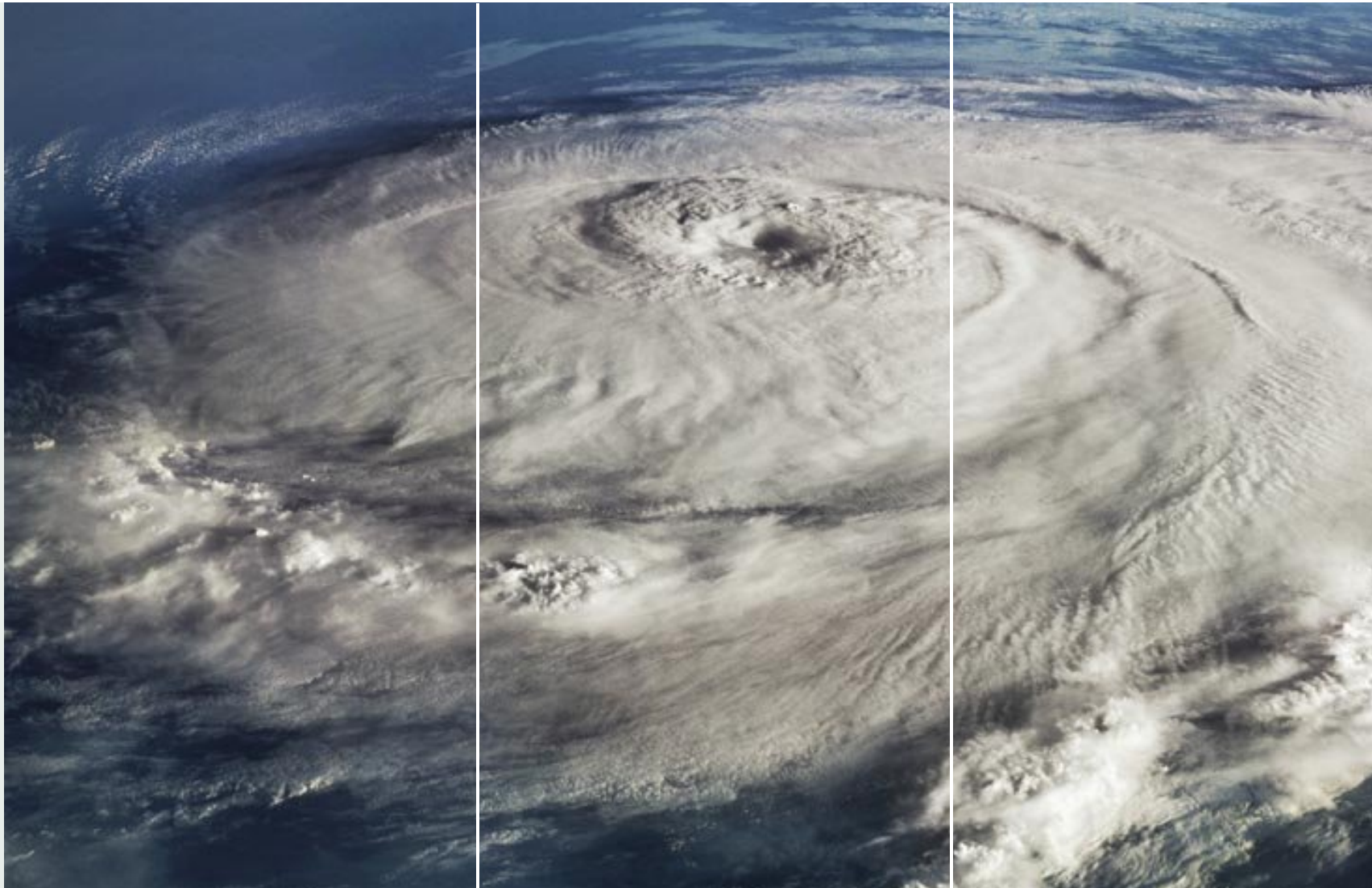




Global financial crisis and the impact on the Insurance Industry

12th Global
Conference of
Actuaries
Mumbai, India
18/19 February
2010

David Alexander
Director
Swiss Re





Risk Perception is Changing

CSFI asked 403 insurance executives from around the world about their top fears

Top Fears of Insurance Co Execs	All Insurers 2007
1	Too much regulation
2	Natural catastrophes
3	Management quality
4	Climate change
5	Managing the pricing cycle

