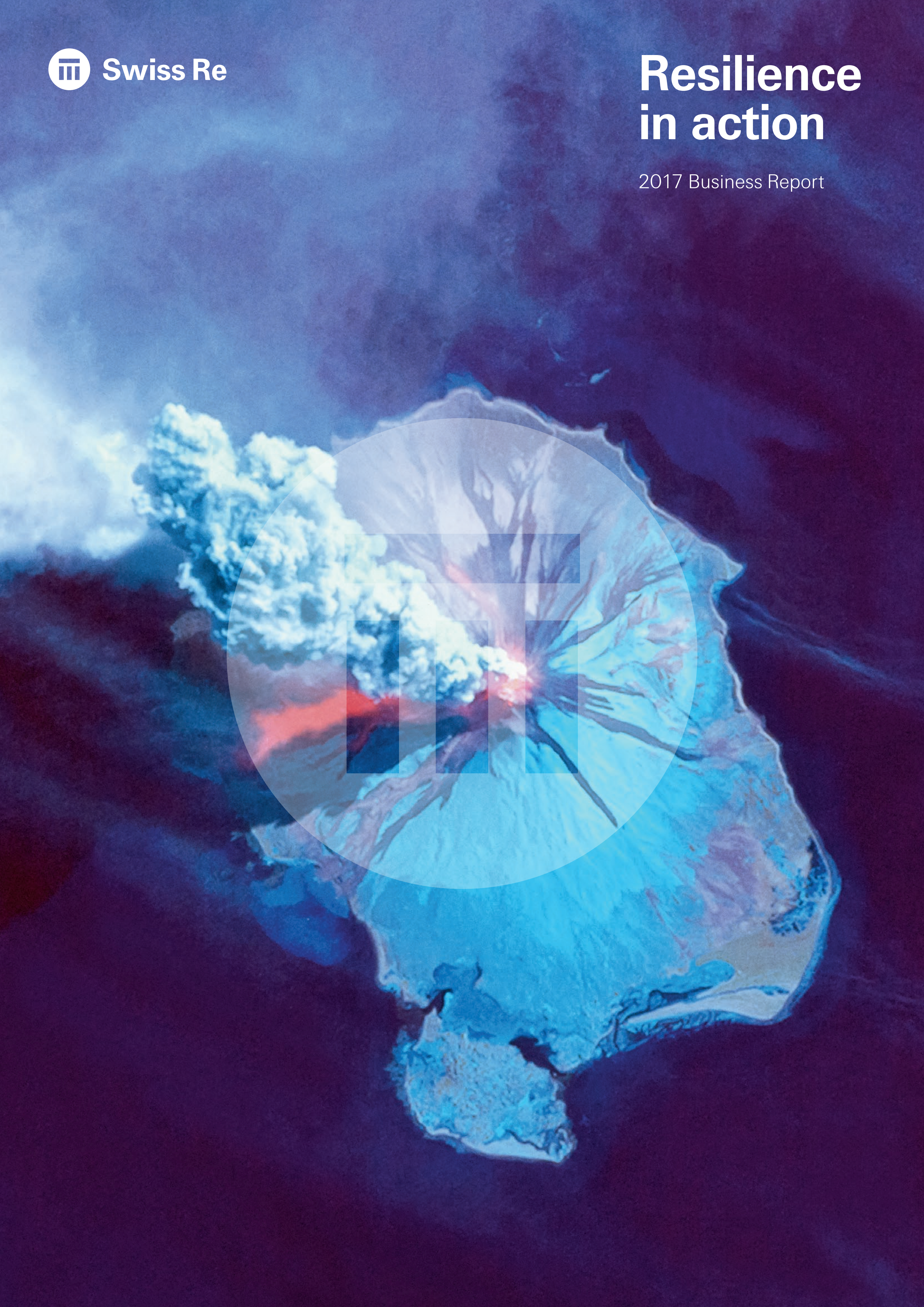
Swiss Re

Resilience in action

2017 Business Report



2017
Key highlights

Seizing opportunities

In 2017, Swiss Re entered several new partnerships, including working with the World Bank to co-structure their pandemic risk bond – the first of its kind. We also strengthened our footprint in Asia by establishing a dedicated reinsurance regional legal entity in Singapore and we received a branch license to operate in India, as one of the first foreign reinsurers.

Financial strength ratings
Standard & Poor's

AA–

stable
(as of 24.11.2017)

Moody's

Aa3

stable
(as of 19.12.2017)

A.M. Best

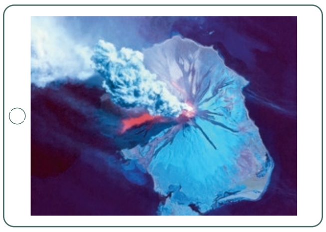
A+

stable
(as of 07.12.2017)

Proposed regular dividend per share for 2017
(CHF)

5.00

(CHF 4.85 for 2016)

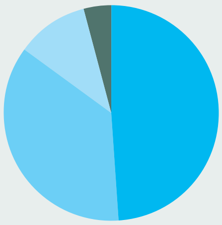


More information online:
reports.swissre.com

Research and development

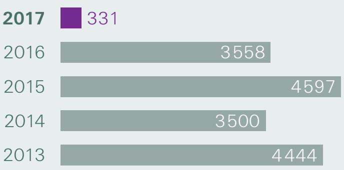
Throughout 2017, with the development of the Swiss Re Institute, we reaffirmed our commitment to investing in developing and publishing industry-relevant research from internal experts and external partners, in an effort to close the protection gap and make the world more resilient.

Net premiums and fees earned by business segment, 2017
Total: USD 33.7 billion



- 49% P&C Reinsurance
- 36% L&H Reinsurance
- 11% Corporate Solutions
- 4% Life Capital

Net income
(USD millions)



Shareholders' equity
(USD millions)

Enhancing our investment portfolio

Our knowledge-based approach continues to guide our capital allocation strategy, as we target the optimal mix of assets and liabilities. In 2017, we became one of the first in the re/insurance industry to integrate environmental, social and governance (ESG) benchmarks into our investment decisions.

Business Report

From helping in the aftermath of disaster to preventing weather-related losses: here are some highlights of the year.

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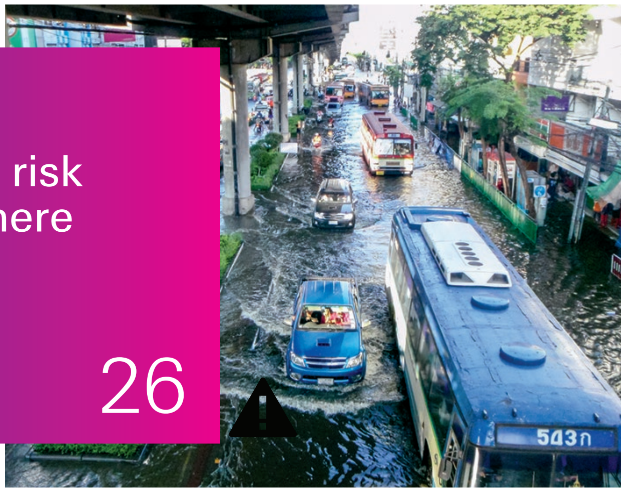
The year in review

Resilience in action



Resilience in action

Together, we apply fresh perspectives, knowledge and capital to anticipate and manage risk. That's how we create smarter solutions for our clients, helping the world rebuild, renew, and move forward.

Business Units at a glance

Working across diversified insurance risks and businesses to maximise shareholder value.

BUSINESS UNIT		NET PREMIUMS EARNED AND FEE INCOME (USD BILLIONS)	NET INCOME/LOSS (USD MILLIONS)
Reinsurance – Property & Casualty	2017	16.7	–413
	2016	17.0	2 100
Reinsurance – Life & Health	2017	12.0	1 092
	2016	11.5	807
Corporate Solutions	2017	3.7	–741
	2016	3.5	135
Life Capital	2017	1.4	161
	2016	1.2	638
Total (After consolidation)	2017	33.7	331
	2016	33.2	3 558

Reinsurance

Reinsurance provides clients and brokers with reinsurance products, insurance-based capital market instruments and risk management services. Reinsurance operates globally through two segments – Property & Casualty and Life & Health.

Corporate Solutions

Corporate Solutions provides risk transfer solutions to large and mid-sized corporations around the world. Its innovative, highly customised products and standard insurance covers help to make businesses more resilient, while its industry-leading claims service provides additional peace of mind.

Life Capital

Life Capital manages closed and open life and health insurance books. It provides alternative access to the life and health risk pool, helping to generate stable returns and seize attractive new opportunities.

Total

(After consolidation)

OPERATING PERFORMANCE | RETURN ON EQUITY

111.5%
(93.5% 2016)
Combined ratio

–3.5%
(Over-the-cycle target: 10%–15%)

13.1%
(10.4% 2016)
Net operating margin

15.3%
(Over-the-cycle target: 10%–12%)

133.4%
(101.1% 2016)
Combined ratio

–32.2%
(Over-the-cycle target: 10%–15%)

998m
(USD 721m 2016)
Gross cash generation

2.2%
(Mid-term target: 6%–8%)

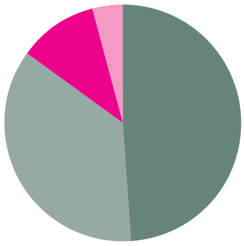
1.0%
(10.6% 2016)
Return on equity

+700 bps
Over-the-cycle ROE target of at least 700 bps greater than Swiss Re's designated risk-free rate, currently 10-yr US government bonds.

DIVERSIFIED AND GLOBAL

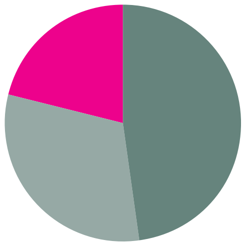
Net premiums earned and fee income by business segments
(Total USD 33.7 billion)

- 49% P&C Reinsurance
- 36% L&H Reinsurance
- 11% Corporate Solutions
- 4% Life Capital



Net premiums earned and fee income by region
(Total USD 33.7 billion)

- 48% Americas
- 31% EMEA
- 21% Asia-Pacific



Swiss Re's strategy helped navigate a turbulent 2017

Walter B. Kielholz
Chairman of the Board of Directors

Dear shareholders,
2017 was a turbulent year. It will go down in history as a year in which insurers – especially reinsurers – faced many claims from major natural catastrophes. Insurers saw their accounts hit by no fewer than three hurricanes in the North Atlantic, two earthquakes in Mexico, two large forest fires in California and storms in Australia. But after all, this is our business and the reason why we're here. That's why we provide a detailed overview of the 2017 natural catastrophes and their impact in our Annual Report. Incidentally, history shows that loss concentrations of this kind occur at a practically biblical rhythm of every five to seven years.

Proposed regular dividend per share for 2017
(CHF)

5.00

(CHF 4.85 for 2016)

The high storm activity clearly illustrated the potential consequences of climate change. While the frequency of storms in 2017 was not actually extraordinary when viewed in a multi-year comparison, it did show us what could happen if major storms were really to occur more frequently on a lasting basis, year after year. No one can predict how the insurance industry would actually deal with such a trend. In any case, Swiss Re will help contribute to managing the implications of climate change – both through our insurance solutions and our investment strategy. Mind you, this is also something that major institutional investors increasingly and vigorously call for.

