressure to show that, as emerging economies, they can still host successful events on the world stage.

Ultimately Tom takes a positive view. "These events do typically go ahead and the preparations manage to get completed," he says. "As underwriters, we take a huge amount of comfort from the experience that our clients have in hosting the events that they put on, whether they are private companies or government entities."

Movies present a different set of risks. With production companies continually pushing the envelope further in terms of stunts and special effects, injuries and set damage can put a production's completion in danger. Here too, Corporate Solutions helps to make sure that the show goes on.

"When we look at a film, we begin by considering where it lies on the danger spectrum. At one end you have romantic comedies (so called "walk and talk" movies). At the other end of the scale, you've got the full-blown action films," Tom says.

It's a common misconception that big stars do their own stunts. Most importantly, Corporate Solutions looks for production companies that have experience, are up to date with the latest technology and are well prepared to meet issues as they arise – in other words, moving from a purely contractual arrangement to a creative collaboration between peers.

Musical acts flip the script once again. Rather than concentrating all the pressure in one small area over a few days, musicians and their promoters are asked to put on an equally complex and high quality performance night after night, city after city. Today bands put on ever-more spectacular and more tightly orchestrated performances, often playing to millions of fans across dozens of cities in the course of their world tour. Lights, staff, machinery and other attractions drive operating costs up and up, sometimes approaching nearly USD 1 million per day. Transport,

For Corporate Solutions financial results see
2012 Financial Report

For the online annual report see
swissre.com/annualreport

> "With so many separate risks and insured parties, it's not just a question of having enough capacity – although that's essential. It's also having the ability to create custom coverage to fit the exposure."
>
> **Tom Phillipson**
> Corporate Solutions Head of Contingency

cancellations and failures (whether of performers or their equipment) can all undermine the most best-laid plans. Such instances provide classic illustrations of how the insurance industry can play a backstage but critical role in entertaining millions.

For Tom, ensuring enjoyment can take on a personal touch. An avid concert goer himself, he says he's proud to be associated with events that bring so much pleasure. "There's a little sprinkling of stardust over my department generally, which makes it fun to be in and attracts talent."

Further reading:
Our experts reflect on the larger themes underlying this business, beginning on page 28

Supporting South Africa's farmers

From variable weather to fluctuating prices, the greatest challenge facing farmers everywhere is uncertainty. Farmsecure, South Africa's biggest integrated agribusiness company, is looking to ease that pressure.

In fact, Farmsecure is looking to go one step further: by creating sustainable and profitable agricultural enterprises, its ultimate goal is to help secure the world's food supply. The company works with farmers to manage their entire value chain. It applies precision farming techniques for increased yield, supplies working capital, seed and fertilizer, and helps with processing, logistics, and marketing – reducing uncertainty and securing production at every step.

And where uncertainty is still a factor, insurance can play a critical role. So when Jerome Yazbek, Farmsecure's CEO and founder, attended a presentation by Bernard Belk, Swiss Re Corporate Solutions' Global Head Food & Agriculture Business, he knew he had found a partner who could help Farmsecure achieve its mission. Bernard explains: "The deal involves 80,000 hectares, which would be expected to produce around 400,000 tonnes of grain in a normal year. We provide yield index cover: if production falls below a given level, for whatever reason, we pay out."

> **"The deal involves 80,000 hectares, which would be expected to produce around 400,000 tonnes of grain in a normal year. We provide yield index cover: if production falls below a given level, for whatever reason, we pay out."**
>
> **Bernard Belk**
> Swiss Re Corporate Solutions' Global Head Food & Agriculture Business

"We start with our own statistical models from our worldwide agri business," Bernard continues, "then adapt them to a tailor-made solution using the client's own field-by-field data. That sounds simple, but in order to work, the cover needs to fit the client's situation precisely. With its commitment to precision farming, Farmsecure is a highly numbers-driven company. We made a very good fit."

The result is cover that is innovative in scale, simplicity, and customisation. By taking on the yield risk, Corporate Solutions helps reduce uncertainty — and thus helps Farmsecure support farmers and food security.

Right Farmsecure's operations include large-scale maize production in the Free State province, South Africa.

Admin Re® has long been a recognised force in the closed life business – a position it strengthened during 2012. The sector offers significant opportunities over the medium term as banks and insurers seek to refocus on core business lines.

