

Swiss Re



Insurance-linked Securities

An Overview of Securitisation for Capital Efficiency

Dan Ozizmir

Head of Insurance-Linked Securities

Rendez-vous de Septembre

Monte Carlo

9 September 2008



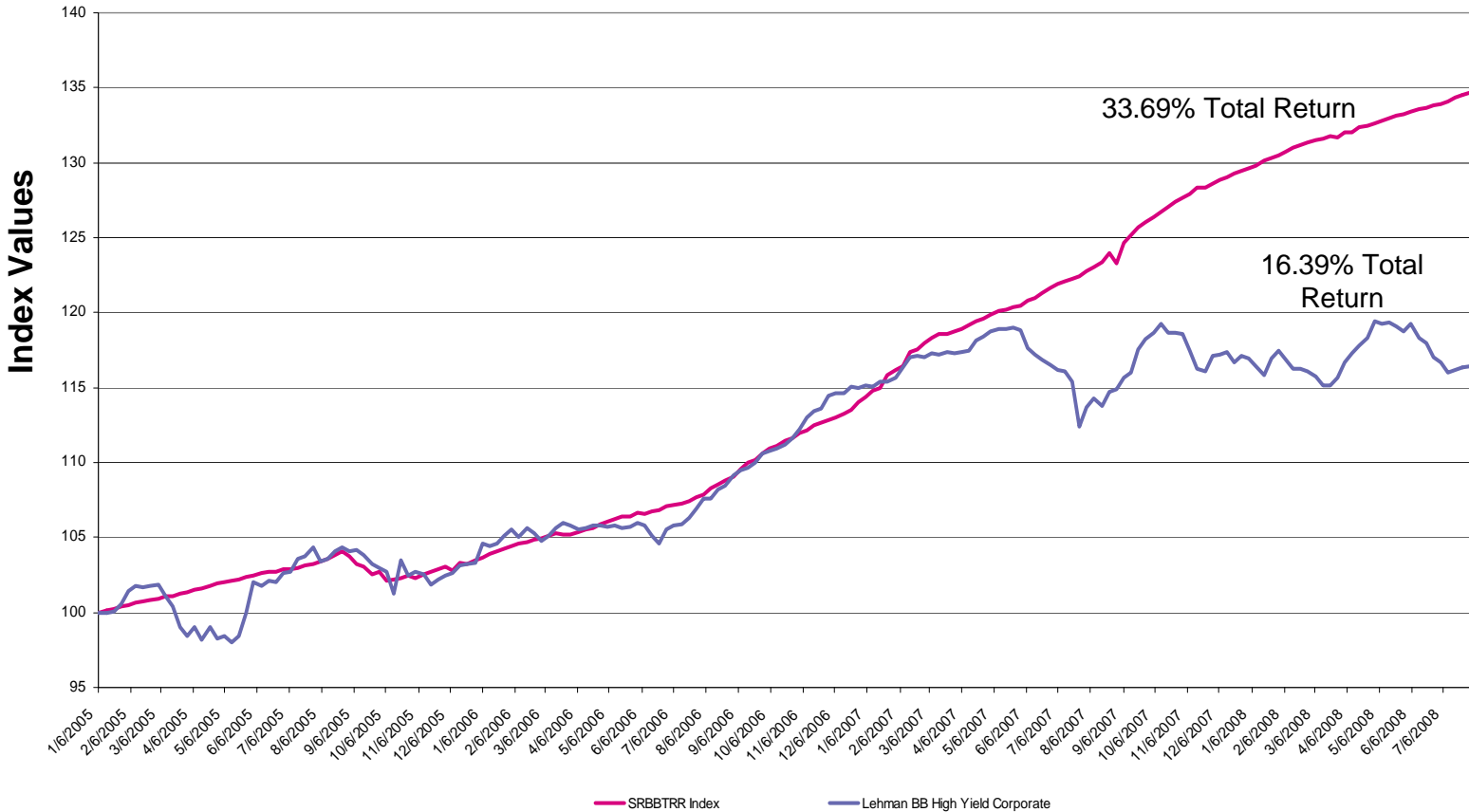
ILS and Capital Efficiency

- Over the past 18 months, secondary spreads on hybrid capital have widened dramatically for financial institutions, including European insurance companies.
- Secondary market spreads for nonlife ILS have tightened over the same time period.
- Volatile hybrid capital spreads make ILS (and reinsurance) potentially more attractive.



