



Swiss Re

# Re/Insurance: Creating economic value and stability for society

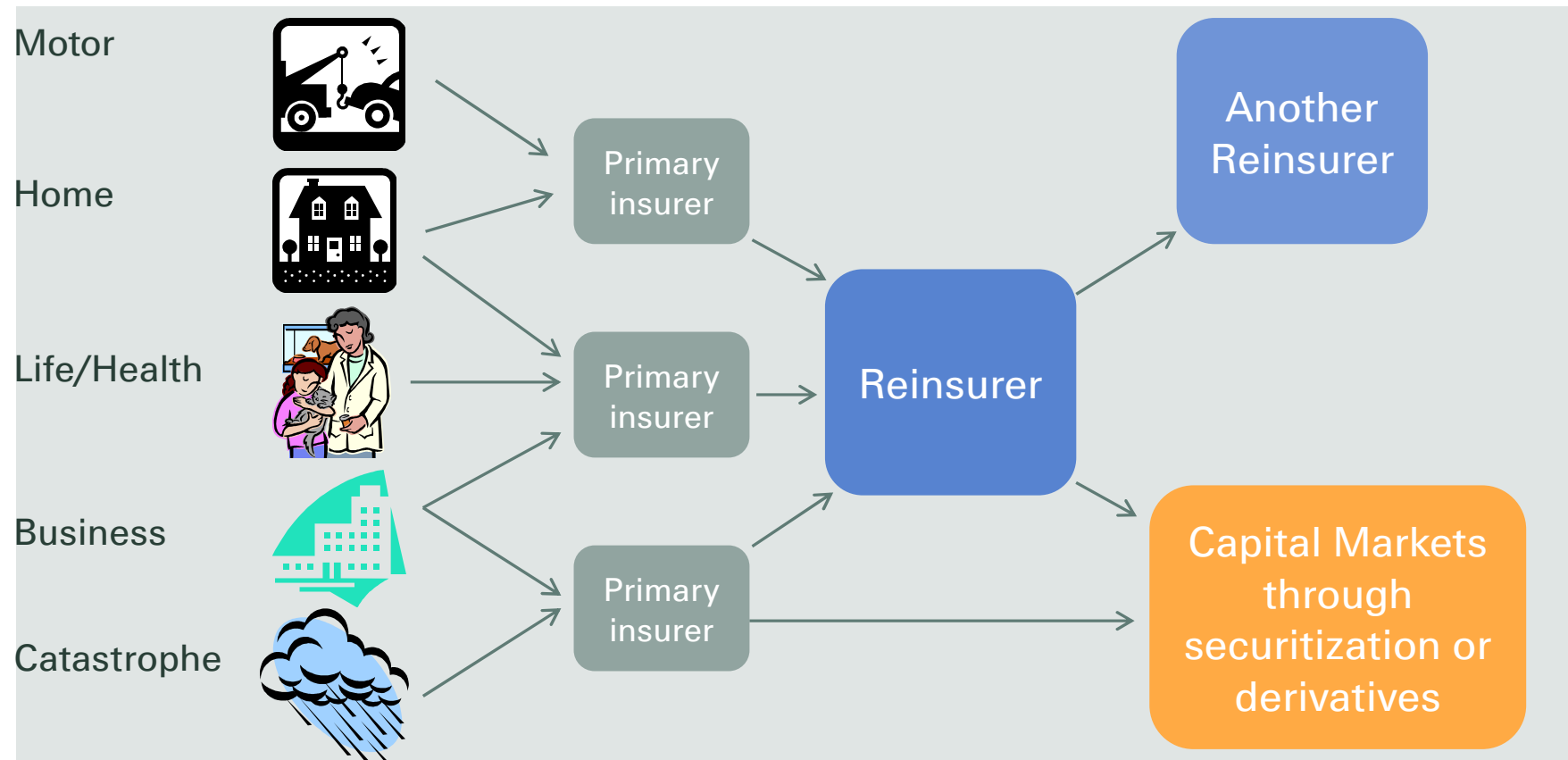
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29<sup>th</sup> January 2013 in Rüschlikon

Re/Insurers  
absorb volatility shocks,  
provide capital  
for the real economy and  
support risk prevention.