Source: CSFI and PwC

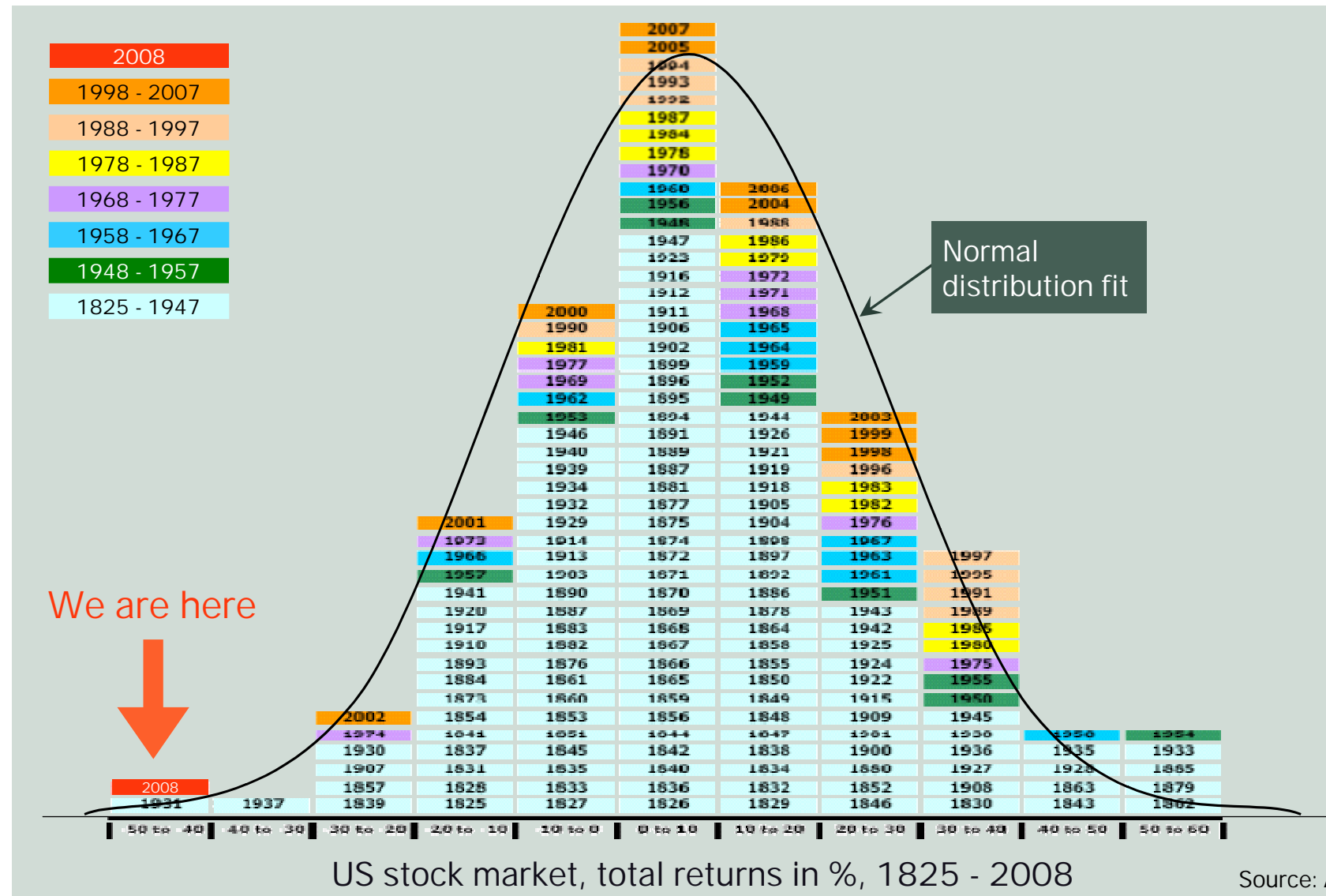


Today's topics

- State of the Global Financial Market
- Insurance Trends and Opportunities
- Asia
- Conclusions



The world has not seen many crises like the recent one



Global economy: unemployment will rise further in the West; inflation remains under control for now

Swiss Re



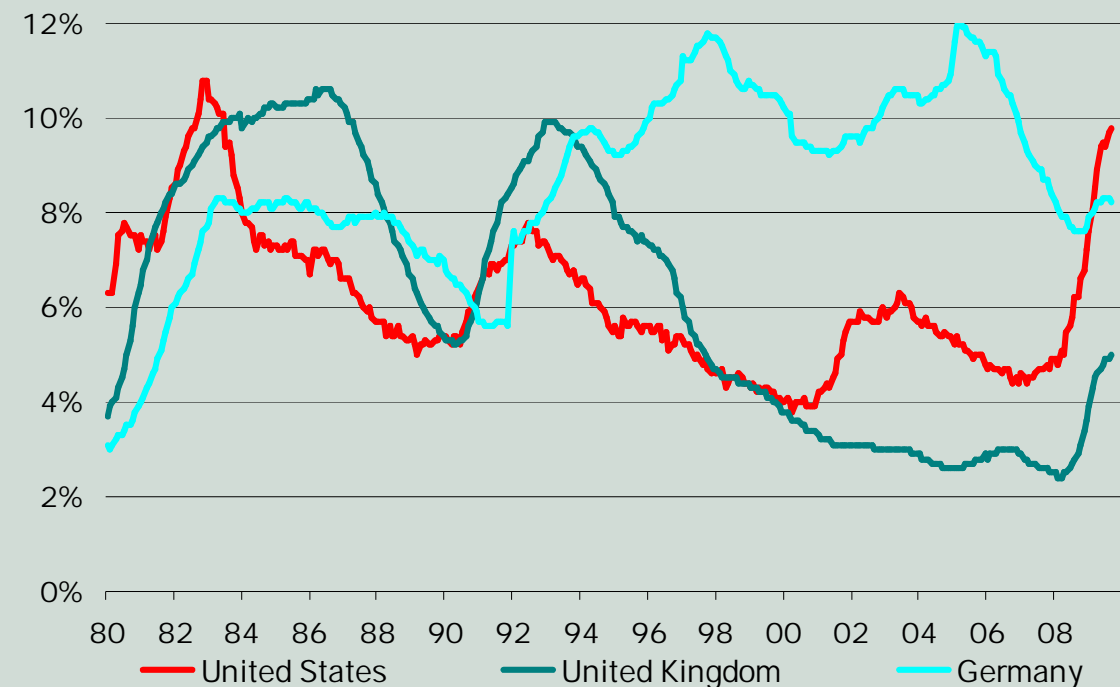
Unemployment

- Unemployment rose substantially in the US, much less in UK
- In Continental Europe unemployment is expected to rise when short term labour programs expire

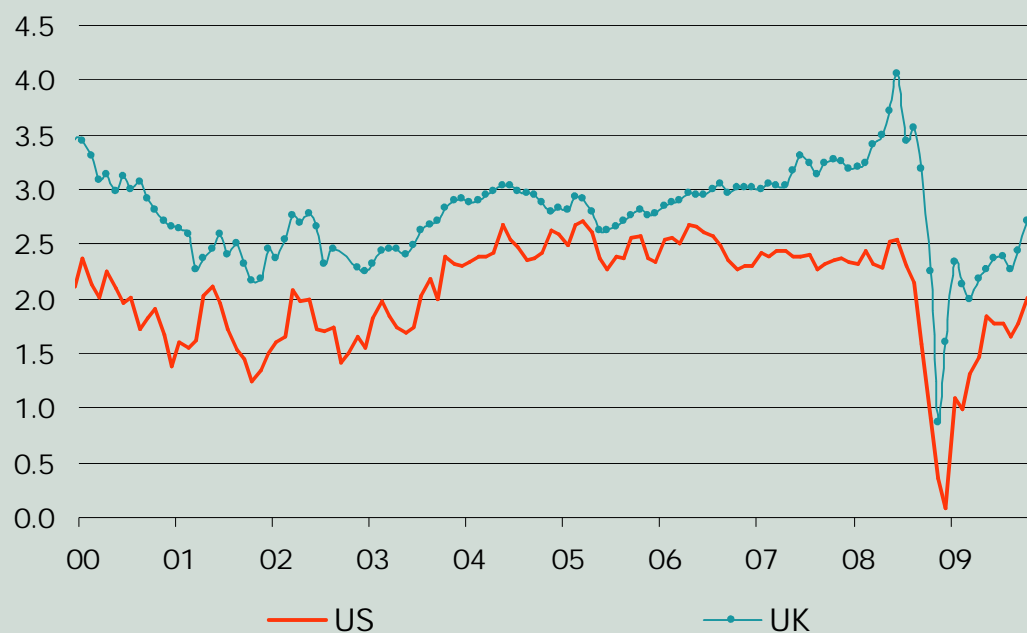
Inflation

- Inflation will remain very low or negative next year in most markets due to large economic slack
- Market inflation expectations shifted away from a deflationary scenario to a low inflation scenario

