



Enterprise Risk Management

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Meeting the Challenges of Change

Swiss Re



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Key industry events driving change

- **Changed** risk awareness following 9/11 event and other recent major catastrophes (Katrina, Japan Tsunami, floods,...)
- **Overhaul** of rating and supervisory approaches
- **Recent financial crisis** showed weaknesses in financial services industry
- Risk management – still an **evolving** discipline
 - Risk Management treated as a "function" or department
 - vs. risk management treated as a discipline for all parts of the company

Introduction – a simple message!

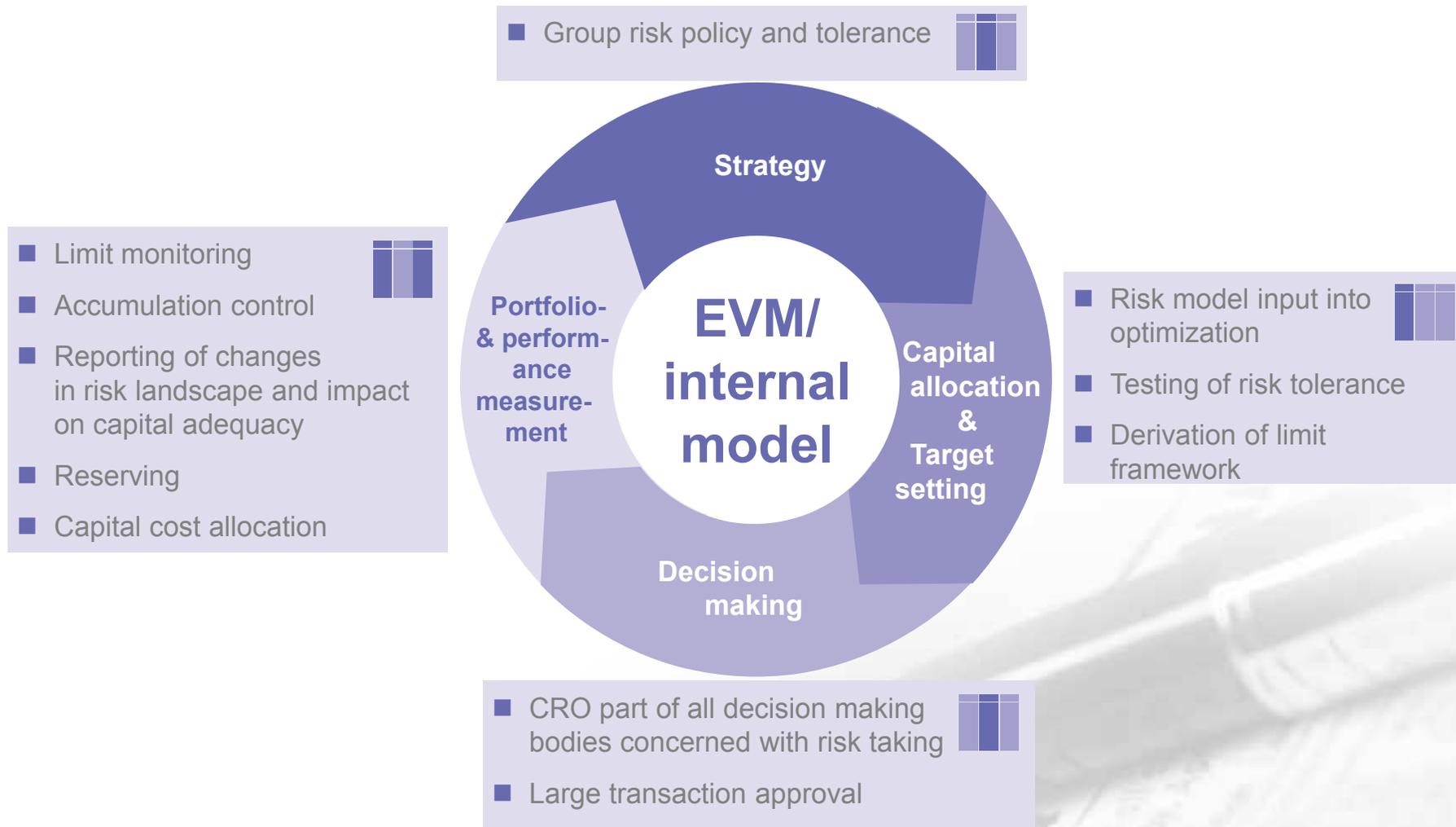
- **Know where you stand**
 - Comprehensive risk landscape - No blind spots for top management
- **Don't put all your eggs in one basket**
 - Understand sources of risk and diversify
- **Think the unthinkable**
 - Consider what could go wrong
- **An equal seat at the table for risk**
 - Risk management needs to be on par with the business
- **Point the carrot in the right direction**
 - Consider all sources of risk in performance measurement