## How risks are transferred in insurance and reinsurance

Insured risks



Source: "The essential guide to reinsurance," Swiss Re



## The reinsurance industry absorbs shocks...



### 2001: World Trade Centre

47% of the total losses were paid by insurance sector. Reinsurers assumed 50%~60% of insured losses<sup>1</sup>.



### 2005: Hurricane Katrina, Rita and Wilma

50% of the total losses were paid by the insurance sector. Reinsurers assumed 35% of insured losses



### 2010: Earthquake in Chile

27% of the total losses were paid by the insurance sector. Reinsurers assumed 95% of insured losses



### 2011: Earthquake in New Zealand

80% of the total losses were paid by the insurance sector. Reinsurers assumed 70% of insured losses



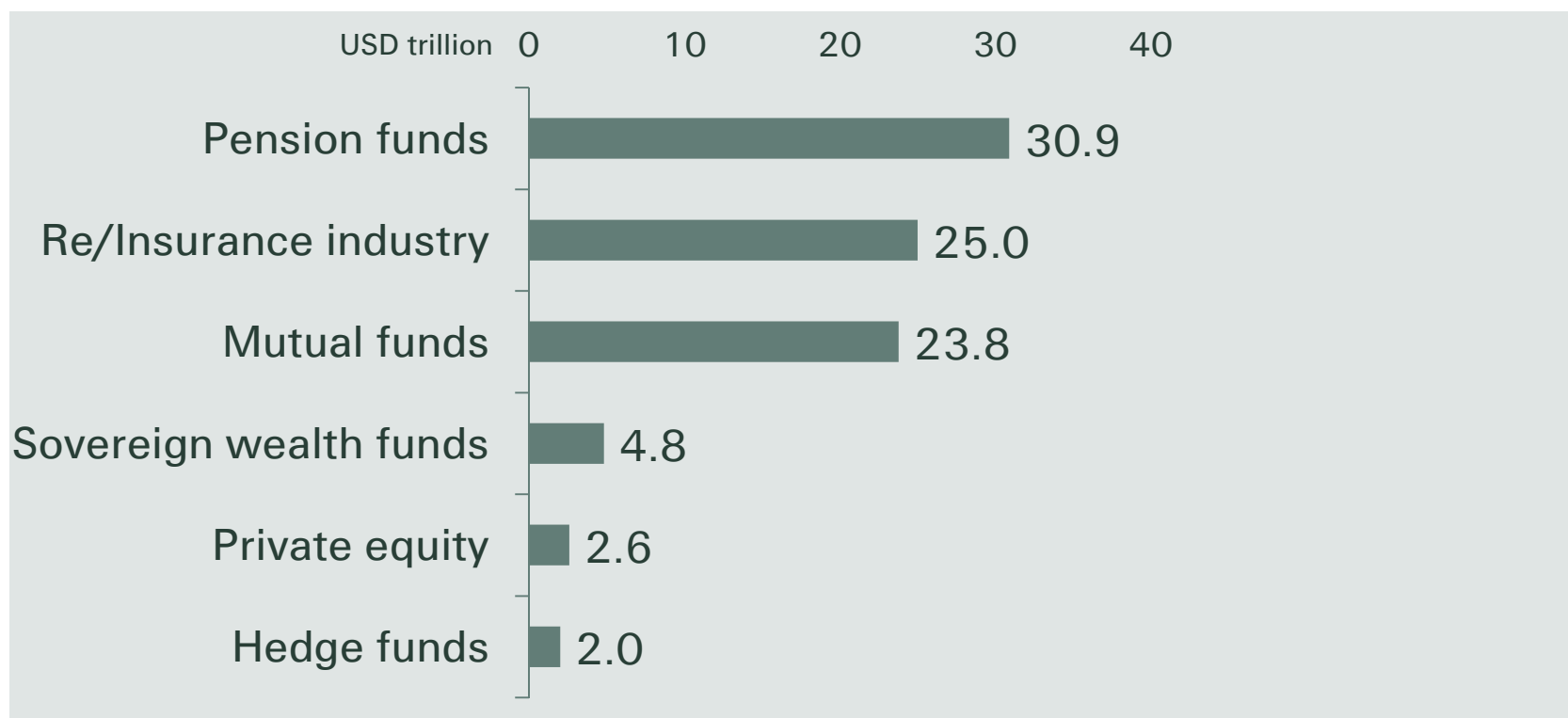
### 2011: Earthquake in Japan

17% of the total losses were paid by the insurance sector. Reinsurers assumed 40% of insured losses