Unemployment rates

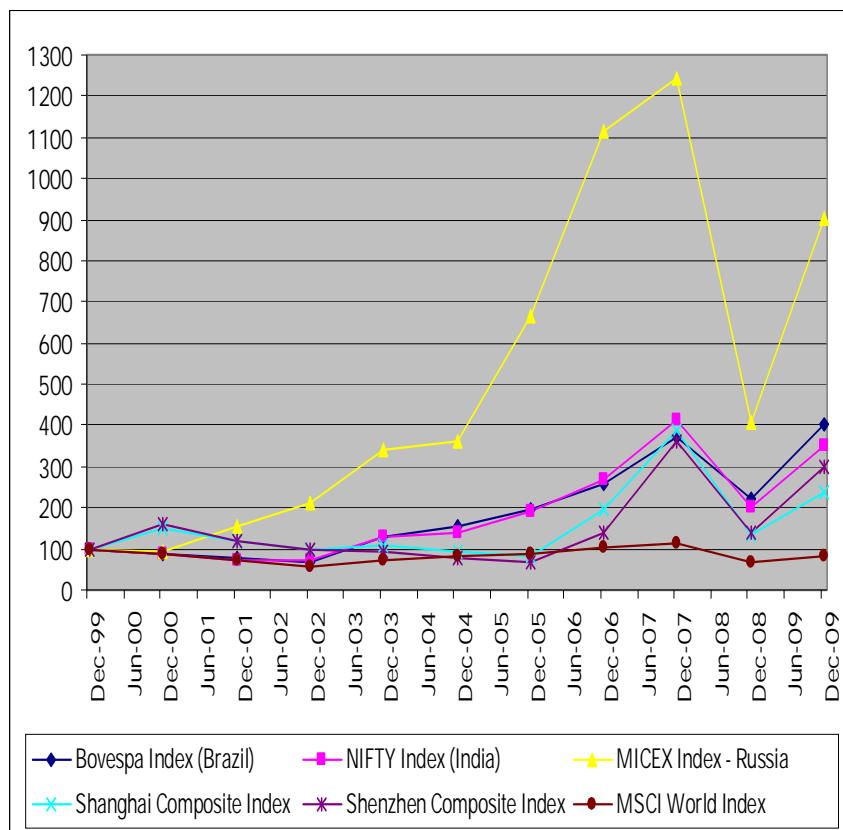


Break-even inflation, 10yr Bonds (percentage points)

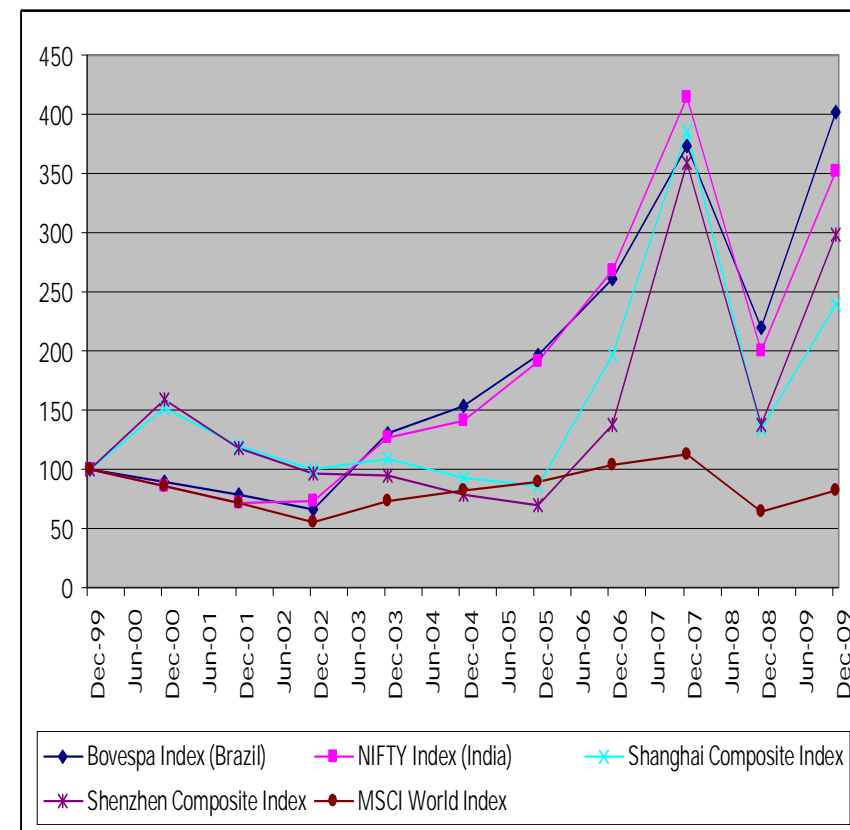


Despite many differences in the underlying economies, the BRIC stock markets have been correlated

Emerging Market Indices Return Including Russia



Emerging Market Indices Return Excluding Russia



	MSCI	Brazil	India	Russia	Shanghai	Shenzhen
10-Year CAGR	-1.9%	14.9%	13.4%	24.6%	9.1%	11.6%

