



ANNUAL REPORT 2008

SI Re – Mutually yours
Sustainable, agile, committed



© Hannes Bok, detail of «Albglühen»

Table of content

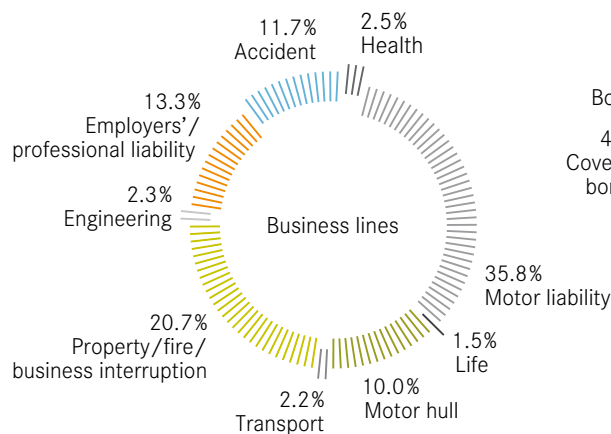
SI Re at a glance	4
Report of the Board of Directors	7
The financial year 2008	9
Balance sheet	14
Income statement	16
Notes to the 2008 financial statements	18
Appropriation of available earnings	23
Auditor's report	24
Publisher's imprint	27

SI Re at a glance

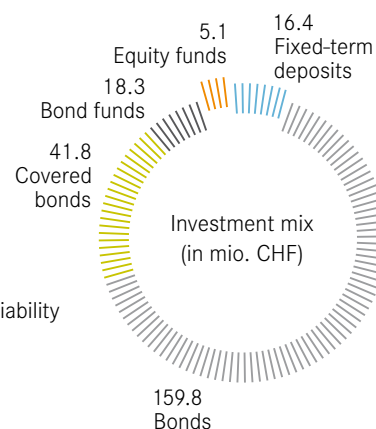
SIGNAL IDUNA Reinsurance Ltd (SI Re) is a Swiss reinsurer based in Zug, operational since 2004. We primarily serve mutual insurance companies and concentrate on selected European countries. Sustainability, agility and commitment are the building blocks of our franchise. We are strongly capitalized as evidenced by an «A-» financial strength rating from Fitch.

	2008 in mio. CHF	2007 in mio. CHF	Change in mio. CHF
Net premiums written	129.4	108.3	21.1
Net premiums earned	125.9	110.4	15.5
Technical result	0.3	(4.2)	4.5
Net investment income	4.4	6.3	(1.9)
Result for the year	0.3	0.3	-
Net technical provisions	166.0	121.3	44.7
Investments	241.4	219.5	21.9
Shareholders' equity	104.5	104.2	0.3

PORTFOLIO COMPOSITION 2008



INVESTMENTS 2008



BOARD OF DIRECTORS

Dr. Klaus Sticker, Chairman
Ulrich Leitermann
Dr. Otto Bruderer
Armin L. Landtwing
Rainer Schönberg
Peter Schmid
Bertrand R. Wollner, Executive Member

EXECUTIVE BOARD

Bertrand R. Wollner, Chief Executive Officer
Beat Landtwing, Chief Financial Officer

SHAREHOLDERS

100% SIGNAL IDUNA Allgemeine Versicherung AG,
Dortmund

RATING

Fitch: A- «Outlook stable»

AUDITORS

PricewaterhouseCoopers AG, Zurich

The Annual Report is published in German, English, French and Spanish. In the case of inconsistencies in the English, French and Spanish translations, the German original version shall prevail.



Dr. Klaus Sticker



Bertrand R. Wollner

Report of the Board of Directors

Dear Readers

Having concluded our fifth financial year SIGNAL IDUNA Reinsurance Ltd (SI Re) is for the first time presenting a comprehensive annual report. In 2008, as in previous years, our company's performance was exceptionally pleasing. SI Re continued to grow despite the extremely tough overall market environment. Net premium volume rose by almost 20% to CHF 129 million. Claims and other expenses grew at a slower pace, improving our combined ratio on premiums earned to 99.7% (previous year: 103.4%). We are delighted to report that invested assets also expanded by 10% to CHF 241 million. In addition, we have broadened our client portfolio, increased the number of staff and further enhanced our knowledge base.

SI Re's year-on-year performance since its founding is impressive. Since 2004 we have managed to virtually double our premium income, without compromising on our strict profitability standards. Investments and technical provisions have even grown by a factor of ten to CHF 241 million or CHF 166 million, respectively. Shareholders' equity has remained stable since 2005 at over CHF 100 million.