<sup>1</sup>Based on Holborn, 2009 catastrophe losses

# Financial asset holdings of major institutional investors

Year-end 2011



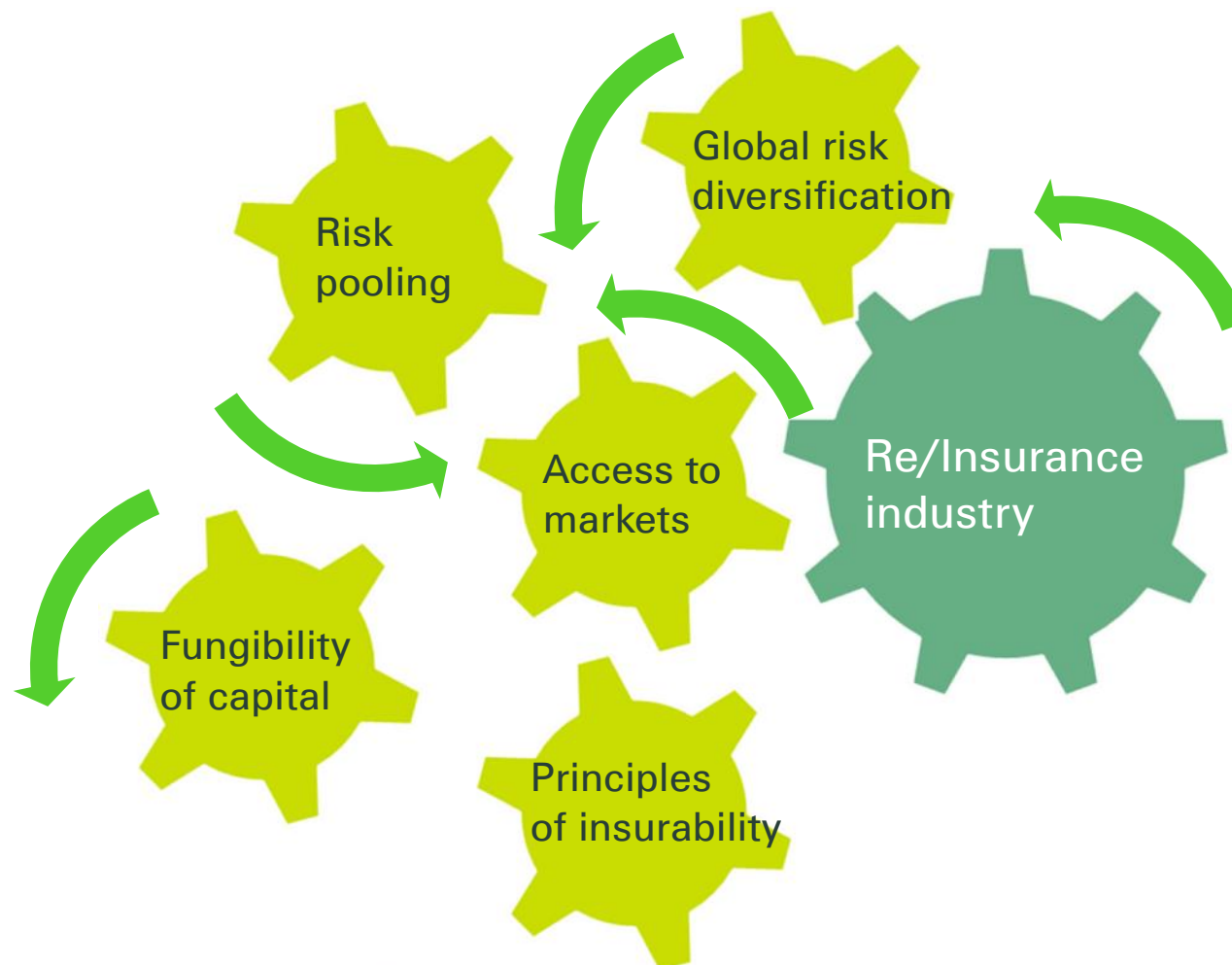
## Sources

Pension funds – CityUK; Insurers – Swiss Re Economic Research & Consulting; Mutual funds – Investment Company Institute; Sovereign wealth funds – Sovereign Wealth Funds Institute; Private equity – Deutsche Bank; Hedge funds – Hedge Fund Research, Inc.