A year of transformation

Admin Re® strengthens its operational platform, preparing for further growth in Europe, and especially the UK

Shifting demographic trends, regulatory changes, and varying financial returns prompt insurers to sell their legacy life insurance portfolios to third parties, thereby reducing administrative costs and freeing up capital. Admin Re® acquires and integrates closed and legacy books of life insurance, administering them efficiently as a single business with a single IT system. This business model is inherently cash generative, delivering consistent returns for shareholders. Admin Re® has long been a recognised force in the closed life business — a position it strengthened during 2012.

Admin Re is in the final year of a three-year transformation programme: it has restructured its balance sheet to report as a standalone Business Unit and to facilitate potential third-party investment. This transformation has provided increased transparency about financial performance, clarity about the business model, and efficiency and robustness of operating processes. As a substantively self-standing Business Unit within Swiss Re Group, Admin Re® is now ready for further growth in Europe, especially in the UK.

Since becoming a separate Business Unit in 2011, Admin Re® has conducted an in-depth review of its global portfolio and underlying actuarial models with the aim to increase capital productivity and maximise gross cash generation (excess capital available compared with the target capital position) through a more active approach to portfolio management. The decision to undertake the portfolio review was based on management's need for a comprehensive view of both the assets and liabilities of the Admin Re portfolio in order to inform decisions about investment in new

Left Liverpool Street station, London, UK. The UK is a targeted growth market for Admin Re®.

01 **Admin Re® CEO Bob Ratcliffe at his offices in London**

opportunities and divestment of under-performing blocks of business. The global portfolio review revealed that elements of the US portfolio in particular tied up significant amounts of capital and no longer met internal return criteria. At the same time, Jackson National Life Insurance Company (Jackson) had approached Admin Re® about acquiring parts of its US business.

Jackson wished to increase its share of underwriting-based earnings relative to its spread and fee-based business lines; acquiring an in-force life insurance portfolio therefore made good sense. Admin Re®, as the owner of one of the largest life closed books of mortality risk in the US market, was a natural fit. And since Jackson is the US subsidiary of UK insurer Prudential plc, a major client of Swiss Re, the two companies already enjoyed a close and longstanding relationship.

The deal closed in September 2012, allowing Swiss Re to unlock the capital from its US business and redeploy it to other areas. Swiss Re received a total of USD 933 million in proceeds: USD 589 million paid by Jackson for the acquired businesses (with an additional USD 74 million deferred until 2013) and USD 270 million in pre-closing dividends. In exchange, Admin Re® transferred 1.6 million policies and USD 10 billion in statutory reserves to Jackson.

Having returned a substantial dividend to the Swiss Re Group, Admin Re® is now focusing on growth through selective acquisitions in Europe, especially the UK. The sector offers significant opportunities over the medium term as banks and insurers seek to refocus on core business lines and to prepare for the new European insurance and banking regulatory regimes, Solvency II and Basel III. Admin Re® management has already identified a number of opportunities that meet its strict internal criteria.

Over the last year, Admin Re® has upgraded its core actuarial, finance, and IT capabilities and systems, boosting the efficiency and effectiveness of its portfolio risk management. The Business Unit is well prepared for changes in the regulatory environment such as Solvency II and Basel III.

Admin Re® has also created a UK-based service company. Providing high-quality customer service to each individual policyholder in a portfolio of acquired businesses, while at the same time complying with regulation and achieving the cost efficiency of large-scale integration, can present significant operational challenges to life insurers. A dedicated service company with clear evaluation procedures will help ensure that all these critical targets are fully met and that Admin Re is able to generate long-term value from the integration and management of acquired life insurance portfolios.

For Admin Re® financial results see
2012 Financial Report

For more information on longevity see
swissre.com

The Admin Re® business model is inherently cash generative. The predictable, long-term dividends that emerge from Admin Re® will be highly attractive to investors in today's market environment.

Admin Re® is well placed to build on this streamlined and scalable operational platform, as well as its strong UK market presence. Its focus is on increasing the scale of its operations, potentially raising third-party capital to help fund future growth in Europe while continuing to generate cash for reinvestment, servicing debt obligations, and paying dividends to the Group. It is the strongly held conviction that the predictable, long-term dividends that emerge from Admin Re® will be highly attractive to investors in today's market environment.