As a European alternative in the reinsurance market SI Re makes an important contribution to the risk diversification and risk management of its clients. We are therefore confident that SI Re will continue to evolve positively in the years ahead and will become a key pillar of the SIGNAL IDUNA Group.

Our success in 2008 would have been unthinkable without the trust and loyalty of our clients and the valuable commitment of our employees. For this we are sincerely grateful.



Dr. Klaus Sticker
Chairman of the Board



Bertrand R. Wollner
Executive Member of the Board
and Chief Executive Officer



© Hannes Bok, detail of «Magnet»

The financial year 2008

SUSTAINED, HIGHLY DYNAMIC PREMIUM GROWTH

Now in its fifth year, SI Re has managed to maintain its growth trajectory, whilst maintaining its disciplined underwriting policy. Net premiums written rose by 19.5% to CHF 129.4 million, once again exceeding the already impressive growth of 16.8% in the previous year. This result is very pleasing indeed and underscores the growing acceptance of SI Re as a European alternative in the reinsurance market.

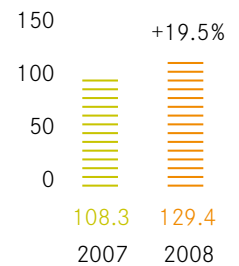
SI Re recorded its highest premium growth in Germany. Our company not only increased its share of business with existing cedants but established new client relationships. In total, SI Re was able to increase the number of client relationships by 50% compared to 2007.

Technical reserves increased by 37% to CHF 166.0 million, clearly reflecting SI Re's conservative reserving policy.

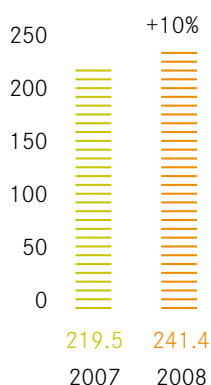
POSITIVE TECHNICAL RESULT

Given the absence of large losses in 2008, SI Re's claims ratio fell to 69.2% (previous year: 73.7%). Run-off profits from prior-year claims reserves also impacted the claims ratio positively. The expense ratio rose marginally by 0.8 percentage points to 30.5%. The combined ratio fell by 3.7 percentage points to 99.7% of premiums earned – a considerable improvement on 2007.

NET PREMIUMS WRITTEN
(in mio. CHF)



INVESTMENTS
(in mio. CHF)



STRONG INCREASE IN INVESTED ASSETS AND POSITIVE NET INVESTMENT RESULT

SI Re's invested assets have increased significantly in lockstep with its expanding insurance business. The investment portfolio grew by 10% from CHF 219.5 million to CHF 241.4 million.

BOOK VALUE IN CHF MILLION	2008	2007	Change
Fixed-term deposits	16.4	0.0	16.4
Bonds	159.8	153.8	6.0
Covered bonds	41.8	45.8	(4.0)
Bond funds	18.3	9.7	8.6
Equity funds	5.1	10.2	(5.1)

SI Re pursues a conservative investment policy with fixed-income securities making up the bulk (84%) of its portfolio. Equity exposure was further reduced to 2% in 2008 from 4.6% in the previous year. This shielded the portfolio from the worst of the devastating equity market collapse (share prices were down by 40-50% compared to the end of 2007). As of 31.12.2008 fixed-term deposits accounted for approximately 7% of the total portfolio (previous year: 0%) – a logical response to the attractive interest rates on fixed-term deposits following the dramatic worsening of the financial crisis in the fourth quarter. Two-thirds of SI Re's assets are invested in bonds (previous year: 70%). The bond portfolio is of above-average credit quality: 54% of the fixed-income paper has the top rating (AAA) and 12% an A rating, the lowest in the portfolio.

Current investment income increased by 19% to CHF 8.2 million compared to 2007. This translates to an improvement in current investment return from 3.1% to 3.4% – a remarkable achievement in a crisis-ridden year like 2008. Naturally, SI Re's investment portfolio did not escape the unprecedented financial-market turmoil completely unscathed. CHF 3.4 million in equity and bond funds, or 1.4% of total investment volume, had to be written off. However no write-downs were necessary on the high-quality bond portfolio. The overall investment result fell by CHF 1.9 million to CHF 4.4 million. Total investment return came to 1.8% compared to 2.9% in the previous year – a respectable performance in an annus horribilis.

INVESTMENT RESULTS IN CHF MILLION	2008	2007	Change
Current investment income	8.2	6.9	1.3
Capital gains / losses	(3.8)	(0.6)	(3.2)
Total investment result	4.4	6.3	(1.9)

ADMINISTRATIVE EXPENSES

The administrative expense ratio increased from 3.0% to 3.4% of premiums earned. This reflects a higher headcount as well as additional infrastructure expenditure to meet SI Re's growing demands.