## Challenging environment – not just for insurers



## Requirements for the re/insurance industry



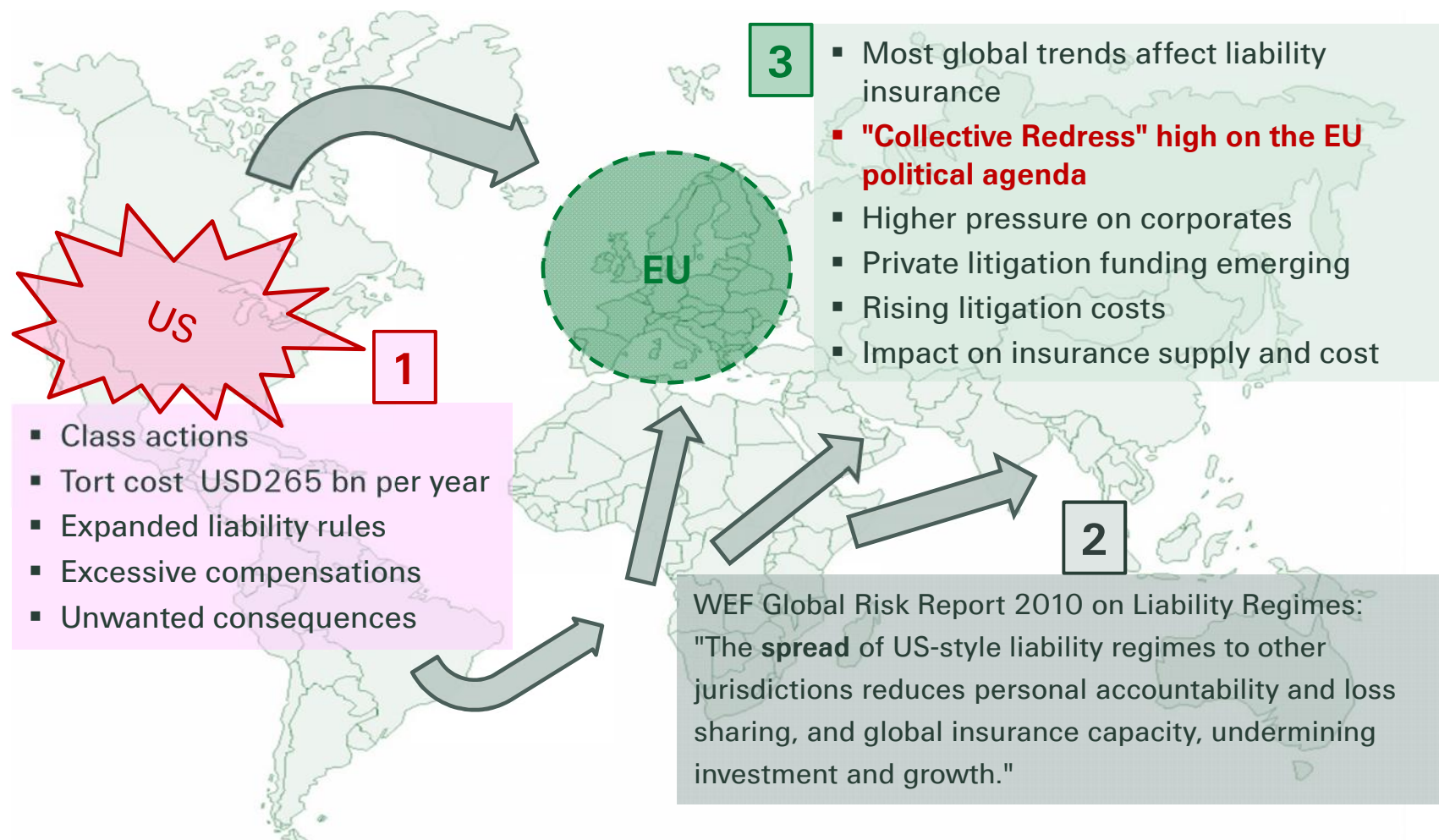
## Liability Dynamics

### A global risk with huge economic impact

