Into the eye of the future

Michel M. Liès, Group CEO Swiss Re
PwC Breakfast Briefing
Monte Carlo, 10 September 2012
Today's agenda

- Setting the stage: 
  Challenging environment

- On stage: 
  What this means for the insurance industry

- Backstage: 
  Looking into the future
Setting the stage: Challenging environment
Challenging environment – not just for insurers

regulatory environment
changing risk landscape
Insurance Industry
weak growth
low interest rates, inflation, price pressure
financial markets, sovereign debt
mature markets, high growth markets
shrinking client loyalty
Historically low interest rate environment

Source: Bloomberg data as of 20 March 2012
* Including German Repo Rate until 31.12.1998 and ECB Refinancing Rate from that date onwards
How do low interest rates affect non-life insurance?

Based on US industry data for 2011

Source: Swiss Re Economic Research & Consulting
Slowdown of economic growth

Real GDP growth

Source: Economic Research & Consulting
2011: Annus horribilis in terms of natural catastrophes
The insurance and financial services industry has entered a new phase in terms of regulatory reforms.

**Speed and number of reforms is alarming**
- The insurance sector has limited time to engage and assess the impact of the regulatory reforms...
- Many regulators and policymakers are also overwhelmed...
- The regulatory clock is ticking...
On stage:
What this means for the insurance industry
Premium growth was only negative twice before the financial crisis of 2008
Economic recovery, interest rates and regulatory developments impact profitability

Profitability of global non-life insurance industry (% of premiums, shareholder capital)

Source: Economic Research & Consulting; Aggregation based on eight major insurance markets
Backstage:
Looking into the future
Insurance penetration remains low – huge potential

Natural catastrophe losses 1980-2011* in USD bn

% of people claiming to be financially "well positioned" in event of suffering a long-term illness or disability, or death

Note: Loss amounts indexed to 2010  Source: Swiss Re sigma catastrophe database
Risk landscape is changing
Smart expansion

- Product-oriented
- Client-oriented
- Relevant to society
The re/insurance industry absorbs shocks...

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Percentage of Total Losses</th>
<th>Percentage of Insured Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>World Trade Centre</td>
<td>47%</td>
<td>50%~60%</td>
</tr>
<tr>
<td>2005</td>
<td>Hurricane Katrina, Rita and Wilma</td>
<td>50%</td>
<td>35%</td>
</tr>
<tr>
<td>2010</td>
<td>Earthquake in Chile</td>
<td>27%</td>
<td>95%</td>
</tr>
<tr>
<td>2011</td>
<td>Earthquake in New Zealand</td>
<td>80%</td>
<td>70%</td>
</tr>
<tr>
<td>2011</td>
<td>Earthquake in Japan</td>
<td>17%</td>
<td>40%</td>
</tr>
</tbody>
</table>

1Based on Holborn, 2009 catastrophe losses
...and provides capital for the real economy

Year-end 2011, USD trillion

- Pension funds: 30.9
- Insurance companies: 25.0
- Mutual funds: 23.8
- Sovereign wealth funds: 4.8
- Private equity: 2.6
- Hedge funds: 2.0

Sources: Pension funds – CityUK; Insurers – Swiss Re Economic Research & Consulting; Mutual funds – Investment Company Institute; Sovereign wealth funds – Sovereign Wealth Funds Institute; Private equity – Deutsche Bank; Hedge funds – Hedge Fund Research, Inc.
Re/insurers absorb shocks, provide capital for the real economy and support risk prevention

→ this becomes ever more important in a challenging environment
Thank you
Legal notice

©2012 Swiss Re. All rights reserved. You are not permitted to create any modifications or derivatives of this presentation or to use it for commercial or other public purposes without the prior written permission of Swiss Re.

Although all the information used was taken from reliable sources, Swiss Re does not accept any responsibility for the accuracy or comprehensiveness of the details given. All liability for the accuracy and completeness thereof or for any damage resulting from the use of the information contained in this presentation is expressly excluded. Under no circumstances shall Swiss Re or its Group companies be liable for any financial and/or consequential loss relating to this presentation.