Note: indices have been rebased to 100 at 31/12/1999



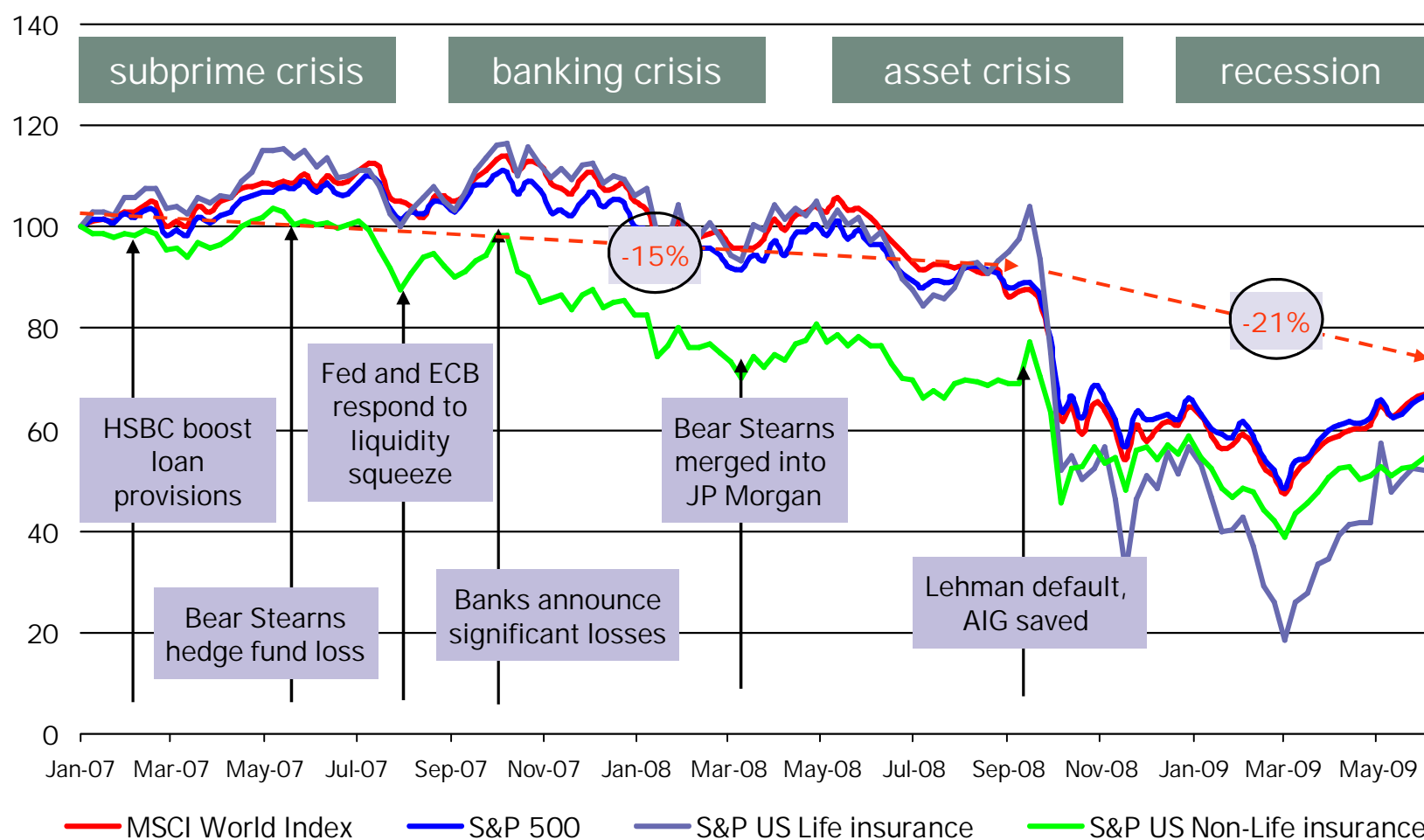
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The insurance industry has been affected by the crisis but was not the cause

Equity indices, rebased: 01.01.2007 = 100



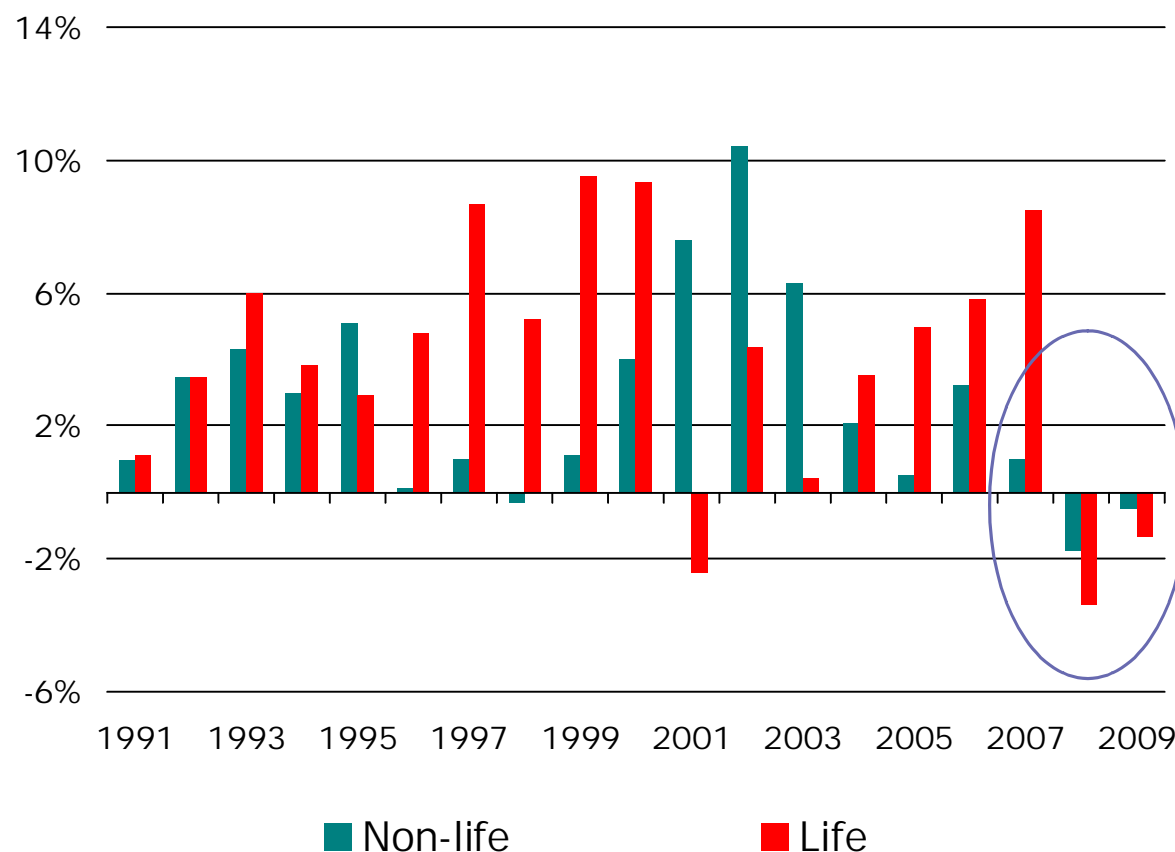


Premiums contract in both the life and non-life sector

Premium income in life insurance declined in 2008-09, mainly due to falling demand for unit-linked products