Further reading:
Our experts reflect on the fundamental drivers of the closed life business, beginning on page 28

Investing at Admin Re®

Life insurance and pension obligations are long-term in nature. For the company responsible, these obligations represent liabilities that should be funded by assets that match them as far as possible in value and duration.

The investment strategy for Admin Re® is therefore governed by deep insight into the dynamics of assets and liabilities, along with their associated diversification effects.

The investment strategy for Admin Re® is governed by deep insight into the dynamics of assets and liabilities, along with their associated diversification effects.

Asset-liability management (ALM) is a method for anticipating and addressing the financial market sensitivities that arise from potential mismatches in duration between assets and liabilities; ALM, along with sound capital management, is therefore essential to Admin Re's investment process. ALM measures investment risk and performance relative to a benchmark defined by the financial market sensitivities of the best-estimate economic liabilities. Such sensitivities can arise, among other sources, from using market interest rates to gauge the current discounted value of future cash flows. This has particular impact on long-term business lines such as life and pensions: the further cash flows are projected into the future, the higher their sensitivity to changes in interest rates.

Under current regulations, the actual yield of the asset book is used to discount liability cash flows, having adjusted for credit events. This mutual dependency means that any planned changes to the investment portfolio must also take account of the potential impact on the liability valuation.

It is therefore essential that the asset management team work closely with the actuaries responsible for each specific block of liabilities to understand the impact of proposed actions. This close working relationship allows for a consistent asset-liability management approach focused on both the financial and statutory balance sheets. This is an important consideration for Admin Re® when optimising existing in-force business lines, but it is of equal importance when assessing the effect of acquiring new portfolios.

Right Meeting long-term pension obligations requires finding assets that match, as much as possible, in value and duration.

“ Average lifespan has increased dramatically over the past four decades — indeed, at a rate consistently underestimated by actuarial forecasts.”

Daniel Ryan
Head of Swiss Re Life & Health R&D

Following the strength of our convictions

Our experts explain how contingency covers, crop insurance and health insurance are more than just business — they reflect Swiss Re's views on global challenges

The challenge of living longer lives

Longevity is transforming the re/insurance industry, explains Daniel Ryan, putting a premium on knowledge and crossing institutional boundaries.

Daniel Ryan: In developed and developing countries alike, average lifespan has increased dramatically over the past four decades — indeed, at a rate consistently underestimated by actuarial forecasts. Longevity is a global challenge that is transforming our industry. Swiss Re's new cancer care product for South Koreans over 60 is one good example of how we are meeting that challenge.

Of course this 'challenge' also represents a wonderful achievement in social and medical terms. Nevertheless, rapidly ageing populations present financial challenges and opportunities that many economies will find difficult to meet. Governments have to re-think state pension provisions; employers must examine the viability of their employee retirement funds; individuals may wonder if they have made sufficient provision for what could be a very long old age.

In China, for instance, a Swiss Re study revealed that people still expect to retire at age 58 and live, on average, a further 31 years. But during those years, demographic trends generated by a lower birth rate mean that only one employed person will be contributing to the state pension scheme while up to six – two parents and four grandparents — are drawing from it. This is obviously unsustainable.

Swiss Re is working with the World Economic Forum to define the problems that longevity poses for social security and to propose new approaches. Along with changes to retirement ages and benefits and a greater emphasis on individual savings, there is clearly a significant role for reinsurers — because they hold mortality risk that can balance longevity risk. They also have the capacity to structure the insurance-linked securities that allow financial markets to participate in longevity risk, as Swiss Re did in 2012 with its GBP 1.4 billion longevity swap for AkzoNobel's employee pension scheme.

These approaches depend critically on intelligent modelling of future risks, incorporating both best estimates and extreme scenarios for longevity and mortality to create a detailed picture of capital needs. That is one reason why our department spends much of their time consulting and working with researchers outside our industry — because experience shows that the insurer who relies only on actuarial modelling will find it insufficient. >

01 Children running through a fountain, Seoul, South Korea. See page 17

02 Daniel Ryan, photographed near his office in London

Philippe Brahin is Head Governmental Affairs & Sustainability and a Member of Swiss Re's Risk Management Executive Team. He is responsible for the global monitoring of regulatory developments and the engagement of Swiss Re in sustainability risk management initiatives. He is Swiss Re's delegate to the Institute of International Finance, the Geneva Association and the European Financial Roundtable. He is also the vice-chairman of the Economic & Finance Committee of Insurance Europe. Philippe joined Swiss Re in 2000.