It will be interesting to see how the insurance markets will respond to a year like 2017. Prices for insurance cover normally begin to drop after a series of "good" years, or in other words, years without large claims. This has been the case for quite some time now. But prices are set to rise again in the wake of a year such as 2017 – and this has been the case since the start of 2018, although the increases in the overall market are somewhat more muted than we would have expected. I am intrigued to see how the market dynamics will continue to develop. What we already know is that 2017 didn't particularly weaken insurance market capitalisation, which may indicate a more moderate correction in prices. This remains to be seen.

Geopolitical risks

A year ago, I commented on geopolitical risks, at that time in the wake of Brexit and the US elections. Do I feel reassured, one year later? No, I do not. However, the reasons for my concern about the geopolitical situation have shifted somewhat. I now take a slightly more optimistic view of the situation in Europe, with respect to both the political and economic conditions. While the situation in the UK remains very uncertain and the potential consequences of Brexit are still somewhat unclear, I am encouraged by developments in other European countries.

While the US is demonstrating economic strength that we haven't seen for years, the country is still bitterly divided on key issues – which will presumably worsen. I believe that the US is in the midst of a more substantial transformation than is suggested by the media's focus on President Trump and his Twitter activity. At the same time, the Middle East continues to be the scene of great political upheaval, and unfortunately, no rays of hope are discernible on the horizon at present.

Please be assured that the management and the Board of Directors of Swiss Re take these geopolitical developments very seriously and continue to monitor them closely – we remain vigilant.

Growth, inflation and interest rates

We are obviously pleased that the global economy has entered a growth phase, even more so as our business can only grow when other industries outside of the financial sector are growing too. The inflation so long-awaited by many could, however, be a headache for us if it gets out of control. Let's remember that we are vulnerable to inflation, especially in the liability business. In the past, it was very difficult to adjust for strong and sudden inflation hikes. Of course, we haven't reached that point yet. But the phase of highly expansionary monetary policy – whether traditional or non-traditional – is over, and there is little doubt that yield curves will change again – move upwards and get steeper.

In fact, we are happy to experience an almost normal economic situation of this kind; but the road leading there will be painful for the insurance industry, because it implies a long and sustained bond bear market. This is a nightmare for a re/insurance company like Swiss Re that holds nearly 77% of its financial assets in bonds – and the reason why we are striving all the more to keep a check on the negative medium-term effects. Ultimately, I am convinced that the near future will see the establishment of a new reality in the financial markets, in which we will also be able to operate very successfully again.

"I personally remain optimistic and confident that Swiss Re will continue its success story – thanks to our resources, financial latitude, global network and our employees' wealth of knowledge and expertise."

Knowledge and experience sets us apart

154 years

Digitalisation, big data, robotics, artificial intelligence

Forward-looking concepts in the fields of digitalisation and artificial intelligence are currently at the top of the agenda – and everyone is talking about these topics. People are either euphoric or concerned about them, depending on their standpoints and interests: some discussions suggest that business models run the risk of becoming obsolete sooner or later. Meanwhile, individuals are worried about their jobs and the world with which they are familiar. They wonder if their knowledge and skills, which they have worked hard to nurture, might cease to be needed from one day to the next.

I am convinced that today's concept of eco-system insurance will undergo drastic changes. A year ago, I already commented that I consider the distribution and production (intermediation) costs associated with insurance to be far too high given the modern technologies available. This also applies to other financial services, where the current situation has similarly attracted an almost frantic focus. We know, of course, that these far-reaching changes will probably take more time – but we also know that their effects will be felt all the more profoundly and rapidly when they do take hold. I believe that modern technologies will completely disrupt the insurance industry's value chains and pose great challenges to the entire industry's structure.

We have to be strategically prepared for this. We believe that digital disruption will have a less immediate impact on reinsurance and major risk business than on direct insurance business. And we believe that having an agile personnel and organisational infrastructure will be advantageous for purposes of flexibly adapting traditional business models. Nevertheless, we are not naïve: we certainly cannot allow ourselves to become complacent in such a radical phase of change – on the contrary, we want to play an active role in shaping it. Waiting anxiously and doing nothing is never a useful strategy. Swiss Re is therefore examining various strategic options that will enable us to respond rapidly to the digital transformation and fully capitalise on its future potential.

Meanwhile, this all comes down to the main aspect of our strategy: the allocation of capital and resources to emerging business models as well as the leveraging of newly established intermediaries to gain access to risk pools and end customers to which our traditional primary insurance partners have little access. Of course, we also aim to find new ways of assessing and evaluating risks – thanks to new analytical methodologies in a highly interconnected world of infinite data volumes.

Who knows where this journey will lead… but we are definitely living in exciting times. I personally remain optimistic and confident that Swiss Re will continue its success story – thanks to our resources, financial latitude, global network and our employees' wealth of knowledge and expertise.

In conclusion, let me draw your attention to a few important personnel changes: In light of the ongoing renewal of the Board of Directors – a process that we launched some years ago – I am very pleased that we have attracted three outstanding individuals to stand for election to the Board. At the next Annual General Meeting on 20 April 2018, we will propose Karen Gavan, Eileen Rominger and Larry Zimpleman as new, non-executive and independent members.

Karen Gavan has over 35 years' experience in various senior-level finance and management positions in insurance companies, both in life insurance and property and casualty business. Eileen Rominger is a recognised investment professional with extensive investment management experience. Larry Zimpleman boasts a successful 44-year career with the Principal Financial Group, an investment management firm that provides insurance solutions and asset management and pension products to private individuals and institutional clients. In the course of their diverse careers, all three have accumulated extensive international experience and sound insurance expertise, as well as wide-ranging skills in the field of new digital insurance solutions and offerings.

After 17 years as a member of the Board of Directors, Rajna Gibson Brandon has decided to step down. Mary Francis and C. Robert Henrikson, current members of the Board of Directors, also plan to retire at the next Annual General Meeting. I would like to thank Rajna Gibson Brandon, Mary Francis and C. Robert Henrikson for their great dedication and valuable contribution – not to mention the strategic advice and knowledge they have placed at our disposal over the years.

As already communicated, there is also a change to our Group Executive Committee: John R. Dacey will become the new Group Chief Financial Officer, succeeding David Cole, with effect from 1 April 2018. John R. Dacey joined Swiss Re's Group Executive Committee as Group Chief Strategy Officer more than five years ago, and has successfully led several strategic initiatives. His career in the re/insurance industry spans over 20 years, during which time he has held a range of management positions. After more than seven years at Swiss Re, David will step down as Group CFO on 31 March 2018 to pursue a non-executive career. He will, however, remain a member of the board of directors of several Swiss Re subsidiaries. We would like to thank David Cole for his management expertise and outstanding contribution to Swiss Re.

In addition, I would like to thank our approximately 14 500 employees around the world – also on behalf of the Board of Directors and the Group Executive Committee – for their impressive commitment in 2017. It was largely thanks to their efforts that we were able to successfully navigate a very demanding year. And, finally, I would also like to thank you, our shareholders, for your trust and ongoing support and I wish you a successful 2018.

Zurich, 23 February 2018

Walter B. Kielholz
Chairman of the Board of Directors

Industry trends

An overview of some of the observed trends that are likely to have an impact on the re/insurance industry.

Geopolitical risk

In line with recent geopolitical trends, international commitment to cooperation in terms of trade, security and free movement of people is deteriorating. After a prolonged period of cooperation following the financial crisis, regulators today also seem to have less of an appetite for globally-aligned policy reforms. The chances of global re/insurance regulatory standards being agreed and implemented have diminished and a more territorial approach to supervision seems to be on the rise. The resulting fragmentation limits diversification possibilities and regulatory predictability, and it increases operational costs by requiring more local regulatory considerations. Additionally, more fragmented regulatory approaches will be less effective in promoting financial stability. Such developments may eventually lead to trade barriers and market access issues around the globe. They could also undermine re/insurers' ability to support economic activity and close the protection gap.

Monetary policy shift

The US Federal Reserve (Fed) is expected to raise interest rates further. The central bank will need to walk a thin line between monetary policy normalisation and avoiding an unwarranted tightening in financial conditions. Inflation is the key risk that could force the Fed to hike rates more aggressively and trigger adverse financial market reactions. Re/insurance growth is often linked to GDP growth and strong global economic growth helps re/insurance make progress in bridging the protection gap.

Transformation of business models

We are experiencing the emergence of new business models that create customer centric digital journeys extending beyond what end users could previously obtain. These developments trigger new re/insurance demand, or change customer expectations for example with regards to digital interaction. Newly transformed customer centric business models will trigger further demand for novel insurance products and distribution channels, while at the same time increasing requirements for innovative solutions and data privacy. However, existing regulatory frameworks that are not appropriately geared to technology-driven innovation could limit the ability of insurers to deploy technology-based solutions, at least in the long-term.

Climate change

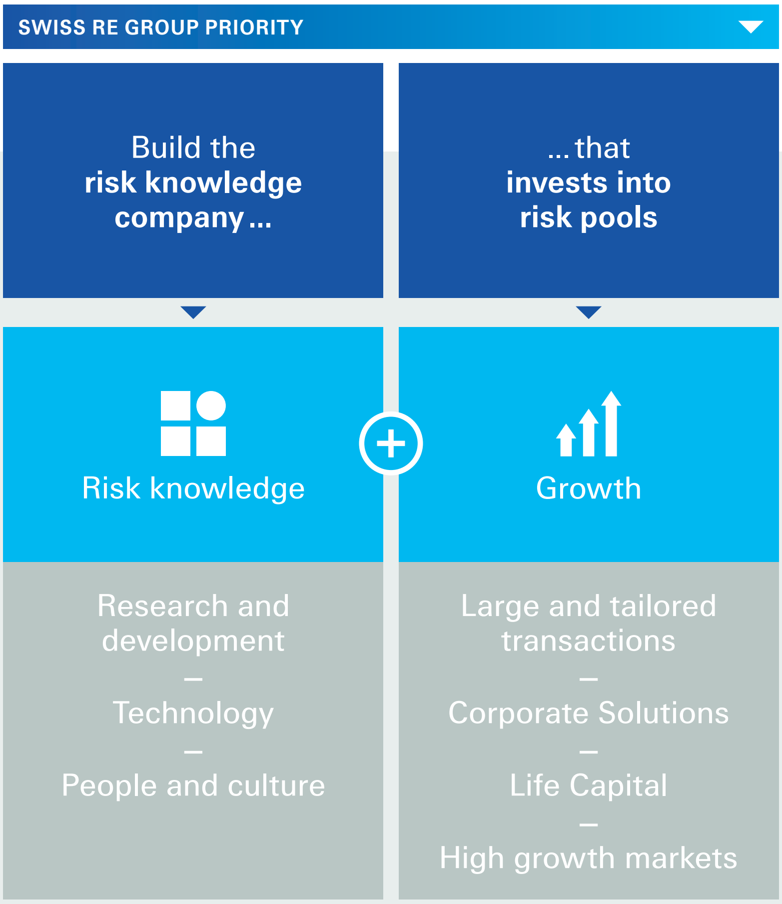
Physical risks posed by climate change could potentially affect three areas of the re/insurance business: reduction/disruption of insurers' operations, modelling and pricing weather-related natural perils, and impact on the economic viability of re/insurance for risks exposed to extreme weather events. In the face of these risks, it becomes increasingly imperative that insurers are able to diversify risks globally. It is therefore important that governments work to remove remaining re/insurance market access barriers.