Relative Performance of ILS – vs. BB - Corporates

BB Performance from 1 January 2005 – 1 August 2008



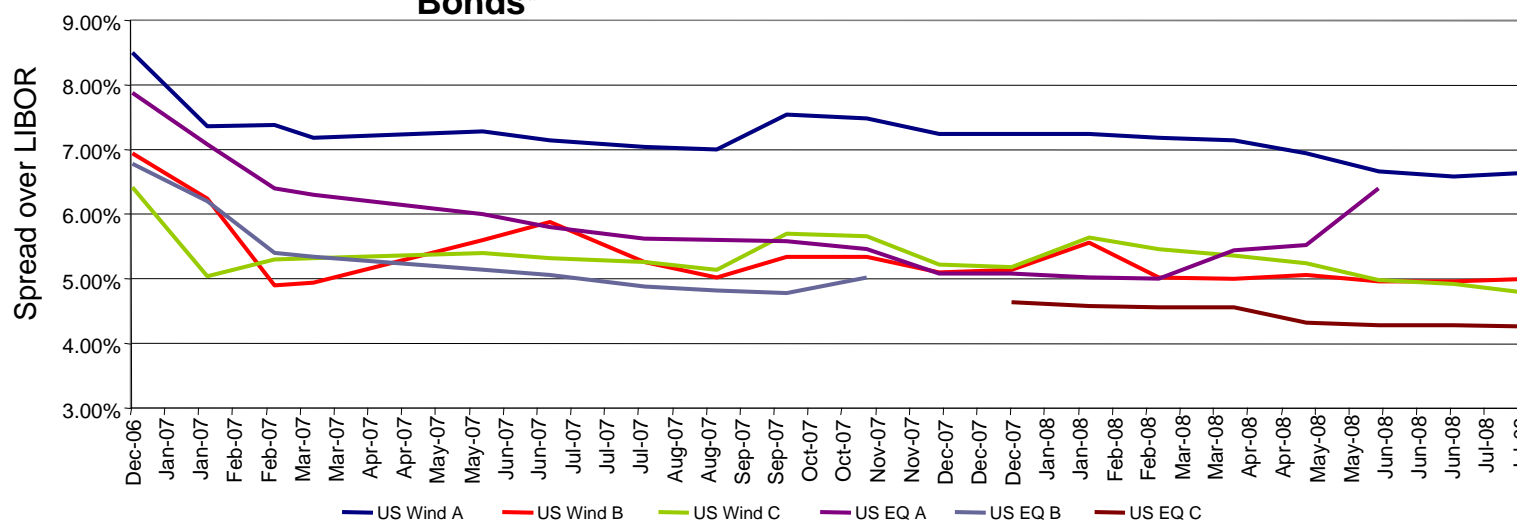
"SRBB Cat Bond Index", calculated by Swiss Re Capital Markets, is an equally-weighted basket of nat cat BB-rated cat bonds tracked by Swiss Re Capital Markets, calculated on a weekly basis; past performance is no guarantee of future results
Underlying data for Lehman BB Index provided by Lehman Brothers
Underlying data for "SRBB Cat Bond Index" is based on indicative prices only



Spread Tightening for Selected US Peril Cat Bonds

Issuer	Peril	Issuance Spread (bps)	Jul 31-08 Spread*	Spread Tightening (based on Issue)
US Wind A - May 2006	US Wind	8.50%	6.63%	-22%
US Wind B - June 2006	US Wind	7.00%	4.99%	-29%
US Wind C - November 2006	US Wind	6.75%	4.78%	-29%
US Earthquake A - June 2006	CAEQ	7.25%	6.40%***	-12%***
US Earthquake B - December 2006	CAEQ	6.75%	5.02%**	-26%**
US Earthquake C - December 2007	CAEQ	4.75%	4.27%	-10%

Secondary Market Spreads for Selected Cat Bonds*



*US Wind notes adjusted for seasonality, not adjusted for volatility.