Daniel Ryan joined Swiss Re in 2010 as Head Life & Health R&D. Dan leads a multi-disciplinary group that is focused on the development and evaluation of forward-looking scenarios based on prior history of disease or good health. He is a keen advocate of closer links between the actuarial and medical profession, and is a member of World Economic Forum's Global Agenda Council for Ageing. He is also the Chair of the Technical Committee for the Life and Longevity Market Association, a non-profit venture to promote a liquid traded market in longevity and mortality risk.

Clarence Wong is Chief Economist Asia, based in Hong Kong. He has been with Swiss Re since 1999. Clarence has authored several studies on regional and international trends in insurance. He participates in a wide range of research and consulting projects on the relationship between the general economy, capital markets and the insurance and reinsurance markets. His latest sigma study, "partnering for food security in emerging markets," is available on swissre.com/sigma.

Promoting constructive engagement of the re/insurance industry

Financial regulations are changing, observes Philippe Brahin — and hopefully in a way that favours efficient risk management.

Philippe Brahin: Swiss Re's coverage of major sport and entertainment events is of course a commercial endeavour, but this work often supports the host government's own aims. Re/insurance operates in many of the same areas that governments do: maintaining people's financial, social, and personal security. The relations between our industry and political institutions will therefore always be complex.

This year, we are right in the middle of one of the busiest periods of financial regulation in the last half-century, with new regimes coming into force in the US and EU governing capital markets, solvency, national and regional supervision, and "systemically-important institutions" (also known as "too big to fail").

Although the re/insurance industry has demonstrated its capacity to absorb, rather than amplify, financial shocks, it has been caught up in the rush to reform the banking sector — despite its fundamentally different business model. Tougher capital adequacy requirements, combined with a persistently low interest-rate environment, have made financial strength even more critical and prompted primary insurers to seek risk mitigation and risk transfer solutions.

We are seeing increasing convergence between emerging and mature markets in the way that our industry is regulated. There is still a higher degree of state involvement or ownership in, say, Brazil, India, or China, but the rules governing capital adequacy are certainly approaching global best practice. This will increase local insurers' need for reinsurance solutions.

Moreover, emerging markets are increasingly moving to rebalance their economies away from an over-reliance on exports toward greater internal consumption driven by a rising middle class. The growth implications of this for re/insurance are substantial: we expect emerging market premiums to grow annually by 6%–7% over the next decade, enlarging their share of global premiums from around 16% in 2012 to approximately 24% in 2022. Here we aim to get ahead of the curve by generating 20%–25% of our premiums from high growth markets by 2015 — and in these markets, just as elsewhere, we look forward to working with peers, regulators and other relevant bodies to make sure that regulations evolve in a way that favours efficient risk management.

01 Philippe Brahin at his office in Zurich

02 Fans cheer at a racing event. See page 20

03 Large-scale maize production in South Africa. See page 23

04 Clarence Wong photographed at his office in Hong Kong

Feeding a growing planet

Food security remains a stubbornly persistent problem, says Clarence Wong, and re/insurance can make a vital contribution.

Clarence Wong: When you see Swiss Re helping farmers in India, or providing area yield cover for agribusiness in South Africa, Thailand, and Vietnam — or originating catastrophe bonds on behalf of US farm bureau insurers — this isn't just a side business. Food security is a critical issue for the future. And re/insurance has a central role to play.

The global population has doubled to seven billion people in the last fifty years and is projected to reach nine billion by 2050. Most of this growth will be in emerging markets. Improved agricultural techniques have brought ever more people out of hunger, but the challenge remains.

Just to keep up with our growing population, world agricultural production will have to rise by as much as 60% between now and 2050 — a period in which a changing climate will bring ever more frequent and severe weather events.

This year saw severe drought in the main grain-producing regions of the US and Russia — in the case of the US, the worst in fifty years. Global food prices have risen by 74% since 2005, reflecting the insecurity of supply. Emerging markets, increasingly seen as the main drivers of global economic growth, are particularly vulnerable to inadequate food resources. Re/insurance can make a vital contribution to addressing this global problem. Insurance helps to promote investment, stabilise farm income, and manage risks in the agricultural value chain. All these things are fundamental to sustaining a healthy world food system.