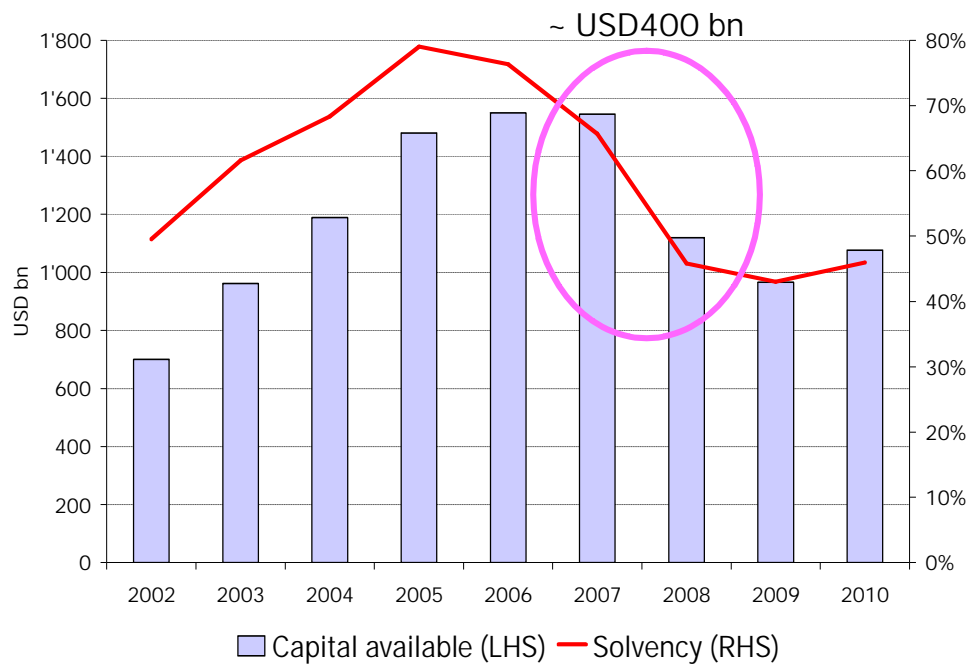
P&C premium growth is subdued due to the economic crisis, though supported by front-loading of infrastructure construction projects

Global life and non-life real premium growth, %

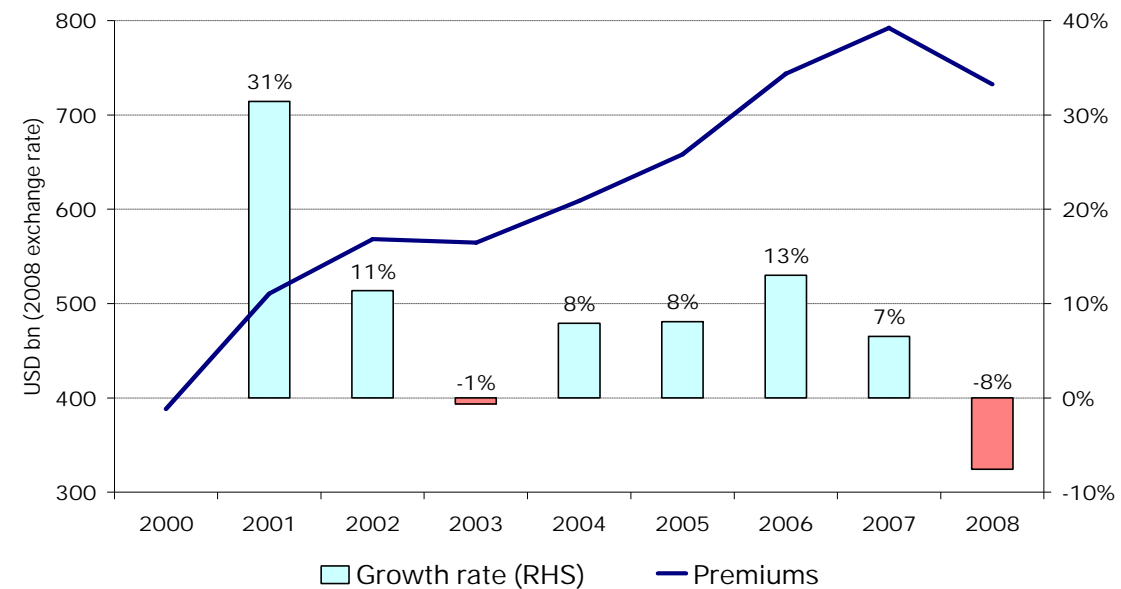


Globally, life insurers reported sharp drops in capital and solvency

Solvency in life insurance drops sharply, .