**As of 11/02/07

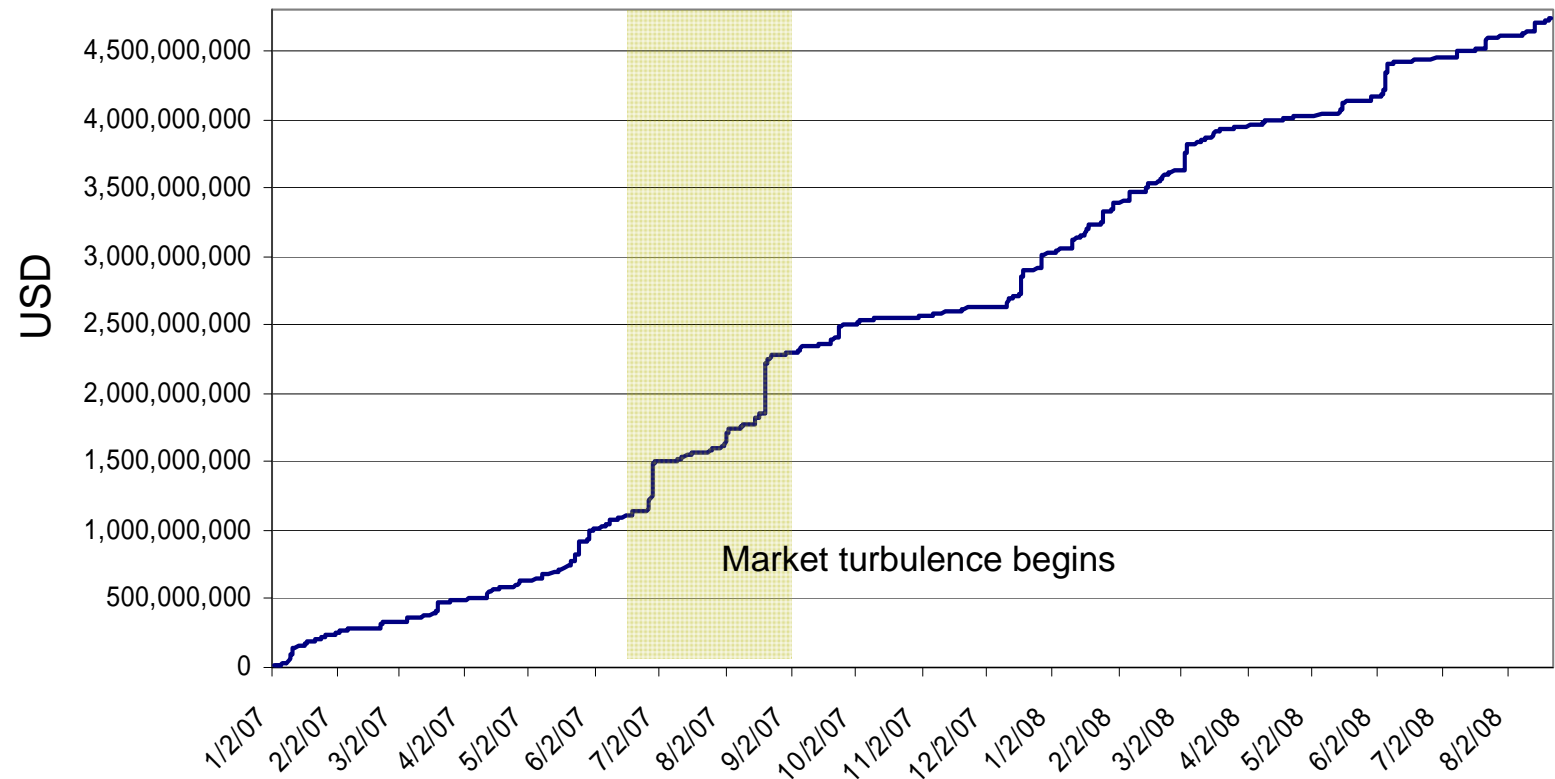
*** As of 06/06/08

Securitisation Market has Weathered Capital Market Turbulence

Swiss Re



Swiss Re traded over \$4.7 billion from 1 January 2007 – 22 August, 2008*



Source: Swiss Re Capital Markets

* Both Life and Nat Cat perils represented



ILS and Capital Efficiency

- ILS (and reinsurance) can complement equity and hybrid capital to create a more efficient capital structure.
- Potential impact of increased ILS usage:
 - Reduction in capital needs
 - Higher ROE
 - Potential for share buybacks or M&A
- Availability of ILS solutions will increase
 - As market players innovate
 - With the adoption and implementation of Solvency II