We address the specific needs of the agricultural sector through single and multi-peril crop insurance, parametric index covers, area yield covers, micro-insurance products and public-private partnerships. Many solutions, but the aim throughout is simple: to reduce uncertainty, cushion the impact of disaster, provide for future investment, and help secure the world's food supply.

> **"Just to keep up with our growing population, world agricultural production will have to rise by as much as 60% between now and 2050 — a period in which a changing climate will bring ever more frequent and severe weather events."**
>
> **Clarence Wong**
> Chief Economist Asia

Full details on financial performance see **2012 Financial Report**

For more on Swiss Re's global perspective see **swissre.com/rethinking**

Partners for the journey

Above: **Rice farming in valley Tule, Vietnam**

Swiss Re is innovating to expand re/insurance solutions in Vietnam and Mexico.

Vietnam relies on the success of its farmers. As the world's largest exporter of farm-raised fish, and the second-largest exporter of both rice and coffee, agriculture accounts for about one-fifth of the nation's economic output. The government has been investing heavily to enhance the sector's productivity through irrigation, pest control, farmer outreach and other means. Nevertheless there is no amount of investment that can eliminate the risk of cyclones and floods — though there is insurance.

Swiss Re and the government of Vietnam are working together on a pilot insurance scheme that seeks to protect millions of Vietnamese farmers from the risks from natural disasters, epidemics and disease. The programme's first policies were sold in the middle of 2012.

The scheme is a bold example of public-private partnership in the financial sector in an emerging market setting. The Ministry of Finance designed the overall programme and is responsible for regulating it. Swiss Re offers the technical support of its agriculture experts and reinsures the scheme through its strategic partner the Vietnam National Reinsurance Corporation (Vina Re), in which it retains a 25% equity stake. The Ministry of Agriculture takes on the farmer outreach work and is responsible for declaring when an outbreak of disease or epidemic has occurred. Distribution of the policies is in the hands of two local insurers.

For policyholders the programme is no panacea, and there is no guarantee of success for either the re/insurers or their clients. The insured risks are complex and varied; the data on which solid underwriting depends are often lacking. The programme also requires thorough explanation to farmers who are buying insurance for the first time.

Swiss Re was the first reinsurance company to create a dedicated team – Global Partnerships – to work with governments on their risk-transfer needs.

Nevertheless policies are selling briskly and the scheme is already enjoying one of the indisputable signs of success: imitation. Private insurers as well as non-governmental organisations are now offering similar products in the 14 provinces (of Vietnam's 58) where the programme has been piloted to date.

A long-term view

After 1985, when a seismic event off Mexico's Pacific coast caused nearly 10,000 deaths in Mexico City and more than USD 3 billion in damage, the Mexican government set up FONDEN, the national fund for natural disasters. In 2006 Swiss Re worked with FONDEN to deliver USD 160 million in earthquake cover by means of an insurance-linked security (or "catastrophe bond"). The bond was designed to pay out in the event of an earthquake measuring over 8.0 on the Richter scale within a defined area. Fortunately, no such disasters occurred within this period and by 2009 bond owners had earned a tidy return.

By 2009 Swiss Re and FONDEN had expanded the programme to which, in addition to earthquake protection, they added coverage of catastrophic Atlantic and Pacific hurricane risk — hence its name, MultiCat. In April 2012, the MultiCat programme was extended again, tapping capital markets for USD 315 million of cover for another three years.

The MultiCat bond pays out automatically when agreed triggers are reached. Such coverage provides speedy funding in the immediate aftermath of a catastrophe. In effect, the Mexican government has locked in the funding for disaster relief before the disaster happens.

Luis Videgaray Caso, Mexico's Minister of Finance, comments: "The Mexican government is very committed to its disaster risk financing strategy, of which MultiCat is a very important element. These financial instruments are essential to managing the fiscal contingencies that stem from natural disasters."

Reto Schnarwiler, Head Americas, Europe, Middle East and Africa at Swiss Re Global Partnerships, added: "The Mexican government has designed the most advanced, comprehensive public approach to catastrophe risk management we have seen anywhere. We are honoured to work with them."

Swiss Re was the first reinsurance company to create a dedicated team to work with governments on their risk-transfer needs. The Global Partnerships team and other Swiss Re experts work with public sector officials in Vietnam, Mexico and around the world to build capacity and raise awareness about how re/insurance can protect public finances and enhance economic development.