... new business temporarily down



Sample: US, UK, Canada, Germany, France, Italy, Australia, Sweden, Norway

Source: Swiss Re, Economic Research & Consulting

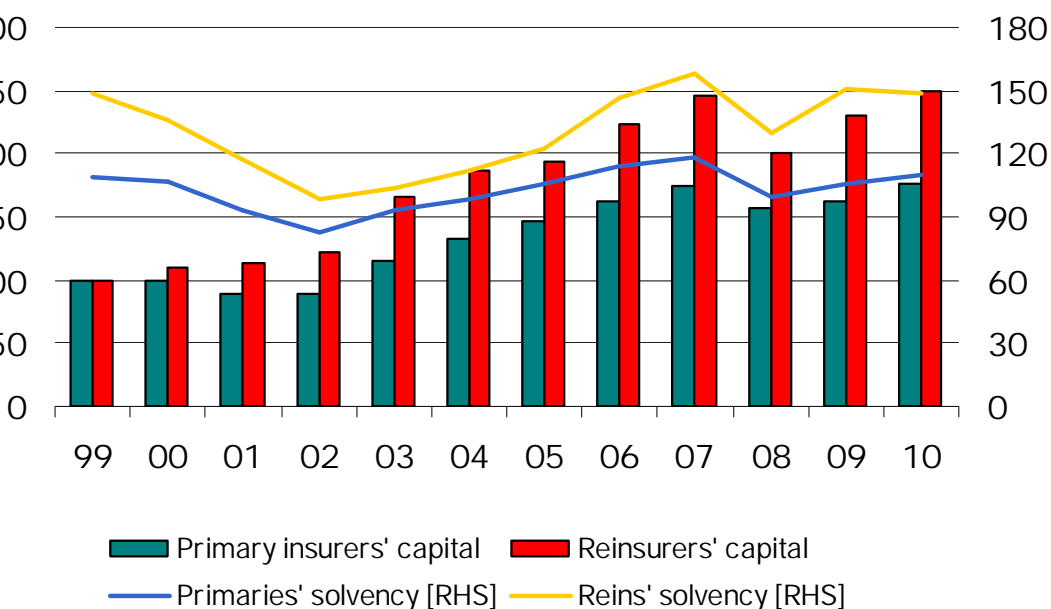


Insurance capital and profitability in non-life insurance suffered less

Insurance capital and solvency

Rebound happened more quickly than expected
It will need time to restore the capital base

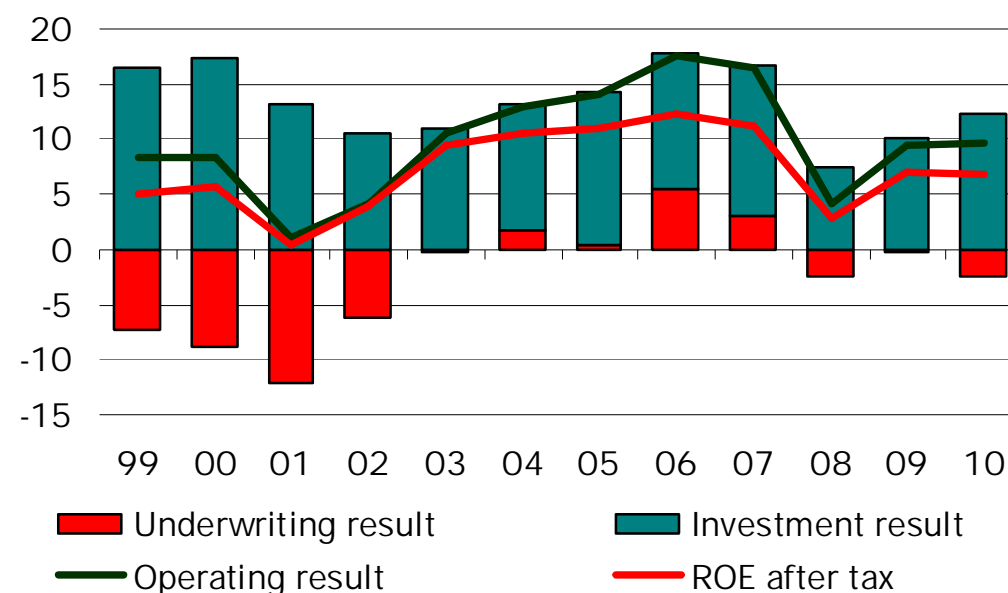
Capital and solvency



Insurers profit from better investment results

ROEs 2009 and 2010 improve compared to 2008 due to better investment results

Non-life market performance



Capital raising became extremely expensive at a time when companies needed it most

Selected Debt Issuance by North American Insurers 2007 - 2009

Date	Issuer	Amount (\$m)	Coupon Rate (%)	Maturity Date	Issue Spread	Issue Rating S&P / Moody's	Description
8 Dec 2009	Lincoln National	300.0	6.250	15 Feb 2020	+287.5	NA / NA	Senior
9 Oct 2009	Protective Life	300.0	8.450	15 Oct 2039	+437.5	A- / Baa2	Senior
10 Sep 2009	Prudential	600.0	3.625	17 Sept 2012	+225.0	A / Baa2	Senior
10 Sep 2009	Prudential	900.0	4.750	17 Sept 2015	+250.0	A / Baa2	Senior
10 Sep 2009	Metlife	1,000.0	2.875	17 Sep 2012	+160.0	NA / NA	Senior
17 Jun 2009	Lincoln National	500.0	8.750	1 Jul 2019	+525.0	A- / Baa2	Senior
4 Jun 2009	Prudential	500.0	5.450	4 Jun 2014	+295.0	NA / NA	Senior
17 Jun 2009	Lincoln National	500.0	8.750	1 May 2019	+525.0	A- / Baa2	Senior
4 Jun 2009	Prudential	500.0	5.450	4 Jun 2014	+295.0	NA / NA	Senior
3 Jun 2009	Metlife	400.0	2.550	3 Jun 2011	+280.0	AA / Aa2	Senior
2 Jun 2009	Prudential	750.0	7.375	2 Jun 2019	+370.0	A / Baa2	Senior
28 May 2009	Metlife	1,250.0	6.750	28 May 2009	+375.0	A- / A2	Senior
1 Apr 2009	Manulife Financial	600.0	7.768	8 Apr 2019	+511.0	AA-	Senior
12 Aug 2008	Metlife	1,030.0	6.817	15 Aug 2018	+291.2	A / A2	Senior
19 Jun 2008	Manulife Financial	539.9	5.161	26 Jun 2015	+150.8	AA	Senior
4 Dec 2007	Protective Life	150.0	6.400	15 Jan 2018	+250.9	A / A3	Senior
4 Oct 2007	Lincoln National	370.0	6.300	9 Oct 2037	+153.2	A+ / A3	Senior

Source: SNL Financial
 1) Financial data in CAD
 2) Over quarterly LIBOR



Recent Insurance M&A/ IPO Activity

Recent Asian deals have been at over 1 times book value and could be at a very substantial premium to that

The range is wide – what makes the difference between high and low multiples?