Various Value Drivers for Insurance-Linked Securities

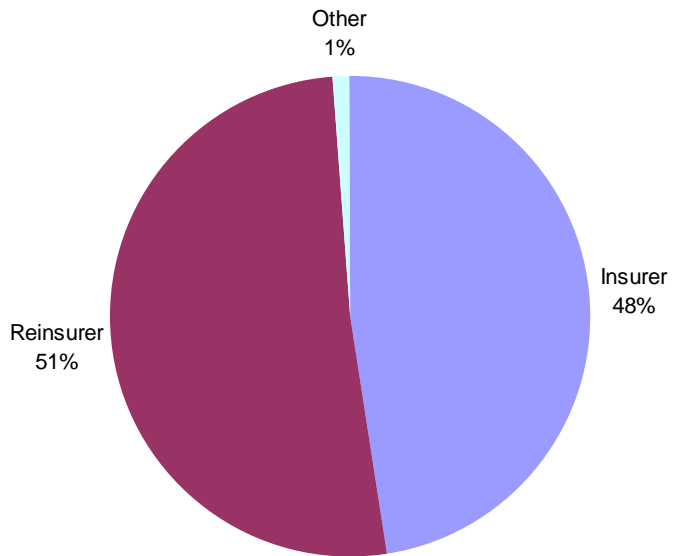
	Short term	Long term
<ul style="list-style-type: none"> ■ Increase capacity for growth 	<ul style="list-style-type: none"> ■ Use ILS to create capital and increase capacity 	<ul style="list-style-type: none"> ■ Impact on prices as a key driver for growth
<ul style="list-style-type: none"> ■ Increase RoE through higher turnover of capital & acceleration of risk through the balance sheet 	<ul style="list-style-type: none"> ■ Accelerate risks through the balance sheet and shorten “effective” holding duration 	<ul style="list-style-type: none"> ■ Use securitisation to increase the “R” and reduce the “E”
<ul style="list-style-type: none"> ■ Reduce/manage RoE volatility 	<ul style="list-style-type: none"> ■ Sell/hedge risks on both assets and liabilities 	<ul style="list-style-type: none"> ■ Management of the relationship between level and volatility of RoE
<ul style="list-style-type: none"> ■ Increase sustainability of the franchise 	<ul style="list-style-type: none"> ■ Continue first class execution ■ Establish tools and techniques to institutionalise processes 	<ul style="list-style-type: none"> ■ Recognised leader

- ILS is an effective risk management tool to increase capacity and transfer peak risks
- ILS can also be an effective capital management tool as risk transfer reduces capital requirements

