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STEPS 1/11

SI Re gets off to a good start in 2011



Bertrand R. Wollner, Chief Executive Officer

I am pleased to be able to present the first edition of our STEPS newsletter in 2011.

We start by outlining the results of the latest round of policy renewals from the end of last year and to demonstrate why SI Re can be very pleased with the outcome given the extremely challenging business environment.

We are also delighted to introduce Karine Wild, who will be joining our team as Underwriting Manager on 1 April, taking over the market responsibility for France, Belgium and Luxembourg from Jean-Marie Bigot, who is retiring at the end of July 2011 after 40 years of dedicated service to the (re)insurance industry. He will nonetheless still be able to accompany Karine Wild to the Monte Carlo conference.

I would like to take this opportunity to thank Jean-Marie for his stalwart contribution to building up SI Re's reinsurance portfolio, especially in France, and also to welcome Karine Wild to SI Re. We wish her every success in her new role.

I would particularly like to take advantage of this chance to draw your attention to our new «In-depth» publication series, which will start appearing shortly. We intend to use this venture to explore topics of strategic interest to our clients in which we feel we have particular expertise.

The very first edition of «In-depth», to be published in Q2, will grapple with a «hot potato» – the Swiss Solvency Test (SST), our domestic equivalent of Solvency II. We are hoping to give you an idea of SI Re's experiences in this area and to make clear why we see the new solvency regime in a much broader context than many of the debates and publications out there.

«In-depth's» principal aim is to explain our risk-control system in its entirety, giving our readers insight into the interaction between the SST, the Swiss Quality Assessment (SQA) and the legal and business demands facing our risk management, corporate governance and internal control system (ICS).

Rather than a mere fulfilment of regulatory requirements, SI Re considers the risk-control system to be a prerequisite for the prevention of hazards and an effective means of managing a business model which deals with far more than the quantification of individual risks; it is

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just as important to identify risks holistically, with all their implications and interdependencies. We are convinced that the only way to overcome such challenges is with a clearly defined risk-control procedure designed according to systematic guidelines.

Our joined-up, process-based approach to risk has served us well and we would like to tell you more about it in our new publication. We hope to strike a refreshingly new note in the currently rather myopic discussion surrounding Solvency II/SST. We look forward to inform you as soon the publication is available.

I hope you find what we have written interesting and thought-provoking, and I am always delighted to receive any comments or other feedback.

SI Re maintains its disciplined underwriting strategy in the 2011 renewal

SI Re has achieved satisfactory results in the 2011 renewal round, in which total premiums of EUR 89.4 million were up for renewal. The proportion of non-renewed business resulting from contract terminations and reduced shares corresponded to a premium volume of approximately EUR 5.0 million while SI Re managed to acquire increased shares and new business amounting to EUR 8.0 million, or 8.9%.

The January renewal have thus seen SI Re achieve premium growth of 3.3% to EUR 92.4 million, an increase which more or less matches that of the previous year. The proportion of group busi-

ness, i.e. reinsurance for the SIGNAL IDUNA Group, our parent company, rose by 2 percentage points to 36% of premium volume.

SI Re has observed further growth of available capacity across all its markets, with the launch of new, Swiss-based reinsurance subsidiaries to serve continental European markets ratcheting up competition and causing premium rates in non-proportional short-tail business in particular to soften; long-tail business is, however, displaying greater price stability.

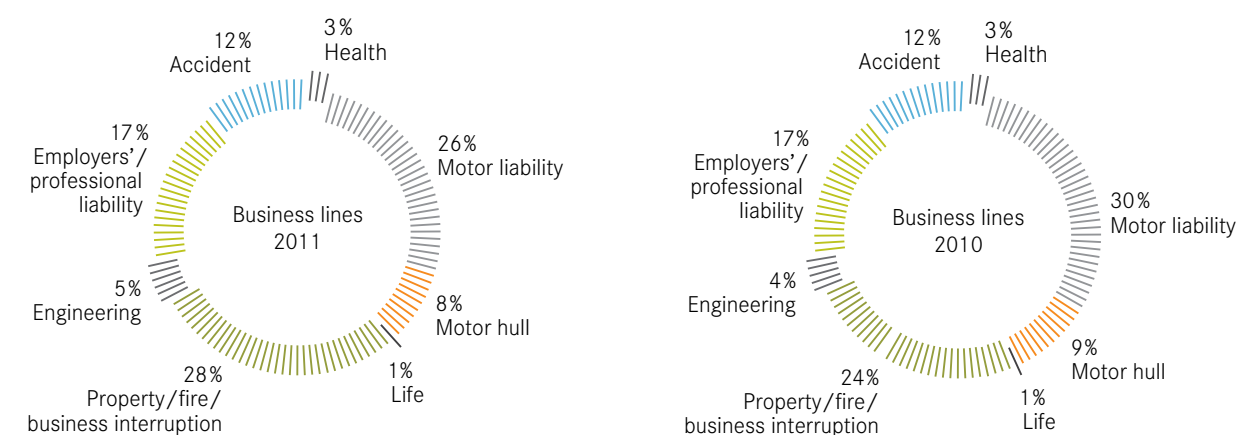
SI Re has experienced increasing demand for natural-hazard frequency covers in particular, a development which