Swiss Re maintains its commitment to creating long-term value

Christian Mumenthaler
Group Chief Executive Officer

Dear shareholders,
2017 was a demanding year for our industry – and for Swiss Re. I'm sure you remember the news headlines about Cyclone Debbie in Australia, the hurricanes in the US and Caribbean, the earthquakes in Mexico or the wildfires in California. Above all else, disasters like these are human tragedies. I was troubled and deeply moved by the devastation to families and whole communities.

In such difficult times, we are here to help people and businesses get back on their feet. That has always been our purpose. And it's what makes working here so rewarding for me personally. I'll remember 2017 as another year of truth for Swiss Re: it was and remains our priority to support our clients and the people affected by severe natural catastrophes.



Despite the estimated large insurance claims of 2017, we reported a full year net income of USD 331 million. Our decisions in recent years to keep excess capital on our balance sheet and to be disciplined in our underwriting mean that – even after the losses – our capital position is very strong and our financial flexibility remains high. Our commitment to creating long-term value for you, our shareholders, as well as for our clients remains unchanged.

Unfortunately, last year's natural disasters also highlighted the fact that a lot of people do not have insurance. That can be due to a variety of reasons, such as lack of access or awareness. In fact, the number of people around the world who are not protected has been increasing. This is due to population growth and more people living in areas that are prone to natural disasters – Florida is one example.

We've been determined to tackle this gap in insurance coverage – we call it the protection gap – for many years. In 2015, the global protection gap amounted to around USD 153 billion for natural catastrophe risk. In my opinion, this number is far too big. It represents too many people that will not have the financial support necessary to rebuild their lives when natural catastrophes strike in the future. It also represents a threat to entire economies.

Our industry plays a major role in ensuring financial stability and, therefore, we need to keep working hard to close this protection gap. This will require more than traditional reinsurance solutions. It's my ambition over the coming years to strongly position Swiss Re as a risk knowledge company. What do I mean by this? I mean that Swiss Re applies its 154 years of risk knowledge and partners with our clients so that, together, we can develop innovative insurance solutions that reach more people. In doing so, we are making the world more resilient.

Moving the needle on investments

Swiss Re is among the first in the re/insurance industry to systematically integrate environmental, social and governance (ESG) benchmarks into its investment decisions.

Reducing risks

We're in it for the long-run. And so are our investments. As an early adopter of ESG investment principles, Swiss Re is leading the way towards a more resilient future by increasing its environmental, social and governance accountability. Responsible investment has been for a long time part of our DNA, and our recent switch to ESG benchmarks has helped us further mitigate risk in our investments while still benefiting from the upside potential.

Further challenges

The integration of ESG considerations along the entire investment process makes economic sense, as it results in superior risk-adjusted returns over the long term. However, broader adoption of responsible investment approaches requires regulatory harmonisation, clear industry standards and consistent ESG integration in company analysis.

Swiss Re remains a leading player in the industry, supporting the development of robust regulatory and benchmarking frameworks with clear definitions, standards and methodologies that will also enable the creation of suitable investment products needed to secure widespread adoption of ESG criteria.

Growing impact

We continually explore options to further integrate ESG criteria into our investment decisions. With this move, we hope to encourage the development of business models that help make economies more resilient and improve longer-term financial market stability. The impact of applying ESG criteria into the entire USD 75 trillion institutional asset base could have a transformational effect on our world.

Full year net income
in USD millions, 2017

331

(2016: USD 3.6 billion)

Innovative solutions to make the world more resilient

We made progress towards that goal in 2017. We co-led the World Bank's Pandemic Emergency Financing Facility (PEF). In case of a disease outbreak, cash will be automatically paid to response agencies and national governments to finance emergency interventions. Payouts will be made when a set of pre-determined thresholds are met, such as number of deaths or infections within a given timeframe. PEF was developed in response to the Ebola crisis of 2014 where, as you may remember, response funds only became available months into the outbreak. PEF will allow funds to reach affected countries in as little as ten days. In that sense, we expect it to save lives and prevent an outbreak from becoming a larger international crisis.

Solutions like this are only possible with the latest technology. And, in general, technology is having a big, mostly positive impact right across the insurance value chain. For example, Magnum – our underwriting software for life and health insurance products – enables our primary insurance clients to automate the risk assessment process, providing instant underwriting decisions. In 2017, Magnum processed more than 10 million applications globally. Furthermore, it provides our clients with meaningful data insights, so that they can better understand their customers and develop products that are even more tailored to their needs. At the same time, we gain insights into the drivers of profitability in the biometric risk business. In this way, we work together with our clients to extend insurance coverage.

Technology is also changing insurance distribution channels. Just as we can buy books or groceries online, you can easily buy life insurance online, too. Our digital life insurance platform, provided through our iptiQ business, makes it possible to reach the people who don't buy insurance through traditional insurance distribution channels, such as agents – and for the price of a coffee per day. With the platform, our clients can take advantage of our technology and knowledge, but distribute products under their own brand. There's great potential to provide security and peace of mind to millions of people.

At the same time, with digital solutions we're improving our international business capabilities to better support our commercial insurance clients around the world. We work with our clients – from retail operators to real estate companies and from schools to hotels – to provide a better understanding of the current and future risks they face and develop innovative solutions that meet their specific needs and risk exposure. Insured businesses are more resilient businesses because in the event of a disaster, we help them get back to work and serving their own customers quicker.

"Our strategy and near-term priorities set us up well to continue partnering with our clients and applying our knowledge to develop solutions that directly tackle the protection gap."

Let me share a tangible example: when hurricanes Harvey, Irma and Maria hit last year, we received more than 200 loss notices from our commercial insurance clients in the days immediately after the hurricanes made landfall. To handle the claims quickly, we reallocated staff across regions and lines of business and we were able to get back to clients within one business day. In one case, we provided a fast, substantial payment to a school that was significantly damaged in one of the most affected areas. With this money, we helped the school start reconstruction quickly, and it's on track to re-open in time to host the graduation ceremonies for its senior class.

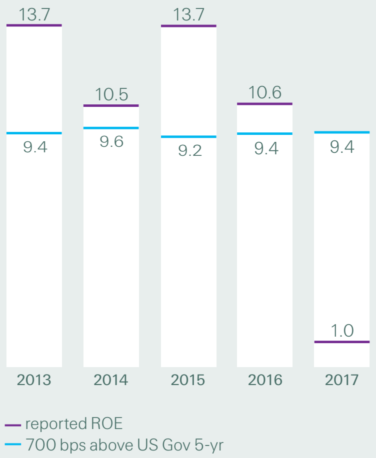
Our financial performance in 2017

After several years with below average natural catastrophe activity and corresponding very strong returns for shareholders in our property and casualty (P&C) businesses, the events of 2017 – totalling USD 4.7 billion in expected claims – took a toll on our results: P&C Reinsurance reported a loss of USD 413 million and Corporate Solutions reported a loss of USD 741 million. As the US is the largest market for our commercial business, Corporate Solutions' result was particularly impacted by the natural catastrophes there. We remain fully committed to the Business Unit and, as we previously communicated, we have strengthened its capital position with a USD 1.0 billion capital injection.

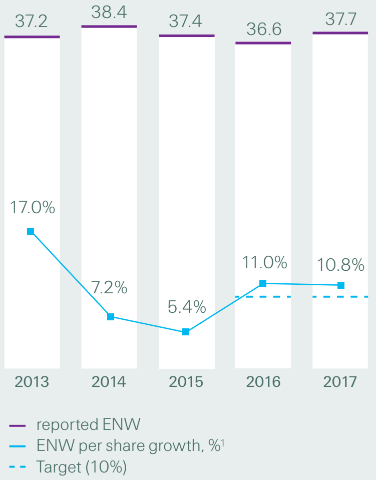
Following such large re/insurance losses that affect the whole industry, the prices for re/insurance products tend to rise. In the January 2018 renewals, we saw a 2% increase in prices which was most pronounced in the property lines affected by natural catastrophe losses. This is positive for us, our industry and, in my view, is necessary. With the majority of loss affected property business in the US still to be renewed in July, we will keep steering pricing towards levels that are more appropriate for the risks we take on – also to ensure the long-term sustainability of the insurance value chain.

OUR FINANCIAL TARGETS

Return on equity
(in %)



Economic net worth
(in USD billions)



[1] The 10% ENW per share growth target is calculated as follows: (current-year closing ENW per share + current-year dividends per share) / (prior-year closing ENW per share + current-year opening balance sheet adjustments per share). This new target applies from 1 January 2016. The reported figures for 2013, 2014 and 2015 have been adjusted for consistency with the new target definition and are provided for reference purposes only.

In contrast to our P&C businesses, our life and health businesses thrived in 2017. For the third year in a row, our Life & Health Reinsurance performance was strong and we increased our net income to USD 1.1 billion – a result we achieved through a strong investment performance and solid underwriting results. In Life Capital, our Business Unit which manages closed and open life and health insurance books, we generated gross cash of USD 998 million in 2017. We also achieved two important milestones in ReAssure, a UK subsidiary of Life Capital, through which we buy books of policies that are no longer sold by a life insurer but need to be actively managed until they close. I'm delighted that MS&AD, a Japanese insurance group that we've had a relationship with for 103 years, made a minority investment in ReAssure. This significantly boosts our capacity to finance closed books of business. And, you may have read that in late 2017 we purchased 1.1 million life insurance policies from Legal & General Group PLC, a UK financial service provider. We now protect 3.4 million people through ReAssure. At the same time, we generated significant growth in Life Capital's individual and group life insurance businesses in 2017.

I'm also pleased that our investment performance for 2017 was very strong with an ROI of 3.9% and that we continued to pave the way in responsible investing. We are especially proud to be among the first in the industry to switch to benchmarks that systematically integrate environmental, social and governance (ESG) criteria. This helps generate sustainable long-term investment returns and reduces downside risks.

I am convinced that the outlook for our industry is now more positive than it has been in the last four years. I expect that changes in the market environment, such as adjusting price levels and increased interest rates, will be good for our business.

Our strategy and near-term priorities set us up well to continue partnering with our clients and applying our knowledge to develop solutions that directly tackle the protection gap. Even after 19 years with Swiss Re, I'm still impressed by my colleagues' dedication to doing this every day – for that, I sincerely thank them. I also thank you, our shareholders, for your trust in us, the employees of your company, Swiss Re.

Zurich, 23 February 2018

Christian Mumenthaler
Group Chief Executive Officer

PROTECTION GAP

For Swiss Re, the protection gap refers to underinsured risk pools around the globe that could potentially lead to high economic losses. Population growth, increasing human concentration in natural disaster-prone areas, or lack of awareness or perception of risk are some of the factors that can contribute to a widening protection gap worldwide. Swiss Re leverages over 150 years of re/insurance expertise to help society better manage its risks. Combining knowledge and technology advancements, we work with our clients and the relevant governmental institutions to develop innovative solutions that broaden the scope of our service coverage to help narrow the protection gap and contribute to making the world more resilient.