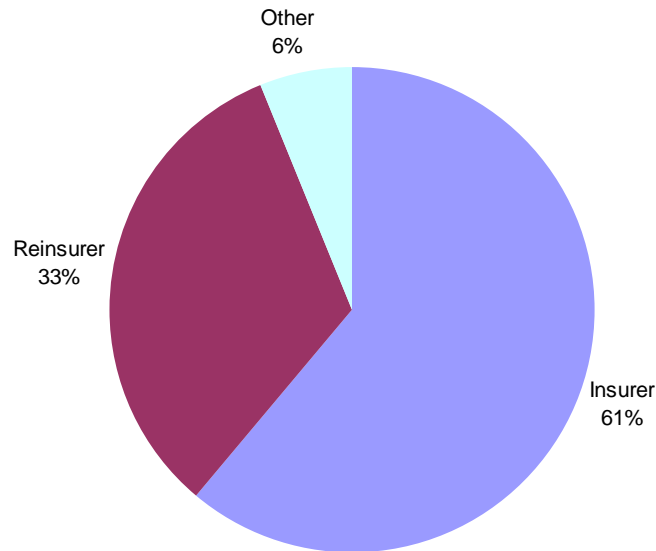


Sponsor Evolution

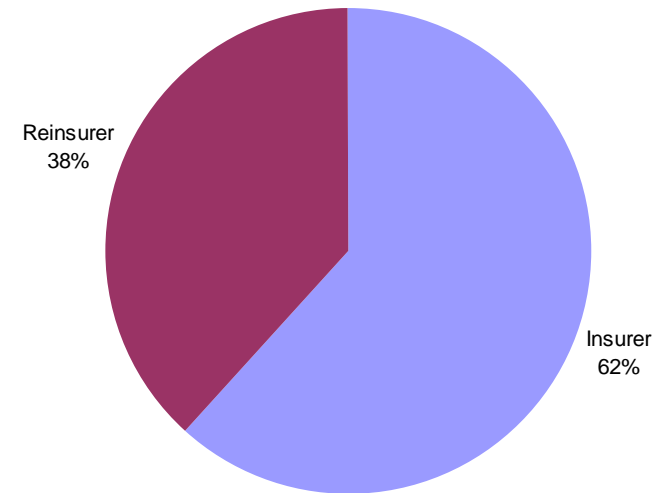
2006



2007



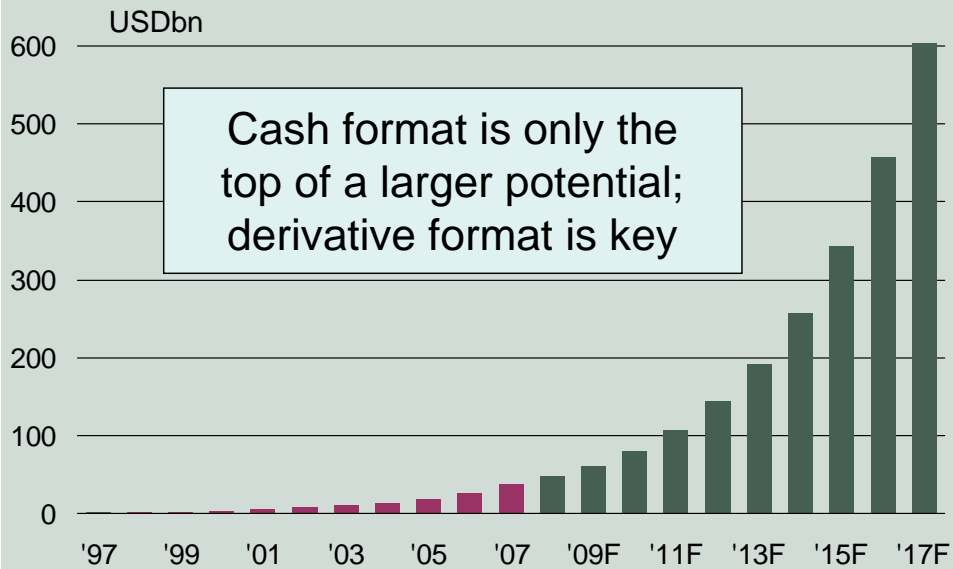
2008 (YTD)





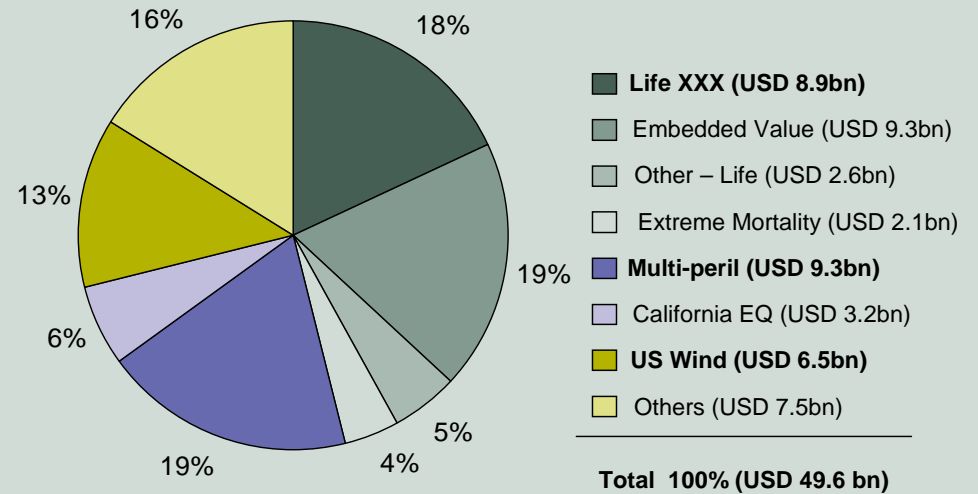
Transfer to Capital Markets is Expected to Increase