Embedding risk management in the business



Swiss Re's performance cycle

Risk Management is embedded in steering processes

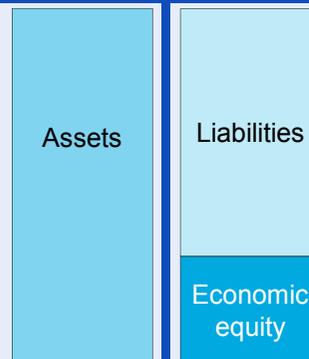


FOUR KEY CONTROL REQUIREMENTS

Insurer balance sheet

Ensure asset liquidity

Hold enough liquid assets to meet expected and unexpected liquidity requirements

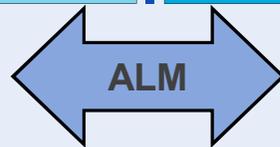


Control diversification

Pool large number of sufficiently independent risks, to make aggregate claims more predictable

Ensure capital adequacy

Use risk capital to absorb unexpected losses



Control Asset & Liability Management risk

Invest premiums and capital to match market risk of liabilities

Risk culture begins at the top: "Know where you stand on strategy"



Swiss Re's risk culture and risk management principles guide strategy

Risk attitude

- Active risk taking in both insurance and financial markets, provided that these risks can be adequately controlled. Non-core risks are limited based on cost-benefit considerations

Risk tolerance

- Overall risk is limited to ensure that Swiss Re is able to continue to operate following an extreme loss event

Risk appetite

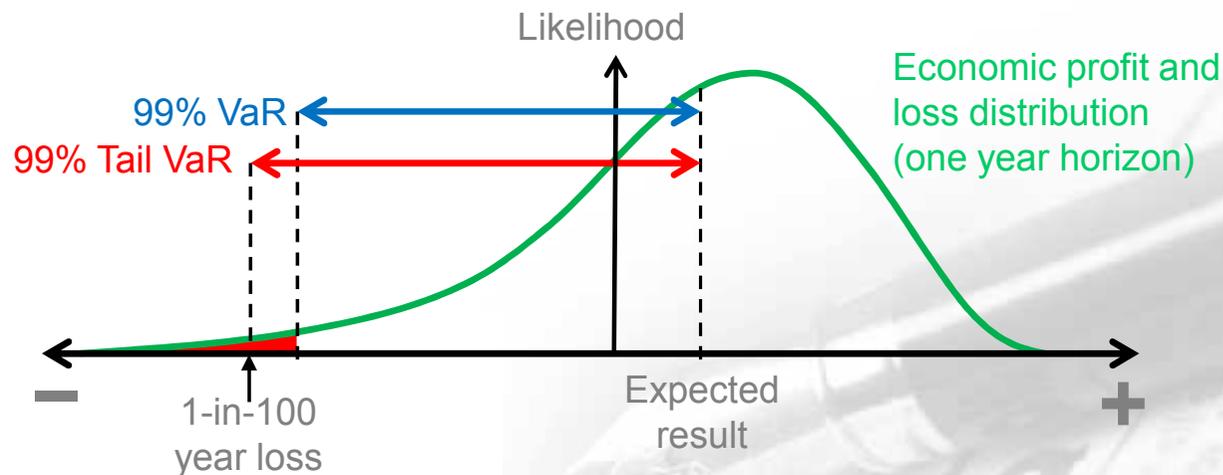
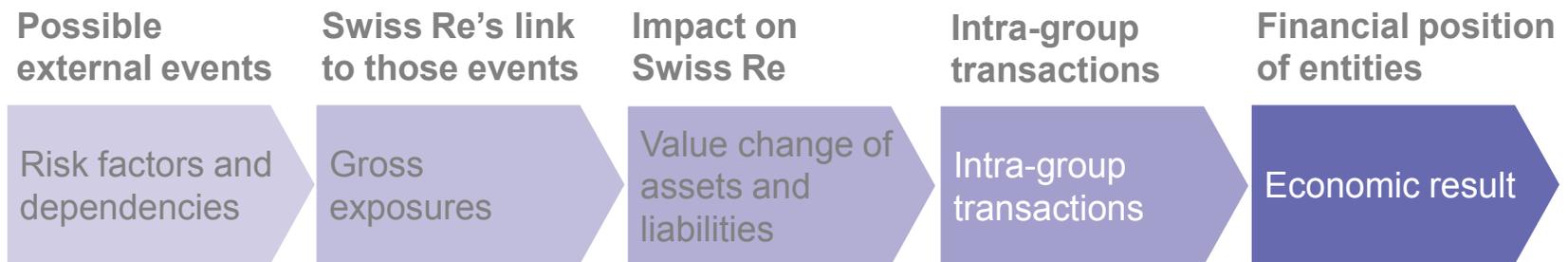
- The central goal in risk taking is to maximise shareholder value added by optimising risk-reward balance