Value of an extra 0.1 on the P/B, P/E, P/EV ratio is material

M&A

Target Name	Acquirer Name	Value	Status	P/E	P/B	P/EV	Announced	Country
AXA China Region	AXA SA	AUD 7.7bn	Under negotiation	20.0x	2.70x	NA	Nov 2009	Asia
ING Life Taiwan	Fubon FHC	USD 600m	Complete	NA	0.71x	0.49x	Oct 2008	Taiwan
RSA Insurance PLC	Riyadh Bank	NA	Complete	7.18x	1.11x	NA	Jul 2009	Great Britain
BT Aegon	AEGON NV	USD 15m	Complete	0.34x	0.08x	NA	Jun 2009	Romania
Sistemi Sanitari Spa	Fondiarria Sai Spa	NA	Complete	11.02x	2.39x	NA	Apr 2009	Italy
ING Life Insurance Korea Co.	ING Groep N.V.	USD 259.5m	Complete	24.9x	1.20x	NA	Dec 2008	S.Korea
Aviva Australia	National Australia Bank	AUD 734m	Complete	16.0x	NA	1.10x	Jun 2009	Australia
Navakij Insurance Public Co. Ltd.	Nipponkoa Insurance Co Ltd.	NA	Complete	13.1x	1.07x	NA	Mar 2009	Thailand

IPO

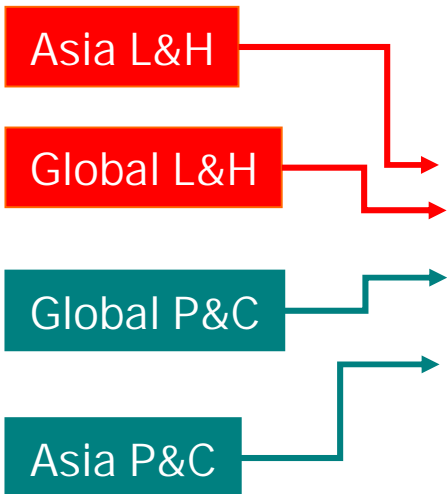
Target Name	Acquirer Name	Value	Status	P/E	P/B	P/EV	Listing Date	Country
Tong Yang Life	n/a	USD 272m	Completed	NA	2.0x	1.30x	Oct 8 th , 2009	Korea
China Pacific Insurance Co.	n/a	USD 3.1bn	Completed	N/A	2.9x*	2.00x*	Dec 23 rd , 2009	Hong Kong



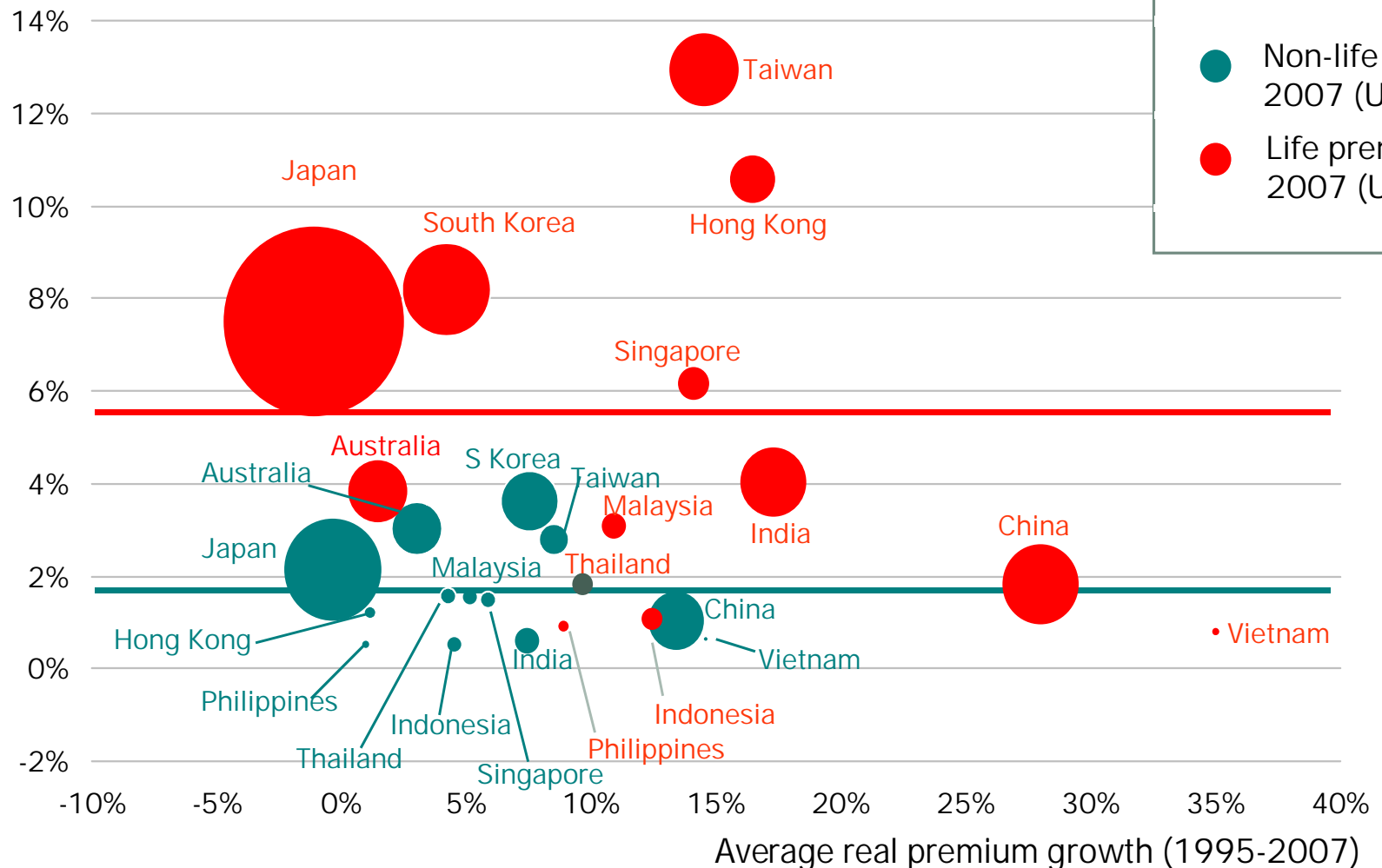
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A snapshot of Asian markets – at different stages of insurance development