RISK POOLS

For Swiss Re, risk pools represent the landscape of insurable risks worldwide. They evolve constantly, requiring close monitoring of their scope, frequency and magnitude. The cyclicality of natural catastrophes, new and emerging risks, such as cybersecurity, changes in the regulatory environment and insurance buying behaviour are all factors that affect the size and nature of risk pools worldwide. As a risk knowledge company, we actively seek access to those risk pools, directly or through our clients, to further diversify our risk portfolio.

Market review
Continued global growth

2017 was a year of continued global growth amid large natural catastrophes

FIVE MACRO TRENDS THAT ARE DRIVING OUR MARKET

Over the course of the year, Swiss Re monitored five major economic and insurance market trends.

Five macro trends

Improving global growth

The cyclical upswing in the major economies continued at an accelerated pace.

3.2%

(Growth of real global GDP, 2017, source: Swiss Re Institute)

Low bond yields

While the US Fed increased rates three times in 2017, 10-year government bond yields remained low.

2.4%

(10-year US government bond yield, year-end 2017, source: Bloomberg)

Large catastrophic losses

2017 was one of the costliest natural catastrophe years for the re/insurance industry.

USD 133bn

(Estimated insured natural catastrophe losses, 2017, source: Swiss Re Institute)

Elevated policy uncertainty

Uncertainty around global economic policies decreased during the course of 2017, but remained elevated.

180

(Global Economic Policy Uncertainty Index, average 2017, average 1997–2015 = 100, source: www.policyuncertainty.com)

InsurTech gaining traction

The number of investments in InsurTech start-ups continued its rise in 2017.

203

(Number of investments in InsurTech, first nine months of 2017, source: CB Insights)

TRENDS IN OUR FOUR MAIN MARKETS

Primary non-life

Premiums have risen moderately in almost all countries/regions in 2017 due to stronger economic growth. Global non-life premiums are up an estimated 3% in real terms, after a 2.3% rise in 2016. Underwriting conditions have remained soft, particularly in commercial insurance.

2 200 **(USD billions)**
Estimated global premium income in 2017

3%
Estimated global premium growth in 2017

Reinsurance non-life

Global premiums in non-life reinsurance are estimated to have grown by 3% in 2017 in real terms, based on rapidly increasing cessions from emerging markets. After five quiet years with low natural catastrophe losses, the global non-life reinsurance industry is facing heavy losses from the hurricane season in the US and the Caribbean in 2017. The combined ratio for 2017 is estimated to be around 110%, with most of the increase due to the hurricane losses, and also a number of other events including Cyclone Debbie in Australia, earthquakes in Mexico, and wildfires in California and Southern Europe.

170 **(USD billions)**
Estimated global premium income in 2017

3%
Estimated global premium growth in 2017

Primary life

Global primary life insurance premiums are estimated to have risen by about 3% in 2017 in real terms, up from 2% in 2016. Emerging markets, in particular China, account for most of the recent acceleration. Life premiums growth in advanced markets was flat, which is at least an improvement from the 2% decline in 2016.

2 800 **(USD billions)**
Estimated global premium income in 2017

3%
Estimated global premium growth in 2017

Reinsurance life & health

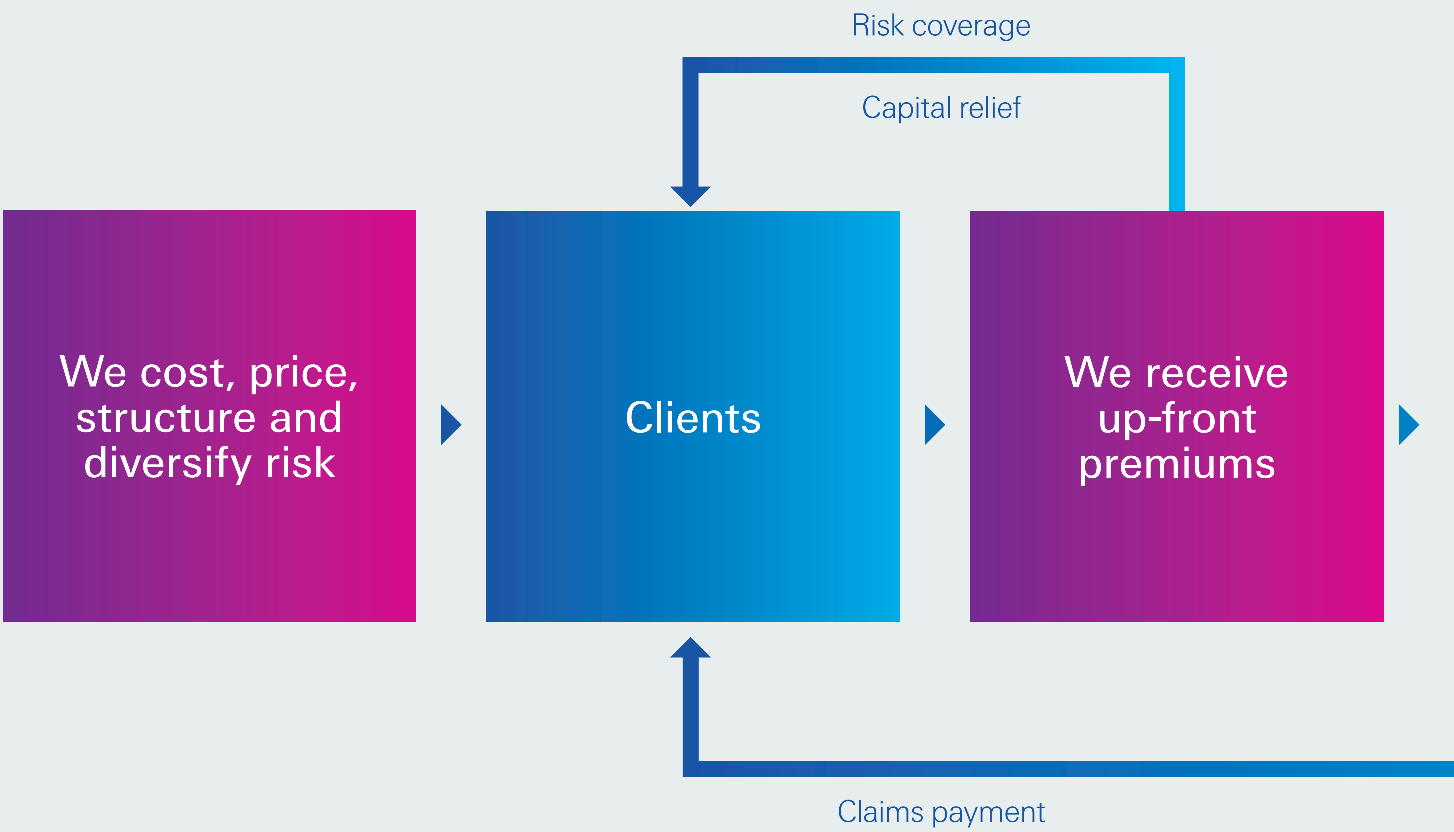
The life reinsurance industry registered a 4% premium increase in 2017. Underlying reinsurance premium growth in the traditional reinsurance area, such as mortality and morbidity risk, has remained relatively subdued this year. Premiums are estimated to have grown by 1% in real terms in 2017. In mature markets, slight contractions in the US and UK were set off by positive developments in Canada, Japan, Australia and Continental Europe. In the emerging markets, premiums grew by 11%, driven largely by China, with other emerging markets seeing more modest growth.

70 **(USD billions)**
Estimated global premium income in 2017

4%
Estimated global premium growth in 2017

How re/insurance works

The re/insurance industry plays a pivotal social and economic role by protecting people and businesses against risk.



OUR DIFFERENTIATING FEATURES

Well positioned
Our capital strength, deep client relationships and knowledge-led approach position Swiss Re well to face industry challenges and seize opportunities.

A risk knowledge company
We invest in research and development and technology to support our clients and differentiate ourselves from the competition.

Our role and our mission
We help insurance companies to manage their risks by absorbing some of their biggest losses, especially losses stemming from natural catastrophes that are among the largest and most complex risks that exist. Therefore, we play a major role in preparing people, businesses and governments to face new and old threats. We make constant capital allocation decisions, exercising disciplined underwriting and focusing on the most attractive risk pools. The premiums we receive in exchange for protection need to be invested smartly in various financial assets, which means our investments contribute to the real economy and to strengthening infrastructure. The capital remains invested until we need it to pay claims following a loss. As a knowledge company, we generate and share risk knowledge, helping society thrive and progress.

We invest until money is needed

We compensate for losses

Profit

Grow regular dividends with long-term earnings

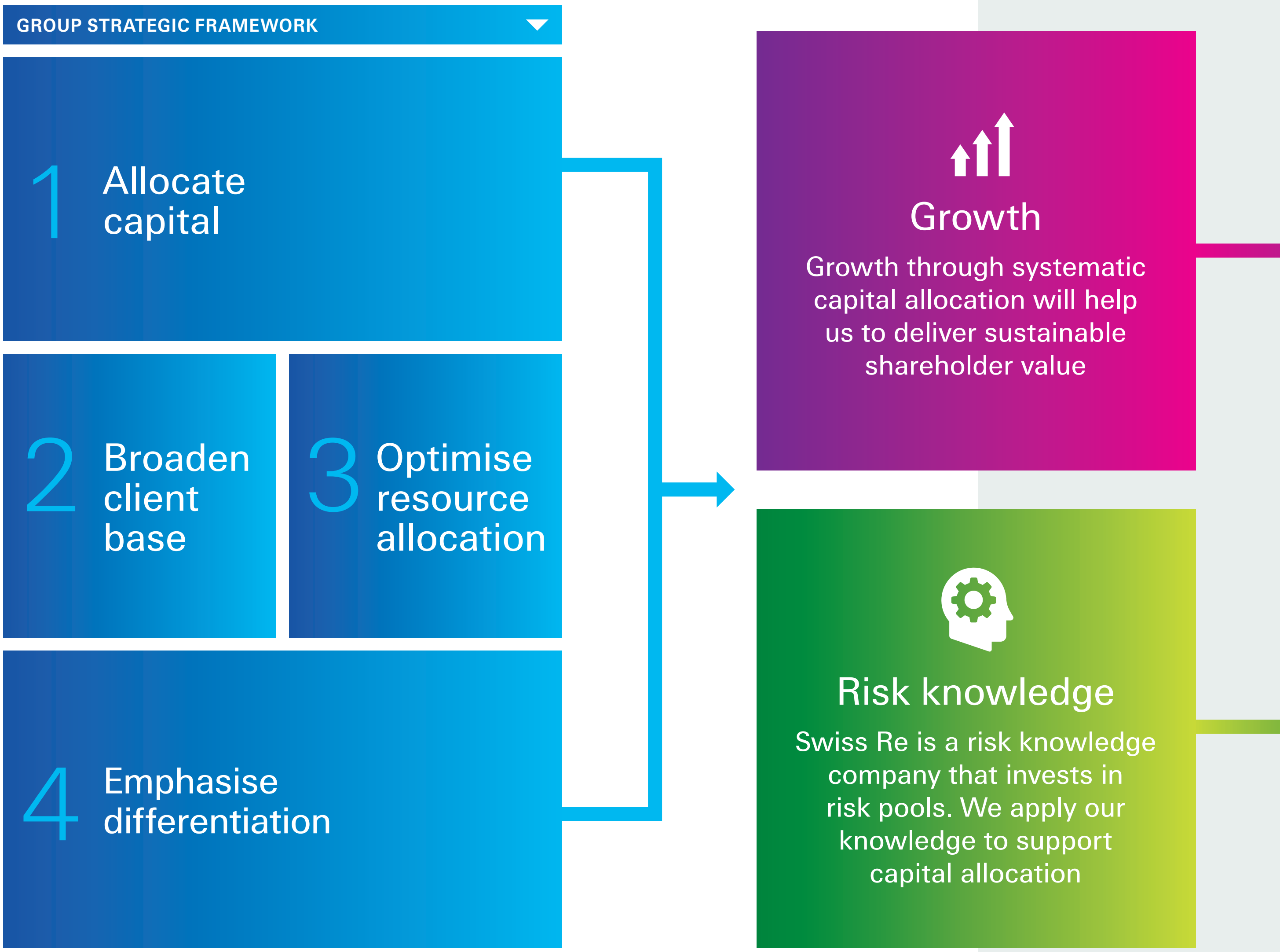
Business growth where it makes sense

A successful capital allocator
We use a knowledge-based approach to allocate capital to the most attractive risk pools and target an optimal portfolio of assets and liabilities.