Potential future growth of ILS outstanding Projections using 75% of actual historical CAGR



Source: Swiss Re Capital Markets

Risks Securitized from 1997-2008* in USD billions



*As of 5 March 2008

Source: Swiss Re Capital Markets

Securitisation, ILW, collateralised quota shares and sidecars add to the flexibility of capital in the industry



5 Ideas to Consider

- Windstorm middle to top layers – Address more severe stress tests from rating agencies
- Multi-peril Top Layer for global peak risks – Most efficient risk transfer and earning protection for global players
- Aggregate/Second Event – Rating agency relief mainly for smaller companies
- Casualty/Run-Off – Rating agency and regulatory relief
- Life EV – Funding and capital for closed blocks



Contact Details

Swiss Re Capital Markets Corporation

Swiss Re Atrium Corporation

55 East 52nd Street

New York, NY 10055

Dan Ozizmir

Head of Insurance-Linked Securities Group

Swiss Re Capital Markets Corporation

Dan_ozizmir@swissre.com

+1 212 317 5584



Important Notice

This information is issued by Swiss Re Capital Markets Corporation ("SRCM Corp") and Swiss Re Capital Markets Limited ("SRCML"), together Swiss Re Capital Markets ("SRCM"). SRCM Corp is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"), and is regulated by the FINRA. SRCML (FSA Register Number 187863, VAT Registration number 244797524) of 30 St Mary Axe, London, EC3A 8EP is a company authorised and regulated in the conduct of its investment business in the UK by the Financial Services Authority ("FSA") and is entered in the FSA's register. The FSA's website <http://www.fsa.gov.uk/> contains a wide range of information of specific relevance to UK customers and provides access to the FSA register. This information is only intended for professional investors. Persons who receive this communication who are not professional investors should not reply or act upon its contents. The investments and investment services referred to are not available to private customers within the meaning of the rules of the FSA. Persons dealing with SRCML outside the UK are not covered by all the rules and regulations made for the protection of investors in the UK, and may not have the right to claim through the UK's Financial Services Compensation Scheme. This information is confidential and proprietary to us and is solely for your use and is not intended for any further dissemination. This document remains our property and must be returned to us on request and any copies you have made must be destroyed. It may not be reproduced or circulated without our written permission and may not be distributed in any jurisdiction where such distribution is restricted by law or regulation. Nothing in this document should be construed as legal, tax or investment advice nor interpreted as recommending any investment in any particular product, instrument or security and should not be relied on as the sole source of information upon which to base an investment decision. Unless otherwise agreed in writing, SRCM and its affiliates ("Swiss Re") are not acting as your financial adviser or fiduciary. This document is for information purposes only and does not constitute an invitation or inducement or an offer or commitment, a solicitation of an offer or commitment, or any advice or recommendation, to conclude any transaction. While information herein has been obtained from sources believed to be reliable, we do not represent it to be accurate or complete. The information contained herein includes illustrations, estimates and projections and involves significant elements of subjective judgment, assumptions and analysis. Any views or opinions (including illustrations, estimates, statements or forecasts) constitute our judgment as of the date indicated and are subject to change without notice. No representation is made as to the accuracy of such illustrations, estimates or projections or that all assumptions relating to them have been considered or stated or that such projections or returns will be realised. The returns or performance results may be lower than estimated herein. Note that past performance is not indicative of future results. The information contained herein does not purport to contain all of the information that may be required to evaluate such solutions and you are encouraged to conduct independent analysis of the data referred to herein. We do not undertake to update this document. Before you enter into any transaction, you should ensure that you fully understand the potential risks and rewards of that transaction and you should consult with such advisers as you deem necessary to assist you in making these determinations. Neither of us should rely on any representation or undertaking inconsistent with the above paragraphs. SRCM is not authorised to arrange insurance or reinsurance products, and if any such solutions are required an appropriate entity within the Swiss Re group would arrange or provide such product.