Partnering for a secure future

Every year brings new headlines about how devastating natural catastrophes have put a country's resilience to the test. Developing countries — which have suffered an average of roughly USD 55 billion in economic damage from catastrophes every year over the past ten years — are particularly vulnerable.

Swiss Re is reaching out to governments to help them manage natural disaster risk. In 2012 Swiss Re teamed up with the Swiss State Secretariat for Economic Cooperation (SECO) to develop a training course for representatives from developing country governments that focuses on ways to prevent and prepare for disasters. Officials from ten countries took part in the first course held at Swiss Re's Centre for Global Dialogue alongside representatives from SECO, the World Bank, the Inter-American Development Bank and other organisations.

With its emphasis on practical risk mitigation, the eight-day course looked at how both traditional and innovative risk management strategies could be applied in participants' own countries. The case studies, presented in part by fellow government officials, ranged from funding schemes for immediate disaster relief to insurance for shortfalls in food production. Participants especially valued the session on climate change adaptation as the methodology presented is readily available and highly practical.

For more information on Swiss Re's engagement with the public sector go to:
www.swissre.com/globalpartnerships

The future looks bright

Swiss Re is working toward a sustainable energy future — in thought, word and deed.

Left Solar Impulse in flight. The solar-powered aircraft has the wingspan of an Airbus A340 and the weight of a family car.

Under the right conditions, more than 40% of the world's energy supply could come from solar and wind by 2050.

Eight-thousand times more energy hits the earth in a single hour than all of humanity uses in an entire year. The challenge is developing the means to capture it.

In addition to the sun, energy sources like wind and water are abundant and clean. Any one of them would be a better source of energy than fossil fuels — at least as far as the climate and the environment are concerned. But with nearly the entire global economy running on sources like gas, coal and oil, how can we steer away from traditional fuels and toward renewable energy? And can we do it quickly enough to meet the energy needs of a rapidly growing population?

Swiss Re is not only shining a light on these questions — it leads by example toward a sustainable energy future.

Envisioning the future

The International Energy Agency estimates that between now and 2035, world energy demand will increase by 40%. Ninety per cent of the 'new' demand is expected to come from emerging markets, notably China and India. Meeting these needs will require global investment of around USD 38 trillion. The question then becomes how to channel that investment in a way that promotes a more sustainable energy system.

The Scenarios for Climate Change (SCC) project, a research initiative supported by Swiss Re, has laid out six different scenarios. Under all of them, the global energy system will shift towards a greener power mix, with higher demand for low-carbon technologies. These include renewable energy sources like solar energy as well as adaptations to traditional sources, such as modifying coal-burning power plants so that the carbon they emit is safely captured and stored. In the most likely scenario, characterised by a "slow greening" of the world economy,

low-carbon technologies would deliver about 40% of the global energy supply by 2050. The share attributable to solar and wind power would rise from today's paltry 2% to 17%. And if the world actually took concerted action on climate change? The SCC foresees that the share of renewable energy could then rise to around 92% — and nearly half of that from wind and solar, with much of the growth happening in Asia.

Getting to the 92% scenario will require enormous start-up investments, and success will depend by definition on less mature technologies. It will also require favourable conditions across a variety of systems over time, ranging from weather to government regulation. In other words, there is a unique risk management dimension to building a sustainable energy future, and here Swiss Re's expertise can play a central role.

The future takes flight

Renewable energy pioneers — like pioneers in countless industries before them — will need the help of the re/insurance industry to manage the inherent risk of developing solar, wind and hydro power. The new partnership between Corporate Solutions and Solar Impulse, the world's first solar-powered airplane able to fly day and night, is one amazing example.

Swiss aviators Bertrand Piccard and André Borschberg built Solar Impulse with the goal of flying around the world using only solar energy. Through Corporate Solutions we are proud to be their official insurance provider. The partnership is a sign of our support for innovation and an encouragement to everyone engaged in the search for clean, safe and forward-looking sources of energy. In 2012 Solar Impulse travelled more than 6,000 kilometres on solar power alone and achieved the world's first solar-powered intercontinental flight, showing what we can already achieve without fossil fuels — and that a clean energy future is not as distant as it may seem.

We watch vigilantly over our own portfolio, and stay on top of market and technological developments to remain a steady, deliberate and proactive force in creating a sustainable energy future.