Focused on performance
We aim to achieve our Group financial targets and deliver sustainable shareholder value.

Our strategy

Meeting our financial targets and making the world more resilient.



NEAR TERM PRIORITIES

Large and tailored transactions

Large and tailored transactions in Reinsurance provide an attractive growth opportunity. They reinforce our differentiation through tailored offerings, leveraging our strong risk knowledge base.

Corporate Solutions

Corporate Solutions represents a successful platform to access the large pool of commercial risks. It will continue to focus on growth and is expected to benefit from pricing improvements following the 2017 natural catastrophe events.

Life Capital

Life Capital increases access to attractive and growing risk pools in open and closed life and health books. It aims to build a balanced portfolio, benefiting from the diversity of the risks and differentiating itself through leading underwriting and servicing capabilities.

High growth markets

We intend to maintain our leading position in high growth markets, establishing a strong presence. These world regions continue to remain a key element of our strategy, even when they are temporarily challenged.

Our near-term priorities focus on achieving growth in targeted areas and sustaining the risk knowledge that underpins our capital allocation overall.

Growth

In 2017 we witnessed a back-to-back series of natural catastrophes that have had a significant short-term financial impact. The ability to face these challenges and continue to focus on growth shows the success of our strategy as we remain committed to disciplined underwriting and long-term success.

Our focus on growth is threefold: catering to the specific clients' needs with large and tailored transactions in Reinsurance, getting closer to the policyholders through Corporate Solutions and Life Capital, as well as maintaining our leading position in high growth markets through increased presence.

Research and development

Building knowledge and competence through R&D has historically been our core focus. The creation of the Swiss Re Institute further strengthens our steering of R&D activities.

Technology

Our technology strategy is tightly embedded in the business strategy. Technological innovation gives us the opportunity to further differentiate and support our clients.

People and culture

Our employees provide a wide range of technical expertise. Their wide range of backgrounds enables us to develop unique solutions and offer a deeper pool of talent to drive growth.

Risk knowledge

Swiss Re is a risk knowledge company. At the heart of our differentiation is the Swiss Re Institute. The Swiss Re Institute leverages and steers our research and development activities, building on our role as a knowledge partner for our clients.

Technological innovation is another source of differentiation, especially when we can use it to deliver unique products and solutions, such as CatNet and Magnum. CatNet plots hazard, loss, exposure and insurance information over maps and satellite imagery to help visualise the risk of individual locations or entire client portfolios. Magnum is the market-leading automated life and health underwriting and claims solution for assessing biometric risk across the spectrum of protection insurance products. Magnum helps our clients get closer to their customers and deliver products that are more tailored to their needs.

"I saw destruction and resilience stand side by side in the aftermath of Hurricane Harvey. For me, resilience means being well prepared for the next crisis."

Karsten Rimestad, Property Treaty Underwriting, Swiss Re

Wind, water and recovery 22

Building a more

"While many people understand how devastating actual typhoons can be, the economic effect of the warnings can also be severe. Resilience means identifying all risks, and addressing them head-on through new innovations."

Melanie Lau, Underwriter Property Swiss Re Corporate Solutions, Swiss Re

Facing headwinds 30

"Resilience means helping communities everywhere face even the smallest, yet menacing, risk."

Peter Zimmerli, Head Atmospheric Perils, Swiss Re

Tackling risk everywhere 26

resilient future.

"Seeing the difference the programme makes in boosting the resilience of individuals recovering from cancer has really made me proud to work at Swiss Re."

Kelly Du Preez, Claims Market Head UK & Ireland, Swiss Re

The path to recovery 34

Wind, water and recovery

In 2017, three catastrophic hurricanes devastated parts of the United States and the Caribbean, claiming hundreds of lives and showing how ill-prepared we still are for such events. At Swiss Re, where risk assessment and management are our daily business, we responded to the call, helping those communities stricken by disaster get back on their feet.

AMERICAS

Swiss Re surveyed damaged areas in Rockport, Texas, after Harvey. The newer house on the left shows the need to build better to quickly bounce back from disasters.

Preparing for the future

Traditionally, hurricane risk assessment has primarily focused on potential damage due to ferocious winds. However, recent events have again demonstrated the need to assess all hazards brought about by hurricanes, in particular heavy precipitation and subsequent water damage.

The unprecedented levels of damage seen in Houston were influenced by many factors and may have been aggravated by global warming. "Extreme and record-breaking characteristics of hurricanes Harvey, Irma and Maria are ones we expect to see more of in a warmer future," said Marla Schwartz, atmospheric perils specialist at Swiss Re. "Climate models suggest that there will be a shift in the risk landscape." This draws attention to an important dimension of the protection gap – the difference between total economic losses and insured losses – in the US: one about floods. Although floods can occur in any US state, just 15% of American homeowners have a flood insurance policy.

This, according to our industry leading in-house flood models, translates into a USD 10 billion annual protection gap, an enormous number for a peril that is today more insurable and understood than ever. >

"At Swiss Re, we are using our expertise to help build a robust private flood insurance market that, together with the US national flood program, will help remove the burden that future Harveys will inevitably bring."

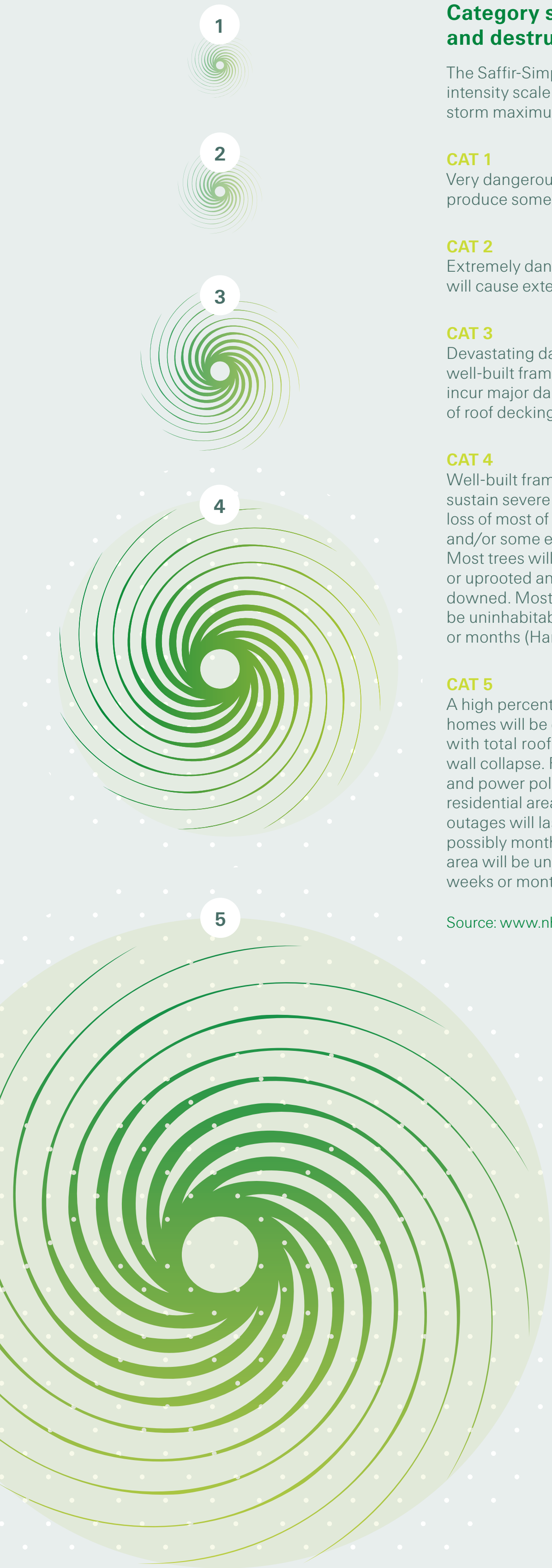
Joshua Woodbury, flood specialist at Swiss Re

Paying claims

In the first days after Harvey and Irma made landfall, Swiss Re Corporate Solutions received more than 200 loss notices. Each was assigned to a claims handler and acknowledged to our clients and brokers within one business day. In the meantime, we set up a command centre so our claims experts, natural catastrophe specialists, underwriters and risk engineers could work together to identify other potentially impacted areas and quickly assess our clients' exposures.

788

hurricane-related claims have been received to date. We have made millions of dollars in advance payments, helping our insureds to begin to get back to business and their lives.



Category scale and destruction

The Saffir-Simpson hurricane intensity scale and lifetime storm maximums:

CAT 1
Very dangerous winds will produce some damage.

CAT 2
Extremely dangerous winds will cause extensive damage.

CAT 3
Devastating damage will occur: well-built framed homes may incur major damage or removal of roof decking and gable ends.

CAT 4
Well-built framed homes can sustain severe damage with loss of most of the roof structure and/or some exterior walls. Most trees will be snapped or uprooted and power poles downed. Most of the area will be uninhabitable for weeks or months (Harvey).

CAT 5
A high percentage of framed homes will be destroyed, with total roof failure and wall collapse. Fallen trees and power poles will isolate residential areas. Power outages will last for weeks to possibly months. Most of the area will be uninhabitable for weeks or months (Irma, Maria).