Insurance penetration
2007





Risk Perception: Asian insurers have similar worries to other insurers

CSFI asked 403 insurance executives from around the world about their "top fears"

Top Fears of Insurance Co Execs	All Insurers 2007	All Insurers 2009	Middle East & Asia Insurers 2009
1	Too much regulation	Investment performance	Equity markets
2	Natural catastrophes	Equity markets	Investment performance
3	Management quality	Capital availability	Capital availability
4	Climate change	Macro-economic trends	Macro-economic trends
5	Managing the pricing cycle	Too much regulation	Managing costs

Source: CSFI and PwC

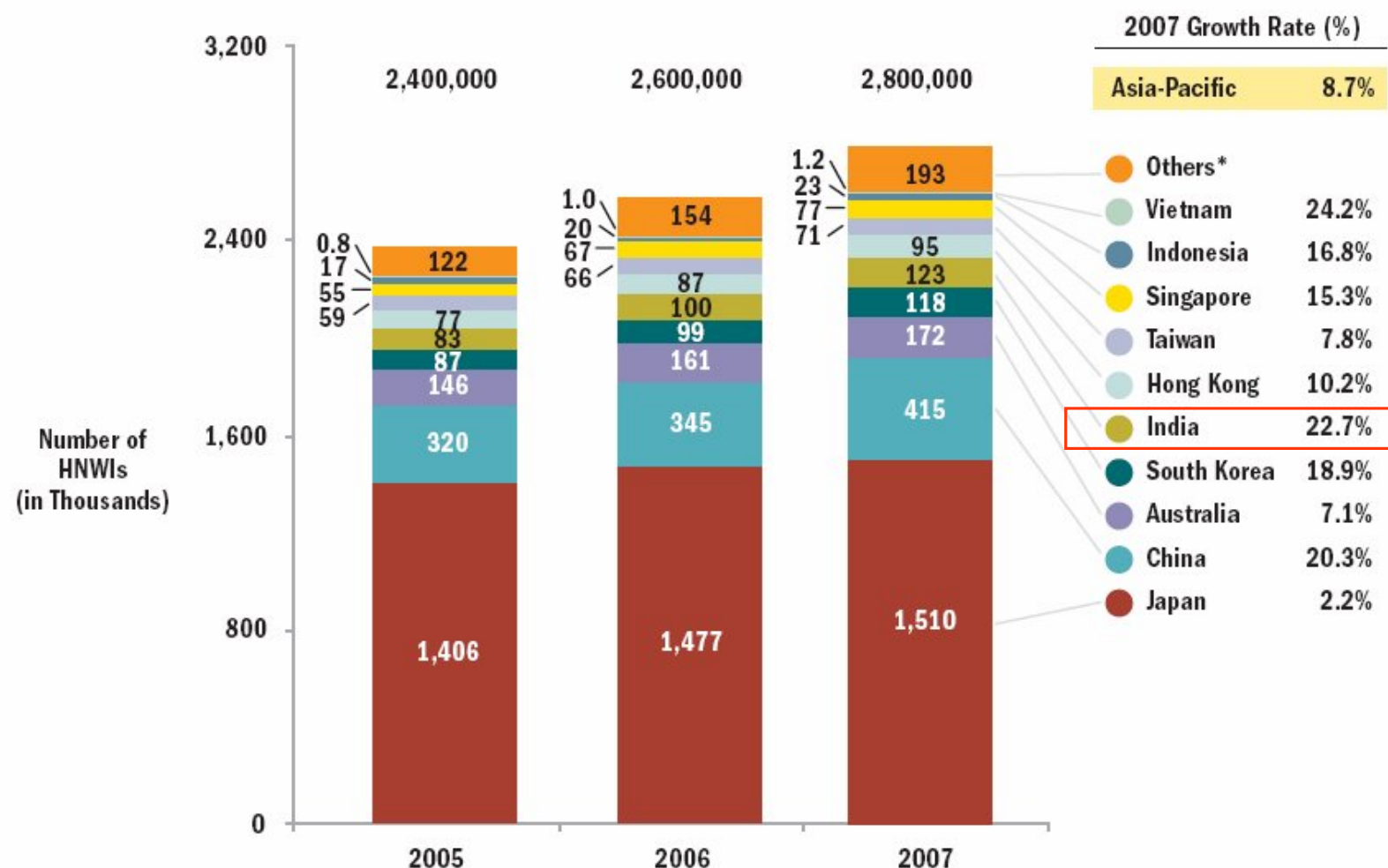
BRIC comparison – India has catch-up potential in non-life insurance

		Non-life insurance				Life insurance			
	GDP 2009 USD bn	Premiums USD bn 2008	Global Ranking, 2008	Real growth 2009	Real Growth 2010	Premiums USD bn 2008	Global Ranking, 2008	Real growth 2009	Real Growth 2010
Brazil	1483	19.07	14	5.1%	4.1%	17.99	20	9.7%	14.4%
Russia	1332	37.53	11	-6.9%	0.5%	0.64	50	-40.0%	8.1%
India	1197	7.54	28	2.5%	6.3%	51.11	10	7.5%	11.0%
China	4687	35.87	10	20.0%	7.8%	97.63	6	7.0%	8.9%



The sub-market of High Net Worth also deserves attention

Asia-Pacific High Net Worth Individuals by Markets, 2005-2007



**Others category is comprised of eight markets: Kazakhstan, Malaysia, Myanmar, New Zealand, Pakistan, Philippines, Sri Lanka and Thailand. Some historical figures have been restated as the result of additional country-level data becoming available in 2007. Chart numbers are rounded



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Conclusions: Asia's insurance market outlook

- Recessions in some Asian economies and slowing growth in China and India have dampened insurance business growth
 - The fall in equity markets has reduced consumer interest in investment-linked products
 - Bancassurance is particularly affected due to reduced single-premium sales
 - Some insurers are shifting their focus to protection products
- Insurance capital declined in most markets particularly in Japan. Together with a trend of regulators looking to strengthen solvency supervision, this will put pressure on balance sheets and will favour the use of reinsurance
- Government sponsored infrastructure construction projects in a number of emerging Asian markets could add to P&C insurance demand.

Capital
management is a
key issue

Past experiences suggest possible strong rebound alongside economic recovery → pressure on capital from business growth

Medium to long term growth outlook remains favourable



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