appears to anticipate the imminent introduction of Solvency II. As regards losses, SI Re recorded a higher frequency of medium-sized loss events in short-tail business; individual large losses did not play a decisive role in the 2011 renewals.

SI Re is maintaining a determined course of conservative growth in this extremely challenging operating environment. The underwriting policy remains focused on strict adherence to in-house profitability parameters and the market is rewarding this consistency and predictability.

The 2011 renewal saw SI Re receive a healthy 19% more enquiries from new clients than it did in 2010. 82% of these

PORTFOLIO COMPOSITION



new offers were declined as the business did not meet the stringent underwriting criteria; merely 10% of the enquiries resulted in contracts actually being signed.

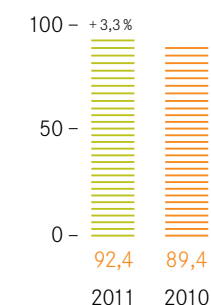
While the escalating number of new enquiries amply demonstrates SI Re's enhanced profile and growing reputation, it is also an indication of quite how stiff competition among brokers is becoming. Brokerage accounted for approximately 22.5% of SI Re's premium volume in this renewals round, marginally above last year's figure.

SI Re recorded improved conditions in a good 20% of renewed policies; clients in

long-tail business especially are keen to maintain long-term relationships with their reinsurers as the business demands considerable experience and benefits from companies with stable capacity.

In 2011, SI Re will continue to concentrate on growing its core business areas and will maintain its steady, profitability-based strategy. SI Re anticipates further positive results from the coming renewal round, which begins in April 2011.

RENEWALS (in mio. EUR)



Karine Wild assumes market responsibility for France, Belgium and Luxembourg

Karine Wild, a 45-year-old French national who also holds a Swiss passport, is the latest addition to the SI Re team and will be taking over as Underwriting Manager for the French, Belgian and Luxembourg markets on 1 April 2011. She will replace Jean-Marie Bigot, who is retiring.

After graduating in 1991 with a degree in modern languages and jurisprudence from the Sorbonne in Paris, Karine Wild launched straight into a career in the reinsurance industry, starting work with the French branch office of Nordisk Re, a Danish reinsurer that was first to become part of GE Frankona before being taken over by Swiss Re. She subsequently joined Swiss Re France's underwriting team in 2000 before moving to Scor in 2008, where her most recent role was as senior property and liability underwriter for French clients.

Karine Wild decided to move to SI Re because the company's transparent structure fired her with enthusiasm. She is looking forward to joining a relatively young firm that is still growing, where she can work flexibly and efficiently in a harmonious and collegial work environment. SI Re's clear strategy also played its part in winning her over, and she was particularly attracted to the focus on mutual insurance clients.

Ms. Wild intends to work with the team in their ongoing expansion of the client portfolio built up by Jean-Marie Bigot. She is convinced that SI Re's close ties with its parent company, SIGNAL IDUNA, is a significant advantage when it comes to dealing with clients who are looking for a long-term collaboration with a reinsurer who has an in-depth understanding of their business model.

Karine Wild is well aware of the increasingly competitive nature of today's reinsurance market, in which the relocation of reinsurance activities from Bermuda to Switzerland and expansion into the continental European market in particular are exacerbating the oversupply of reinsurance capacity. She considers the French market to be mature and perceives the regulatory environment and the influence of the state on a wide range of insurance lines, from motoring to medical malpractice, as two of the chief challenges currently facing the market.

Expecting to see consolidation in the primary insurance market, Karine Wild believes this may go hand-in-hand with a fall in demand for reinsurance cover. She believes that the introduction of Solvency II will nonetheless boost client demand for risk diversification across a range of reinsurers and thus also prove beneficial for SI Re.



Karine Wild, who is moving to Switzerland in April, appreciates the variety of topics in reinsurance and enjoys acquiring new skills and expertise in order to anticipate and meet her clients' needs. She knows Switzerland only from her frequent visits here but is already looking forward to a higher quality of life and cultural variety of Zurich as well as the greater proximity to nature; she is also hoping to do a bit more sport and brush up her skiing.

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