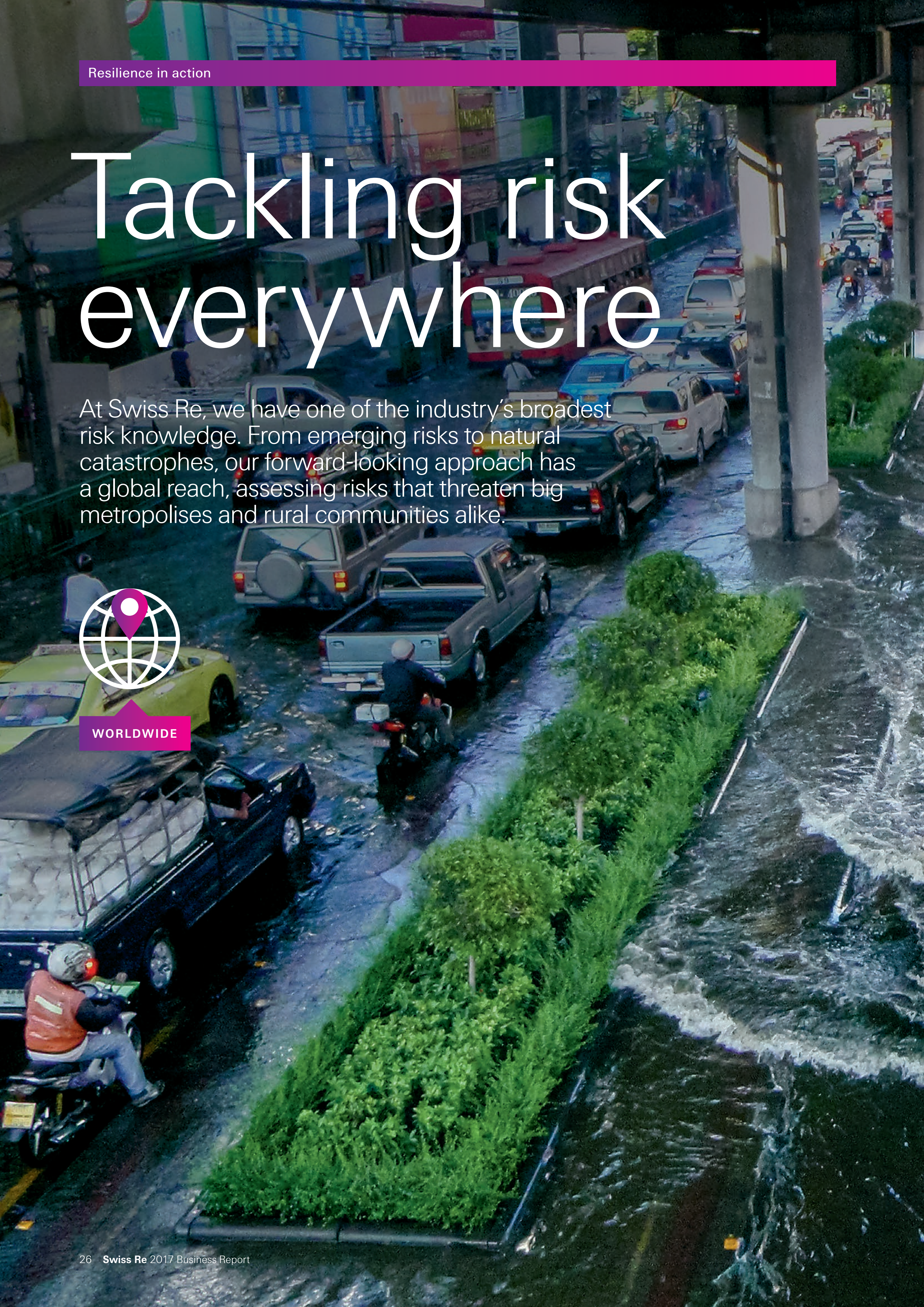
Source: www.nhc.noaa.gov

> Still, the industry has made significant progress with tackling flood risk. Insurers' confidence in pricing it means that a large portion of the burden faced by homeowners and local, state, and federal governments can be shifted to the private insurance market. This in turn could lead to more coverage amongst consumers and bring about stronger, more resilient communities. For more than ten years, Swiss Re has been using its proprietary, fully probabilistic US flood and storm surge model, which combines detailed data on hazard, vulnerability, value distribution and insurance conditions, to understand and rate flood risk. We recently started to make this knowledge available to clients and support the private insurance market in the US.

Tackling risk everywhere

At Swiss Re, we have one of the industry's broadest risk knowledge. From emerging risks to natural catastrophes, our forward-looking approach has a global reach, assessing risks that threaten big metropolises and rural communities alike.

WORLDWIDE




543ก

Tackling all kinds of risk

Increasing resilience begins with a deeper understanding of the great variety of perils that may impact lives and economies around the world. We aim to expand the definition of risk, by assessing and measuring all kinds of threats, both globally and regionally.

Insight and investment
Our understanding of risk and how to price it is one of our differentiating factors. To help clients design innovative products we must not forget risks that have traditionally received little attention by the industry. That is why we continue to invest in broadening our risk knowledge, offering our findings to clients, paving the way for effective risk management and helping close protection gaps.

Volcano eruptions: a neglected threat

Swiss Re has developed the industry's first global risk model to support clients in assessing volcanic risks and develop suitable insurance products.

The destructive power of volcanic ash
Volcanic eruptions are rare and remain a largely unmodelled peril for the insurance industry. With almost one billion people living within 150 kilometres of volcanoes globally, volcanic ash fall is a serious threat on global economies and infrastructure. We recently helped one of our clients in Japan to place an insurance-like product to cover losses from volcanic activity for the hospitality business, including having fewer tourists.

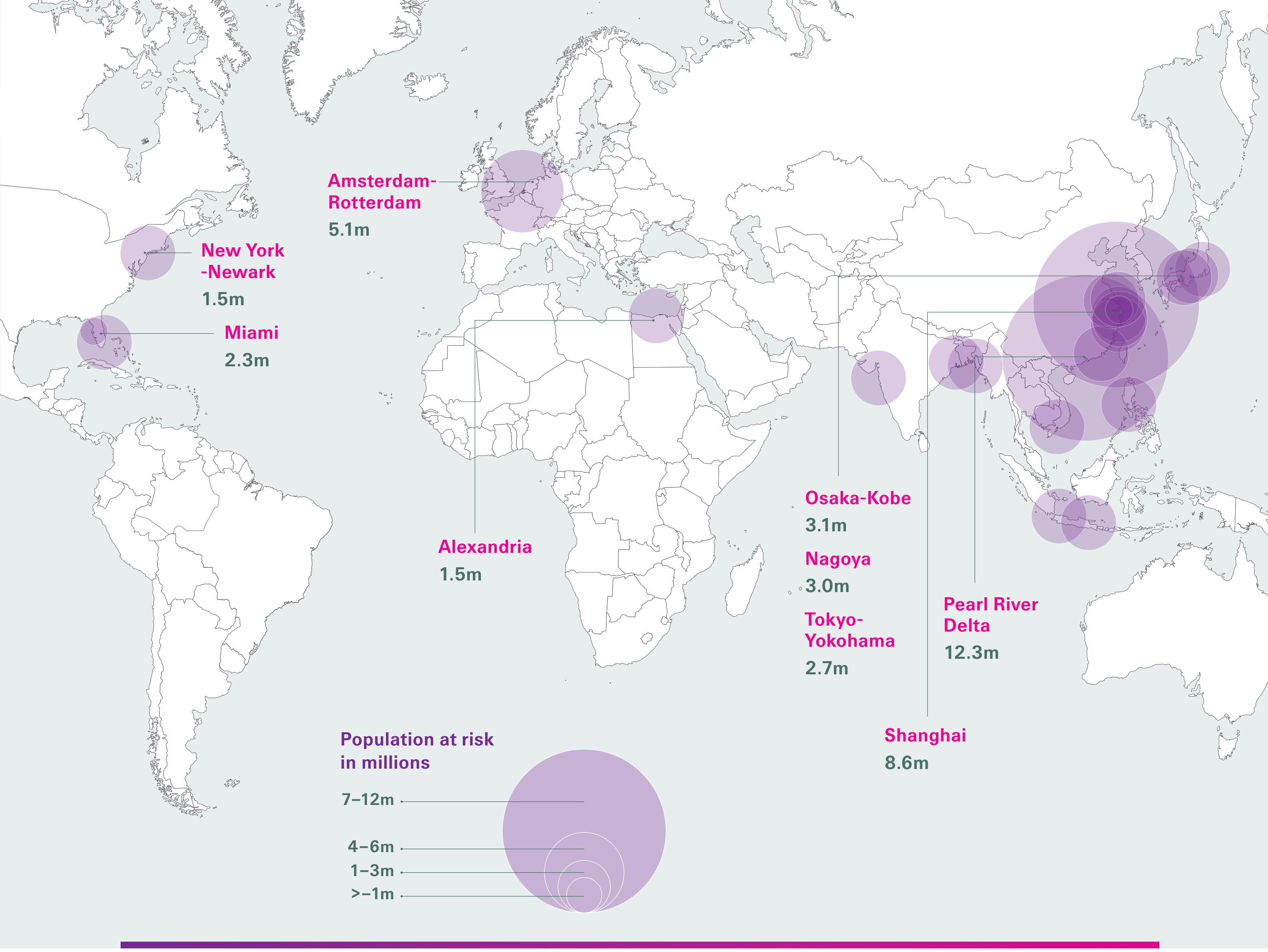
Monitoring global volcano threats
Our model, launched in 2017, is the first exposure-based, probabilistic one with a global scope in the industry, focusing on the property loss potentially stemming from volcanic ash fall. Today, Managua, the capital of Nicaragua, is leading the ranking of the world's top 15 largest cities at risk of a substantial loss from volcanic ash fall. To check out the ranking, go to: www.swissre.com.

508

Active volcanoes assessed by Swiss Re's model globally.

"From volcanoes to storm surges, Swiss Re stretches the boundaries of the industry's risk knowledge every day."

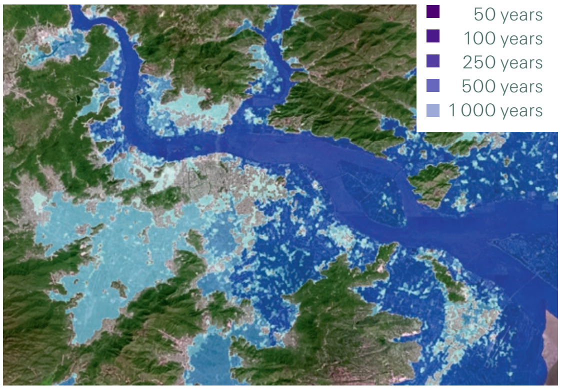
Martin Bertogg, Head Cat Perils, Swiss Re



Global storm surge zones

When tropical cyclones hit flat coastal areas, storm surges – abnormal rises of water generated by a storm – can cause widespread destruction.

Swiss Re Global Storm Surge Zones in Wenzhou, China



Mapping the risk

Our Global Storm Surge Zones help our clients pinpoint their storm surge risk for the first time in a quantitative way, thanks to high-resolution global data for flood frequency. Below, a map with probabilistically assessed return periods from Swiss Re's proprietary CatNet platform, one of the ways we share our know-how with our clients.

What do we know

- 230 million people – roughly 3% of the world's population – are exposed to storm surge risk.
- Storm surges cause, on average, more than USD 10 billion of losses per year, of which the majority remains uninsured today.
- Our storm surge hazard zones enable our clients to expand their insurance offerings on coastal areas, by significantly increasing risk assessment certainty.

Facing headwinds

During May to November, the risk of typhoons is significant in Hong Kong. The Hong Kong Observatory (HKO), a government department responsible for monitoring and forecasting weather, has set up a sophisticated typhoon warning signal system. When it communicates a higher warning signal, the majority of businesses are forced to shut down, often resulting in economic loss.