Understand your risk tolerance ... "Think the unthinkable"



Explore the tail (extreme loss event) – based on scenarios

Swiss Re internal model based on 1 million consistent scenarios



... and risk appetite

"Don't put all eggs in one basket"



Quantitative limit framework translates risk tolerance into defined risk appetite for business units



An equal seat at the table



Risk Management

David Cole
 Group CRO

- Group CRO reports to Group CEO
- Member of Group Executive Committee



- Dedicated risk & actuarial teams supporting each of the 3 Business Units
- Each of the Business Unit CROs sits on management team in the Business Unit
- ➔ Increased ability to support/advise BUs in accepting good risks

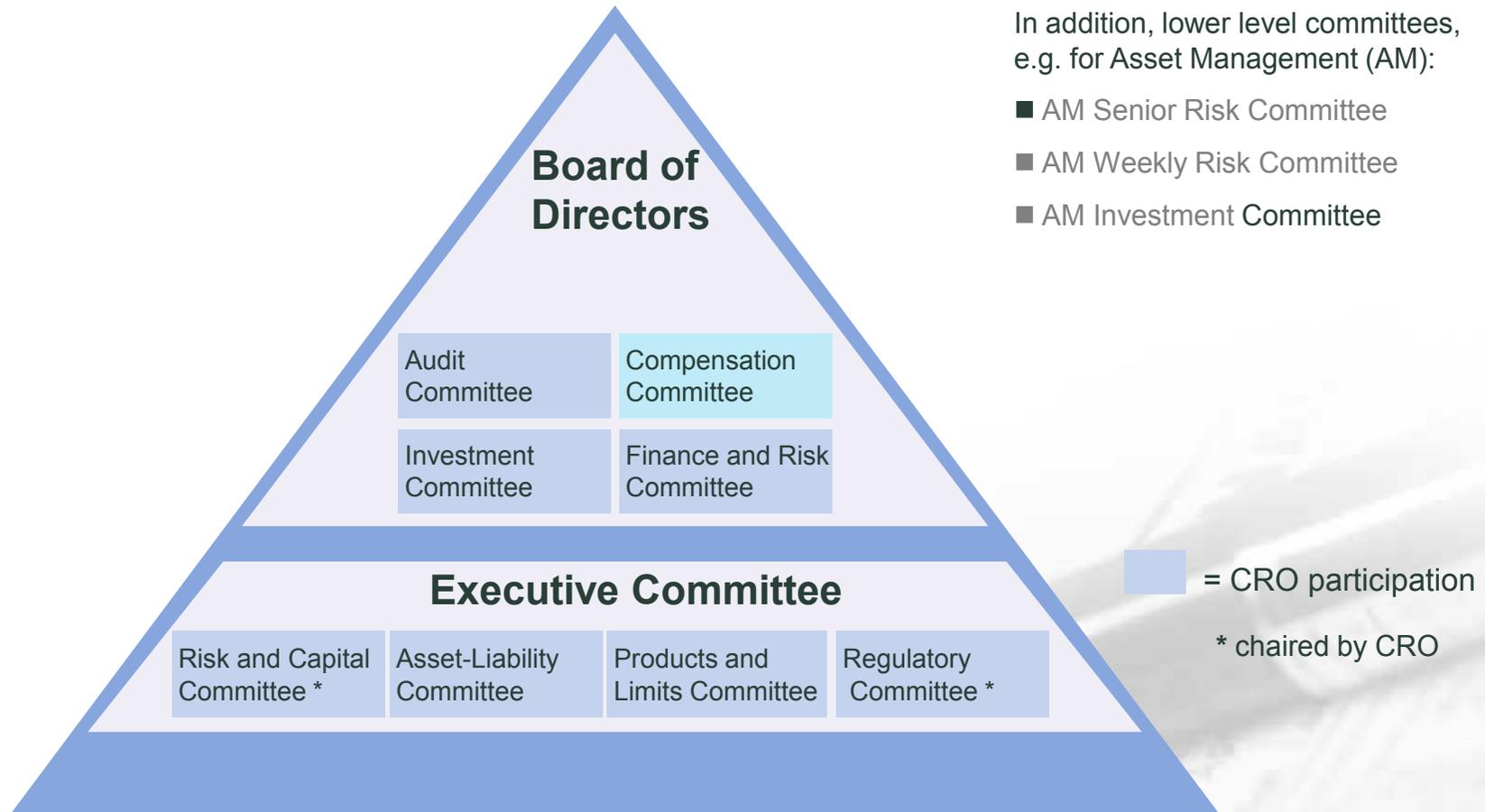


 Dedicated function at business unit with dotted line report to BU CEO

 Group function



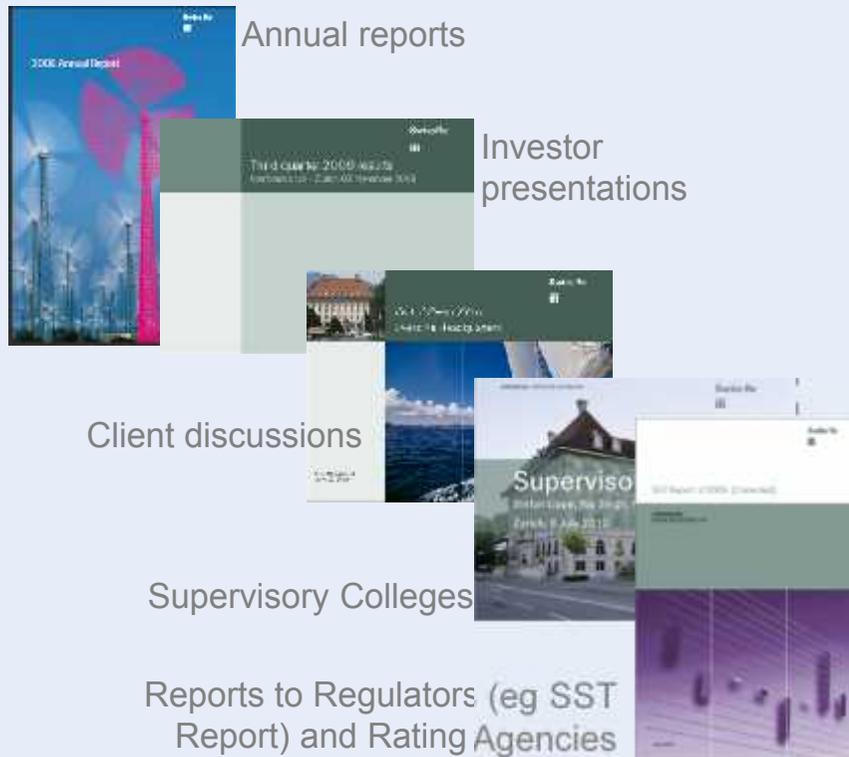
Industry-leading with CRO participating in all risk-taking committees





Independent analysis provides transparent risk information for external stakeholders, and actionable reports to internal decision makers