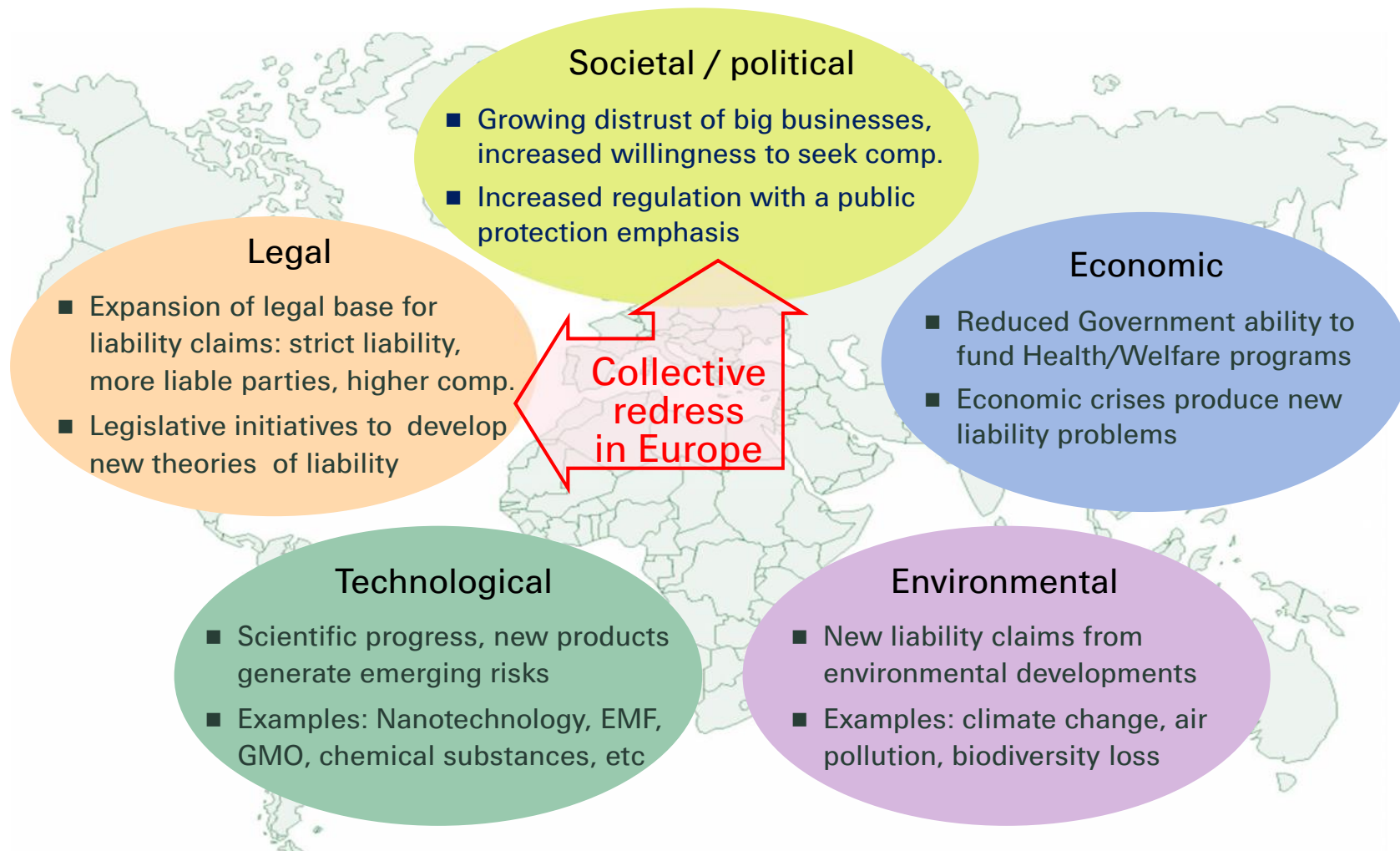
- A spreading global challenge
- Challenge reaching across industry sectors
- Impact on consumers
- Impact on businesses
- Impact on economy
- New drivers of liability claims