HONG KONG


CONVEY
Bank of America Merrill Lynch

Typhoon warning signal

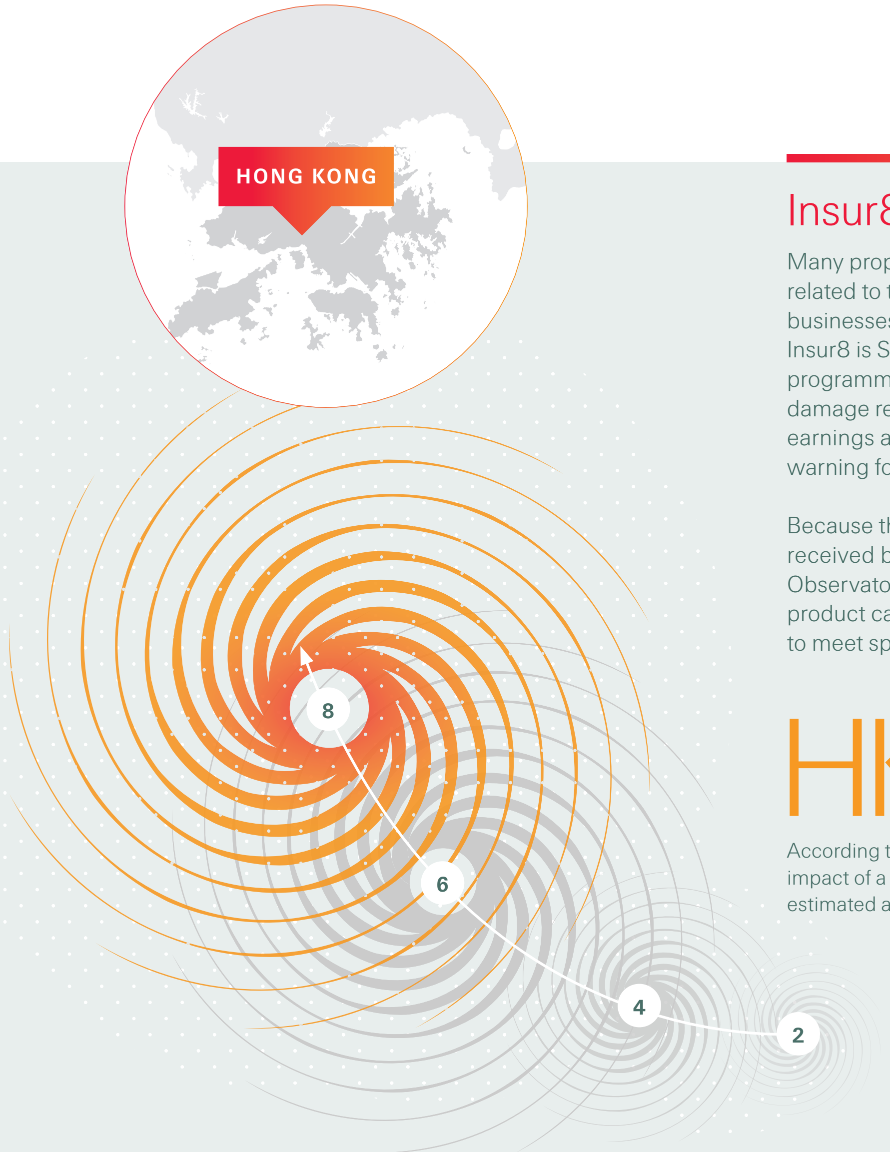
When a typhoon approaches, the Hong Kong Observatory (HKO) will consider issuing a typhoon warning signal, classified by numbers indicating risk severity levels. When a No. 1 signal is issued, it means a tropical cyclone is within about 800 kilometres of Hong Kong. When a No. 3 signal is issued, it means strong wind is expected in the city, and potentially results in the closing of businesses most directly affected by conditions. However, when the No. 8 signal is issued, gale force winds that may spike to very high speeds are expected, and the majority of businesses might be closed.

1.4

Typhoon warning signals of level 8 and above happen on average 1.4 times per year.

"Typhoon warnings are a significant cause of economic loss in Hong Kong. With Insur8, businesses can quickly access liquidity and manage earnings volatility for non-damage interruption."

Dylan Bryant, CEO North Asia Swiss Re Corporate Solutions



Insur8 for typhoon exposure

Many property insurance policies cover physical damages related to typhoon loss, but a market gap existed to protect businesses against financial loss due to typhoon warnings. Insur8 is Swiss Re Corporate Solutions' parametric insurance programme specifically designed to address this non-damage related risk. It protects the insured against lost earnings and operating costs related to level 8+ typhoon warning forced closures.

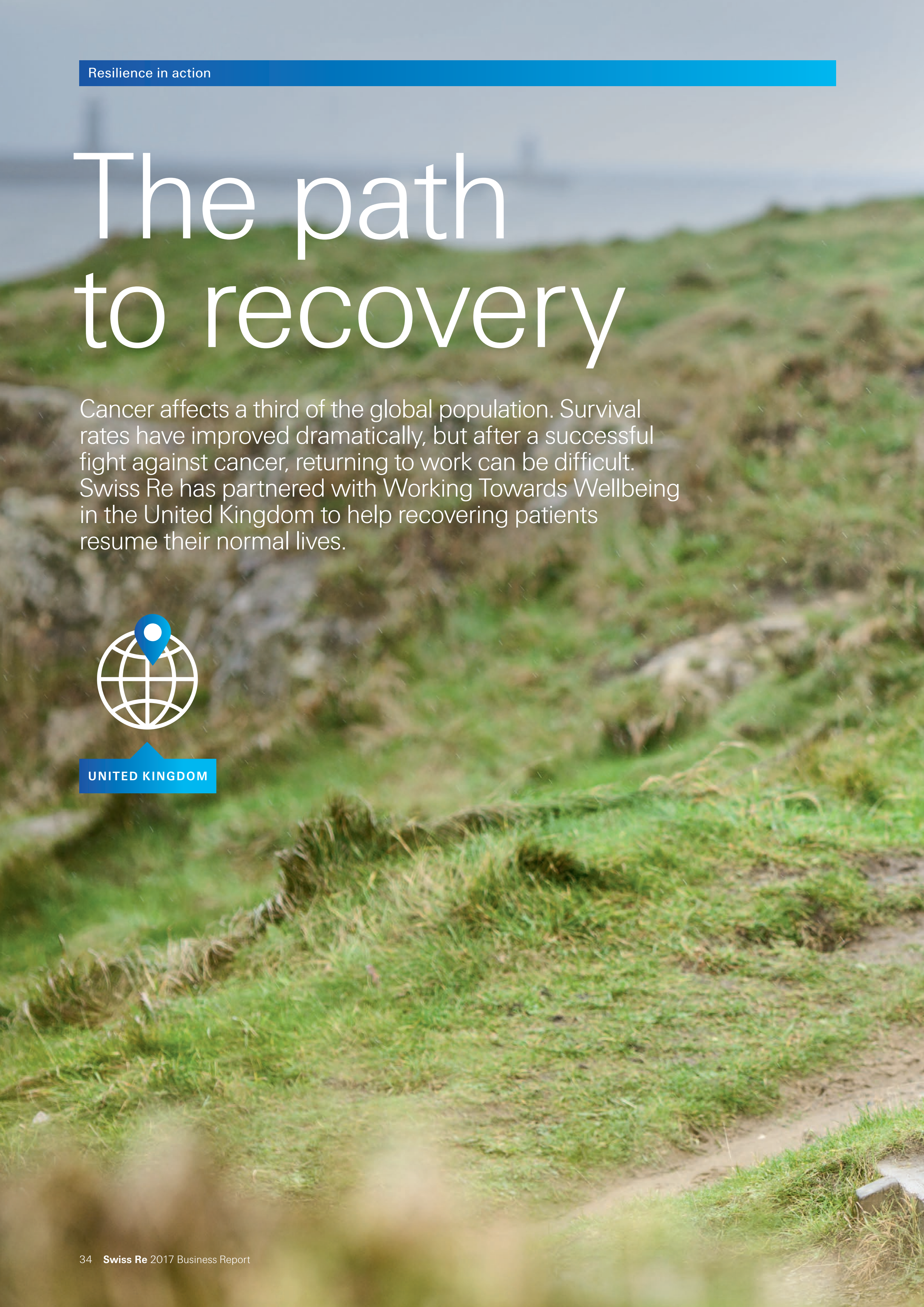
Because the insurance policy is parametric, protection is received based on the warning issued by the Hong Kong Observatory (HKO) which acts as the policy trigger. This product can also provide flexible and customisable features to meet specific business needs.

HKD 4.29bn

According to the Swiss Re Institute, the overall economic impact of a signal 8+ typhoon on Hong Kong's GDP is estimated at HKD 4.29 billion (USD 627 million) per day.

Eye of the storm

Typhoon risk is significant: from 1980–2016, 51 recorded signal 8+ typhoons hit Hong Kong.



The path to recovery

Cancer affects a third of the global population. Survival rates have improved dramatically, but after a successful fight against cancer, returning to work can be difficult. Swiss Re has partnered with Working Towards Wellbeing in the United Kingdom to help recovering patients resume their normal lives.

UNITED KINGDOM

Ade's journey

The initial diagnosis of breast cancer in 2015 was a shock to Ade Dietz, a resident of South Shields, Northern England. Initial pain and symptoms seemed as innocuous as a pulled muscle after a gym session, but it turned out to be a cancerous tumour. For treatment, Ade experienced multiple surgeries, and the chemotherapy itself was both unpleasant and exhausting due to its significant side effects.

At the time of her diagnosis, Ade's employer's human resources department suggested that she join the programme provided by Swiss Re and Working Towards Wellbeing. While receiving treatment, Ade connected to a health coach and her journey to recovery began.

400+

Over 400 claimants have participated in the programme following treatment for cancer.

"The advice that came was fantastic because it addressed things I hadn't thought about, including a phased return to work."

Ade Dietz

Partnering with *Working Towards Wellbeing*

The side effects of cancer and associated treatments, even post-recovery, can have a significant impact on an individual's ability to work. Many want to return to work and normal life, and indeed, the return to a pre-cancer daily routine can be extremely beneficial to recovery.

However, survivors often encounter obstacles, including exhaustion and residual feelings of being generally unwell following what are often multiple rounds of intensive treatments. Matters that may have been insignificant before treatment – for example, the commute to work – can become a source of anxiety, as a crowded train during rush hour may mean standing for more than an hour, a strain on a body that has been significantly taxed.

Swiss Re partnered with the organisation Working Towards Wellbeing to address these obstacles and support cancer survivors get back to work and back to their routines. The Cancer Work Support Service can provide physical help such as physiotherapy and an exercise programme, and offers significant emotional support services, through regular coaching and advice and therapy by licensed professionals. The programme includes more than ten Swiss Re clients across the market, reaching more than 400 participants.

95%

95% of programme participants report that they are satisfied with the service provided.

Early intervention

Early therapeutic treatment for those fighting and surviving cancer can lead to greater health and faster recovery, as well as improve workforce management and productivity. Insurers benefit from increased return on investment when survivors adjust more easily to their normal routines.