External



Annual reports

Investor presentations

Client discussions

Supervisory Colleges

Reports to Regulators (eg SST Report) and Rating Agencies

Internal



Executive Committee / Finance and Risk Committee Risk Updates

Capital Adequacy Dashboard

Liquidity Risk Report

P&C, L&H and ORM dashboards

Financial Risk Report

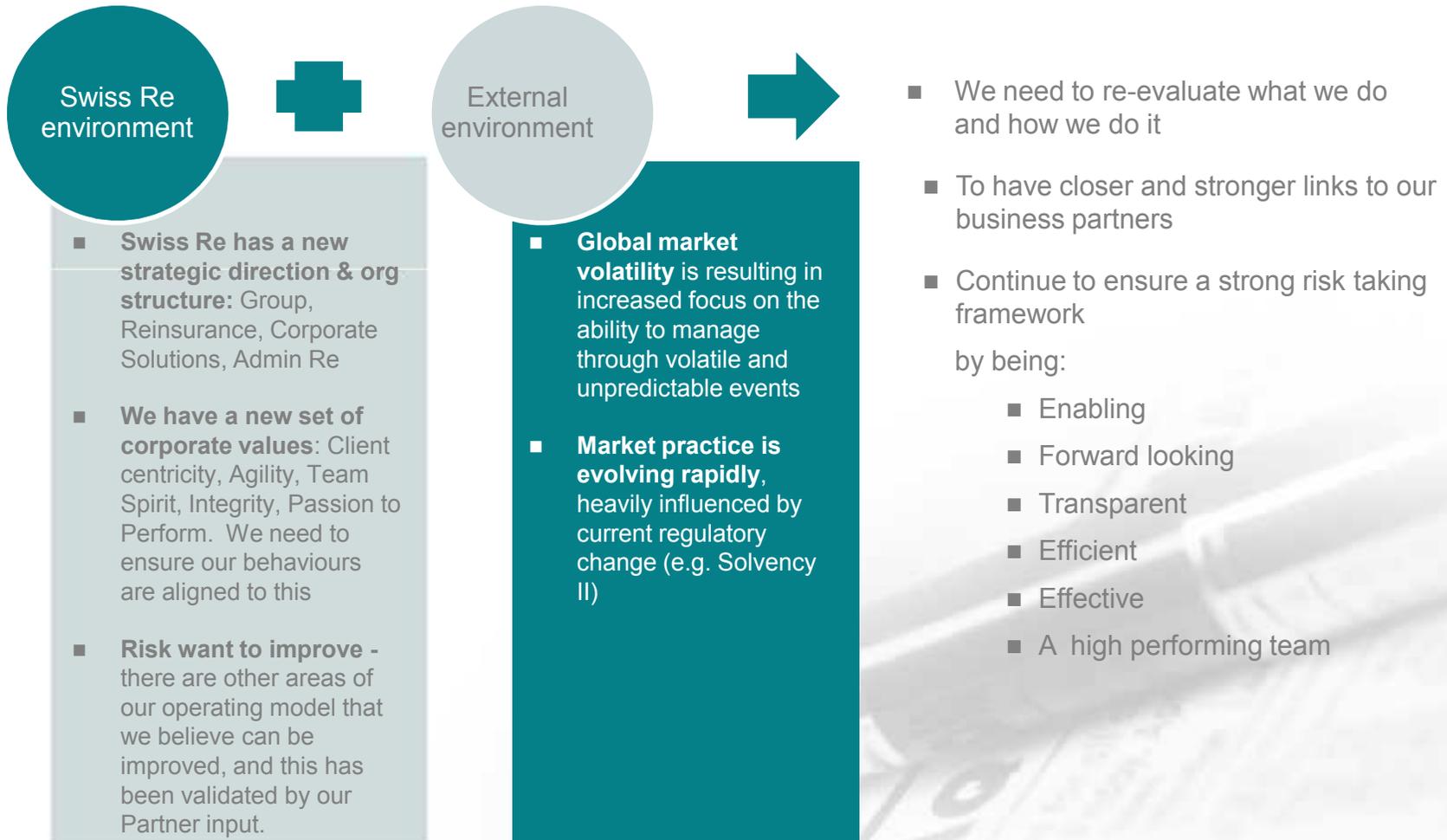
Keep your fingers on your
pulse ... regularly



A robust ERM program is not static



External and internal changes are giving opportunity to design the next-generation of ERM at Swiss Re → senior executive (MD level) deployed





Summary



Summary: Five golden rules

- **Know where you stand**
 - Comprehensive risk landscape - No blind spots for top management
- **Don't put all your eggs in one basket**
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Swiss Re at a glance



Headquarters, Zurich



Armonk, New York



The "Gherkin", London

■ Swiss Re is a **leading and highly diversified global reinsurer**, founded in Zurich (Switzerland) in 1863

■ **148 years of experience** in providing wholesale re/insurance and risk management solutions.

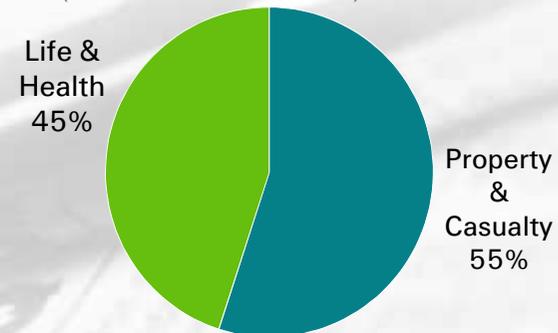
■ **We deliver both traditional and innovative offerings** in Property & Casualty and Life & Health that meet our clients' needs.

■ **A pioneer in insurance-based capital market solutions**, we combine financial strength and unparalleled expertise for the benefit of our clients.

■ **Our financial strength** is currently rated:
 Standard & Poor's: AA-/stable; Moody's A1/positive; A.M. Best: A+/stable

Key statistics in USD bn	FY 2009	FY 2010
Premiums earned:	22.7	19.7
Net income:	0.5	0.9
Shareholders' equity:	25.3	25.3
Return on equity:	2.3%	3.6%
Return on investments:	1.8%	3.5%
P&C combined ratio:	88.3%	93.9%
L&H benefit ratio:	83.8%	88.7%

Revenues by business
 (Total 2010: USD 19.7bn)





THANK YOU



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