Leading by example

Solar Impulse is one inspiring example. Getting from our current situation to a sustainable energy future will require countless more. In our policies and in our business, we are trying to move both the supply and demand sides of the equation in the right direction. Twenty-one Swiss Re locations in Asia, Europe, North America and Oceania now use renewable power, fully or partially. Our goal is to use 100% renewable power by the end of 2013. In our Zurich headquarters we only buy "naturmade star" electricity (www.naturmade.ch), which meets tough ecological quality criteria. In Munich we purchase our electricity from NaturEnergie (www.naturenergie.de), one of Germany's premier suppliers of renewable energy.

Of course the most direct impact we have on the world's energy system is through our business. We look critically at potential energy projects that may have an adverse effect on our energy future through our Sustainability Risk Framework. Our Sustainability Risk team monitors developments that may have similar implications, such as fracking and tar sands, and develops appropriate policies. By watching vigilantly over our own portfolio, and staying on top of market and technological developments, we hope to remain a steady, deliberate and proactive force in creating a sustainable energy future, and so build long-term value for our shareholders and society at large.

Cutting CO_2 emissions across the Group

Launched in 2003, our Greenhouse Neutral Programme combines two commitments: to reduce our CO_2 emissions per employee and to offset the remainder. We have achieved cuts in CO_2 emissions by switching to renewable power at many of our locations, by reducing the amount of energy consumed per employee at our facilities and by minimising business travel.

55.6%

Total reduction in CO_2 emissions per employee since 2003
(54.4% by 2011)

The Greenhouse Neutral Programme helped us achieve a total reduction in CO_2 emissions per employee of 55.6% against the baseline of 2003. All remaining emissions since 2003 have been offset.

Helping local communities to survive — and thrive

Left: Women planting rice using a crop intensification system developed by the Watershed Organisation Trust

Agricultural communities in the hot, semi-arid state of Maharashtra in Western India face challenging conditions: more than 90% of the 16 million hectares of arable land available to them have suffered ecological degradation. Climate change will make these conditions even more difficult by making rainfall more variable, temperatures more extreme, and pest attacks harder to predict and repel.

The Swiss Re Foundation supports the Watershed Organisation Trust (WOTR), a local not-for-profit organisation, in its efforts to help communities in Maharashtra cope and adapt. Among other measures, WOTR is helping villagers collect and harvest rain water, learn and apply sustainable agricultural practices, and conserve soil and water.

This work will enhance food and income security, especially for the poor. The project is also designed to empower women and combat child malnutrition, demonstrating how environmental and social sustainability can work hand in hand.

The Swiss Re Foundation is a non-profit organisation founded in 2012. It supports efforts to improve conditions for communities affected by natural disasters, climate change, population growth or pandemics. The Foundation provides grants for education and training, research and innovation, development aid and the promotion of social responsibility. It also supports community projects where Swiss Re has offices and encourages volunteering by Swiss Re employees.

For more on the Watershed Organisation Trust
www.wotr.org

For more on the Swiss Re Foundation
www.swissrefoundation.org

The place to succeed

01 Christina Ulardic in Zurich

02 Sameet Shah in London

03 Neil Sprackling in New York

People are what make a company unique. So rather than talking for them, we asked three of Swiss Re's more than eleven thousand people to tell us about their impressions and experiences.

Q Tell us about your background and what brought you to Swiss Re.

A **Sameet Shah:** I was born in Kenya, trained in the UK, and worked for more than eight years at a large, traditional insurance company: a good employer, but it felt very lethargic… I couldn't see a way forward. I knew people at Swiss Re who said it was an energetic place, with young teams and a clear purpose to your role, where you could create change. I was enticed to apply — and it has lived up to all my expectations.

Christina Ulardic: I trained as a geologist in Germany and worked on climate change programmes for governments and NGOs — but I wanted to be more hands-on. To see concrete fruits of my training: real projects carried through with the commitment that comes from having a commercial stake in them. In my view Swiss Re is simply more innovative in this area than its competitors. Its people — and data, and expertise, and publications — are really impressive.

Neil Sprackling: I came here on a six-month fill-in job in London between school and university, but when I was about to leave to continue my studies, my managers called me in and laid out a whole career plan for me. It was attractive, it was appropriate for me… so I stayed on. What they promised, they delivered: I've now been with Swiss Re since 1997.

Q What experiences at Swiss Re do you value most?