## Global Liability Dynamics

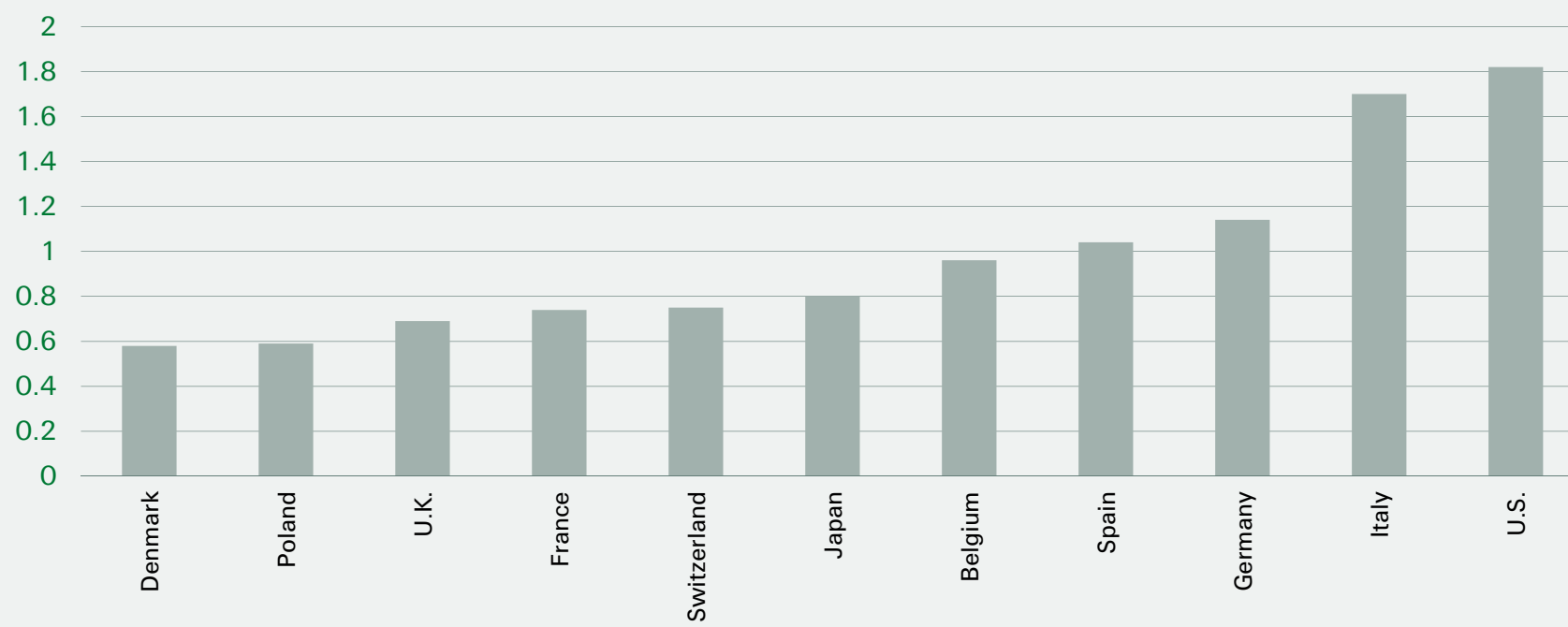


## Global Developments Causing growing liability exposures



## Liability Dynamics Impact on economy

International Tort Costs as % of GDP, 2003 – for U.S. Tort Costs as % of GDP, 2010



Source

Tillinghast-Towers Perrin, "U.S. Tort Costs", 2005 (Europe/Japan) and 2011 (US) updates

## Conclusions

1. Globalisation of the world economy is driving a **dynamic spread of increasing liability risks** and related tort costs.
2. Innovation and progress require risk-taking. But despite huge globalisation gains, our **societies grow more and more risk-averse**.
3. Funds needed to cover potentially huge liability claims cannot be put to productive use elsewhere. Excessive **liability strangles incentives for growth**.
4. Missed target: **Consumer impact turns negative** when liability risks and costs of tort system become excessive.
5. Excessive liability may result in a **diminished offer of private risk-transfer solutions**. This is not in the interest of governments, taxpayers and consumers.
6. Policymakers, legislators, public authorities & NGOs need to **understand the potential for unintended consequences** arising from liability systems.
7. A balanced approach to collective redress can unlock resources urgently needed for economic growth. It can create **win-win situations for all stakeholders**.



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Thank you



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