Access to a team of experts

Swiss Re's clinical team is made up of health professionals in a wide range of fields, including vocational rehabilitation, physiotherapy, psychology, and occupational therapy. These health professionals consult with our clients to design and implement holistic and individualised claims management, and have worked with our clients to develop return to work services for specific health conditions. These experts work with insurers to advise on the benefits of therapeutic intervention in the recovery process, and collaborate to build and promote a proactive claims management culture, identify trends, diagnoses and key claims drivers.

The Swiss Re Institute
Research and long-term strategy is crucial to the company

The Swiss Re Institute strengthens the company's reputation as a thought leader, housing our insurance, economic and risk research.

Jeffrey Bohn, Director of the Swiss Re Institute

The Swiss Re Institute builds on the established strengths of Swiss Re, such as our long-running flagship *sigma* publication, our executive training programmes, our risk research and our well-known conference series with new complementary products.

The Swiss Re Institute will create new opportunities to collect and curate novel data, including unstructured data such as text documents.

The Swiss Re Institute will also provide a path to longer-term experimentation and cultivation of new technology tools in the data-analytics and machine-intelligence arenas.

All this we will do through coordination with linked research lines within Swiss Re and with our extensive external academic and stakeholder network.

Thought leadership

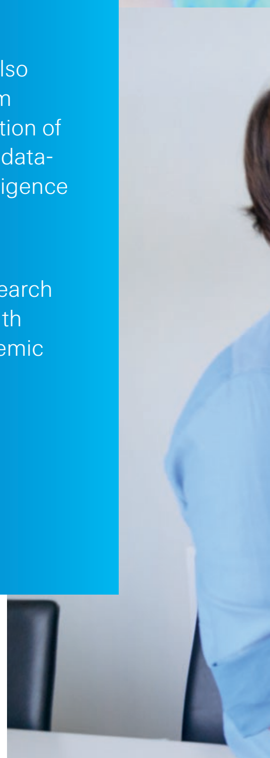
Swiss Re is a thought leader in the insurance industry and is dedicated to making the world more resilient. The company's focus on research is core to its business and essential for its clients. The Swiss Re Institute, launched in March 2017, is at the centre of this identity.

As Swiss Re's Group CEO Christian Mumenthaler put it when the company announced the creation of the Institute in December 2016, research and development, and the building of a strong, macro knowledge base focused on longer-term trends within the company are critical to Swiss Re's business. Knowledge also equips the company with a competitive advantage. The Swiss Re Institute engages with Swiss Re's stakeholders by sharing insights and publishing a wide range of research from both internal and external partners. The Institute, which is home to the Centre for Global Dialogue, also runs panels and symposia featuring relevant and prominent external and internal speakers to engage in discussion and address key questions critical to closing the insurance protection gap and staying abreast of new trends in insurance markets.

Swiss Re Institute's research

The Institute's research, which includes Swiss Re's *sigma* publications, covers important and current topics ranging from emerging risk pools to risk preferences in high-growth markets, and allows the company to focus on bigger questions and take a longer, strategic view. Swiss Re Institute's researchers currently focus on following and engaging with crucial sector themes like digital transformation – for example, how will InsurTech influence traditional companies and, in particular, our clients? How can insurers best seize the opportunity and collaborate with the new tech players, rather than letting them disrupt their business? How will artificial intelligence affect society at large and, in particular, the financial sector?

The Institute also tackles ongoing trends in the company's core business lines, in both life and health and property and casualty. This includes topics such as the ongoing growth of diabetes in China, the rising risk of natural catastrophes in regions currently garnering less focus, as well as the future of food safety as demand for imports from emerging economies grow and the food chain becomes increasingly global.



This is the Swiss Re Institute, in its own language – figures and statistics:

Publications

In 2017, the Swiss Re Institute published 54 expertise, *sigma*, and risk research publications, on topics such as InsurTech and critical illness in India.

54

Presentations

The Swiss Re Institute gave more than 200 external and client presentations throughout the many different regions in which Swiss Re operates, including at Monte Carlo and at the Korea Business Leaders Forum.

+200

Events

The Swiss Re Institute held 41 Zurich-based and regional events in 2017, including the Swiss Re Inaugural Symposia and the CRO Assembly.

41

Insight

In 2017, the Swiss Re Institute collected data from 61 insurance markets and 19 leading insurance companies.

80

Client executive programmes

In 2017, the Swiss Re Institute organised 18 client executive programmes with our client marketing teams around the world, including in Zurich and Guangdong.

18

Empowering employees, enabling teams

Swiss Re universally adopts an agile work culture throughout its global footprint. Our new offices in Zurich, New York and Bratislava are designed around this concept.





Embracing individual preference

At Swiss Re, we enable everyone to reach their full potential, as individuals and as teams. We align our working environments and methods with evolving social trends and challenging market conditions.

It's not about face time

A few years ago, we introduced Own The Way You Work (OTWYW) as a comprehensive programme to promote agile working. In alignment with the needs of clients and colleagues, our people appreciate being largely free to organise their day.

A global presence demands agility

We've enriched our vision for the way we work at Swiss Re with cutting-edge technology and flexible workplace solutions. These shape an ambitious and creative company culture, where everyone performs at their best.

Tech-forward

Our embrace of cutting-edge technology enables us to communicate across boundaries and work on various devices. We can easily collaborate long distance, from the office, from home and en route. No matter where the expertise is, we'll connect.

Diverse tasks, diverse workspaces

Different kinds of tasks are best accomplished in different kinds of workspaces. Flexible concepts support a truly collaborative environment where people can pick a workspace to match the task they're performing and be more productive.

Full lives, flexible schedules

At Swiss Re we have diverse needs and professional responsibilities. OTWYW provides us with the leeway to manage our day and focus on output and the value we create.

"Own The Way You Work is an integral part of the Swiss Re culture. It's based on a mutual commitment between the company and the individual, between the team and each team member, between the line manager and the employee."

Thomas Wellauer, Group Chief Operating Officer

By design

All our offices feel uniquely Swiss Re and are designed to enable everyone to work effectively. Sometimes, we work from home, as agreed with our line manager and teams.

Empowering teams, enabling employees

At Swiss Re, we're empowered to spend our time on what matters most, recognising the needs of our clients, our teams and our shareholders.

With trust and flexibility, with the right technology and workplaces, we're enabled to be productive and effective to achieve better outcomes.

Board of Directors

Changes in 2017

At the Annual General Meeting on 21 April 2017, Jay Ralph, Joerg Reinhardt and Jacques de Vaucleroy were elected as new non-executive and independent members of the Board of Directors for a one-year term of office. With these changes, the Board of Directors aims to safeguard the stability of its composition while also renewing the Board in a sensible way. At the same time, the shareholders re-elected Walter B. Kielholz (Chairman), Raymond K.F. Ch'ien, Renato Fassbind, Mary Francis, Rajna Gibson Brandon, C. Robert Henrikson, Trevor Manuel, Philip K. Ryan, Sir Paul Tucker and Susan L. Wagner for a one-year term of office as members of the Board of Directors. Carlos E. Represas did not stand for re-election.

From left to right

1. C. Robert Henrikson
2. Sir Paul Tucker
3. Raymond K.F. Ch'ien
4. Jacques de Vaucleroy
5. Rajna Gibson Brandon
6. Joerg Reinhardt
7. Walter B. Kielholz
8. Renato Fassbind
9. Susan L. Wagner
10. Trevor Manuel
11. Mary Francis
12. Philip K. Ryan
13. Jay Ralph

Group Executive Committee

Changes in 2017/2018

Edouard Schmid was appointed Group Chief Underwriting Officer and a member of the Group EC as of 1 July 2017, succeeding Matthias Weber who decided to step down as Group Chief Underwriting Officer. John R. Dacey, Group Chief Strategy Officer, will become Group Chief Financial Officer as of 1 April 2018, succeeding David Cole who has decided to step down as Group Chief Financial Officer. With that change, the two roles of Group Chief Financial Officer and Group Chief Strategy Officer will be merged. As of 1 April 2018, the Group EC will consist of 12 members, whereas it is composed of 13 members up to March 2018.

From left to right

1. **Jean-Jacques Henchoz,** CEO Reinsurance EMEA
2. **J. Eric Smith,** CEO Reinsurance Americas
3. **Edouard Schmid,** Group CUO
4. **Jayne Plunkett,** CEO Reinsurance Asia
5. **Moses Ojeisekhoba,** CEO Reinsurance
6. **Christian Mumenthaler,** Group CEO
7. **Patrick Raaflaub,** Group CRO
8. **David Cole,** Group CFO
9. **Thomas Wellauer,** Group COO
10. **John R. Dacey,** Group CSO
11. **Thierry Léger,** CEO Life Capital
12. **Guido Fürer,** Group CIO
13. **Agostino Galvagni,** CEO Corporate Solutions

Financial highlights

FINANCIAL HIGHLIGHTS

For the years ended 31 December

USD millions, unless otherwise stated	2016	2017	Change in %
Group			
Net income attributable to common shareholders	3 558	331	–91
Gross premiums written	35 622	34 775	–2
Premiums earned and fee income	33 231	33 705	1
Earnings per share in CHF	10.55	1.02	–90
Common shareholders' equity	34 532	33 374	–3
Return on equity in %[1]	10.6	1.0	
Return on investments in %	3.4	3.9	
Net operating margin in %	13.0	2.8	
Number of employees[2]	14 053	14 485	3
Property & Casualty Reinsurance			
Net income/loss attributable to common shareholders	2 100	–413	–
Gross premiums written	18 149	16 544	–9
Premiums earned	17 008	16 667	–2
Combined ratio in %	93.5	111.5	
Net operating margin in %	15.4	–1.3	
Return on equity in %[1]	16.4	–3.5	
Life & Health Reinsurance			
Net income attributable to common shareholders	807	1 092	35
Gross premiums written	12 801	13 313	4
Premiums earned and fee income	11 527	11 980	4
Net operating margin in %	10.4	13.1	
Return on equity in %[1]	12.8	15.3	
Corporate Solutions			
Net income/loss attributable to common shareholders	135	–741	–
Gross premiums written	4 155	4 193	1
Premiums earned	3 503	3 651	4
Combined ratio in %	101.1	133.4	
Net operating margin in %	4.2	–23.5	
Return on equity in %[1]	6.0	–32.2	
Life Capital			
Net income attributable to common shareholders	638	161	–75
Gross premiums written	1 489	1 761	18
Premiums earned and fee income	1 193	1 407	18
Gross cash generation[3]	721	998	38
Net operating margin in %	27.0	10.9	
Return on equity in %[1]	10.4	2.2	

[1] Return on equity is calculated by dividing net income/loss attributable to common shareholders by average common shareholders' equity.
[2] Regular staff.
[3] Gross cash generation is the change in excess capital available over and above the target capital position, with the target capital being the minimum statutory capital plus the additional capital required by Life Capital's capital management policy.

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) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase", "may fluctuate" and similar expressions, or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclicality of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in the Group's investment policy or the changed composition of the Group's investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- any inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;

- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group's ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realise tax loss carryforwards, the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on business models;
- failure of the Group's hedging arrangements to be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Group companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs, lower-than expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cybersecurity risks.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

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