A **Christina:** What I'm doing, micro-risk in sub-Saharan Africa, is something that didn't exist — we created it. So I had the chance to be an entrepreneur, develop a whole business, invent new contracts, and work in a place that always fascinated me. It's pretty cool.

Sameet: You take ownership of your destiny. I wanted to move on from Marketing to Risk Management — from hunter to gamekeeper, you might say. The role wasn't there at the time, but I discussed it with my manager and it became possible. So now I have a position with a global outlook, but


02


03

am still in contact with the front lines. I can see real value, not just for me but for Swiss Re, in this mobility: our success depends on people's ability to change responsibilities and gain new perspectives.

Neil: For me, it's a whole series of experiences — moving to Spain to set up a new office (and meet the woman who's now my wife). Going from there to Australia to help turn around a whole line of business. Then, this year, coming to this new position and new opportunities in New York. I'm a committed kind of person; I put everything into it. These new challenges and new cultures keep me learning and keep me energised.

Q Is there a quality that sets Swiss Re apart?

A Neil: We've hired people who worked for competitors, and they say what sets Swiss Re apart is the focus on career development. If you're clear about what you want, you're supported by training, evelopment, mentoring at an executive level. There are so many roles here: each one is an opportunity to grow as a person.

Sameet: I was very struck by the effort put in to articulate Swiss Re's values, setting out how we work, not just what we do. It's encouraging that management has embraced the values so clearly. It's not just the bottom line; people support each other to do a good job. That's unusual in my experience.

Christina: There's a commitment to sustainability — which also means commercial sustainability. We are trying to do good, not in a purely ethical or philanthropic way, but to sustain our long-standing commercial reputation. Business and social agendas converge: if people don't think we are offering a good service for a good price, they won't buy. That's as true for subsistence farmers in Rwanda as it is in Zurich.

Q How would you describe Swiss Re to someone thinking of working here?

A Christina: Work is two-way: what you bring and what you get. The doors are open here; the opportunities are there for creative people. Be true to yourself. Work with people you respect. Try to be entrepreneurial. Don't be passive.

Neil: I've worked in Europe, in Asia, and now in America — I've met Swiss Re people with all sorts of experiences, but the consistent thing about them to me is quality and integrity. They're bright, trustworthy people. The business culture may be completely different, but the way we do business is the same.

Sameet: Learn the brand, its values and commitments, because you will become part of it. It's not an easy ride, but you will enjoy it. Expect to be stretched, challenged, and have fun — because that's exactly what will happen.

For more information about working at Swiss Re see **swissre.com/careers**

Sameet Shah is Head Risk Assessment & Governance for Reinsurance and a Member of Swiss Re's Reinsurance Risk Leadership team. Sameet leads a team responsible for reviewing large individual reinsurance transactions, monitoring the accumulation of insurance risk exposure for particular scenarios and reviewing underwriting guidelines. Before moving into Risk Management in 2010, Sameet worked for Swiss Re's Client Markets as a marketing actuary for life and health clients in the UK and Ireland. Sameet joined Swiss Re in 2005.

Neil Sprackling is President of Swiss Re's Life & Health US Business. Neil has more than 27 years of reinsurance experience spanning the UK, Spain, Latin America, Australia and New Zealand. His professional experience includes client management, underwriting, and marketing. He has led various business and industry programmes on behalf of Swiss Re and currently serves on committees at the American Council of Life Insurers Financial Services Steering Committee and the Task Force on the Future of Regulation. Neil joined Swiss Re in 1997.

Christina Ulardic works for Corporate Solutions in Environmental & Commodity Markets. She develops weather index and crop yield shortfall risk transfer solutions. Africa is her main geographic focus; the clients are investors, financial service companies, corporate and public sector entities. Before joining Swiss Re she worked for the Chilean geological survey, the climate change programme of the United Nations Institute of Training and Research in Geneva, and the German Federal Ministry for the Environment in Berlin. Christina joined Swiss Re in 2004.

General information

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets and trends) 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 or cause Swiss Re to not achieve its published targets. Such factors include, among others:

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- policy renewal and lapse rates;
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- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations by regulators;
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Corporate calendar

Key dates

For updates and further information see **swissre.com/investors/events/**

10 April 2013
149th Annual General Meeting

2 May 2013
First quarter 2013 results

8 August 2013
Second quarter 2013 results

7 November 2013
Third quarter 2013 results

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