STABLE AND ROBUST EQUITY POSITION

SI Re's equity position remained unchanged in 2008 at a healthy CHF 104.5 million, allowing the company to further expand its reinsurance activities wherever business met its profitability criteria. It is remarkable that SI Re was able to maintain this level of financial strength given that several significantly larger reinsurers' equity was dramatically eroded in 2008.

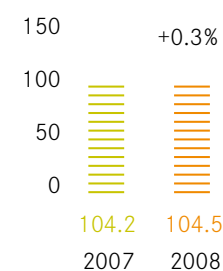
PREPARING THE GROUND FOR SI RE'S FUTURE DEVELOPMENT

In July 2008 the rating agency Fitch awarded SI Re a financial strength rating of «A-» as well as the «Fitch Financial Strength Seal», which is only given to financially strong (re)insurers. According to Fitch, this rating reflects SI Re's strong equity position, its highly prudent reserving policy, its disciplined underwriting approach and the considerable support it receives from the parent company, SIGNAL IDUNA Group.

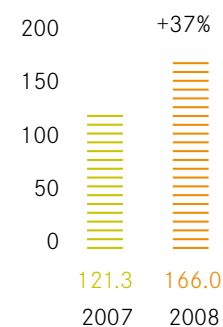
This external, independent certification is based not only on a company's financial strength but on «soft» factors such as management quality, risk management and corporate strategy. It is an important endorsement for SI Re as it continues to pursue a profit-focused growth strategy and forge business relationships in new markets in continental Europe.

In 2008 SI Re took several steps to reinforce its positioning in the market place and was aided in this process by Dr. Schanz, Alms & Company AG, a specialised communications and strategy consultancy based in Zurich. These initiatives are all part of a conscious strategy to position SI Re as a respected and visible European alternative in the reinsurance market.

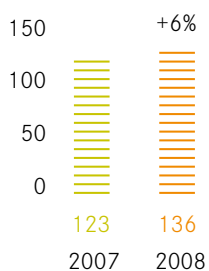
SHAREHOLDERS' EQUITY (in mio. CHF)



NET TECHNICAL PROVISIONS (in mio. CHF)



RENEWALS
(in mio. CHF)



OUTLOOK FOR THE 2009 FINANCIAL YEAR

SI Re will remain committed to its profit-focused growth strategy in 2009. During the January renewals our company successfully increased its share of business with one-third of its existing cedants and the total number of client relationships grew by over one-third compared to 2008. When adjusted for currency effects, expected gross premium income rose by almost 6% to CHF 136 million (exchange rate plan EUR / CHF 1.56).

In 2009 SI Re will also intensify or commence its activities in various European markets. Our particular focus is on Spain and Portugal. For these markets we have recruited an experienced underwriter.

In light of the massive financial-market convulsions following the credit crisis and the spectacular difficulties experienced by some of the major reinsurers, cedants are increasingly keen to diversify the spectrum of reinsurance providers. In this context, the general «flight to diversification» plays in SI Re's favour.

SI Re is also confident with regard to its preferred client segment, European mutual insurers. Thanks to their generally prudent investment policies, which are closely aligned to their policyholders' interests, most of these companies have weathered the recent turbulence better than the majority of their publicly traded competitors. SI Re is expected to benefit from their resilience.

Balance sheet

Assets

	31.12.2008	31.12.2007
	CHF	CHF
<hr/>		
INVESTMENTS		
Short-term investments	16 424 100	0
Fixed-income securities	201 576 789	199 543 464
Shares in investment funds	23 394 653	19 949 482
Tangible assets	416 695	442 255
Intangible assets	227 496	313 788
	242 039 733	220 248 989
<hr/>		
CURRENT ASSETS		
Cash	3 050 367	2 516 930
Receivables from insurance operations – Group	4 107 144	2 518 981
Receivables from insurance operations – Third parties	13 177 783	9 163 735
Deposits	9 509 760	0
Other assets	134 211	152 514
Accrued income	6 066 021	4 640 642
	36 045 286	18 992 802
<hr/>		
Total assets	278 085 019	239 241 791

Liabilities and shareholders' equity

	31.12.2008	31.12.2007
	CHF	CHF
<hr/>		
LIABILITIES		
Net technical provisions		
Unearned premiums	2 888 544	13 745
Provision for annuity contracts	1 090 006	197 297
Provision for future life benefits	9 509 760	0
Provision for outstanding claims	150 885 663	119 741 235
Other technical provisions	1 586 605	1 317 712
	165 960 578	121 269 989
Other liabilities		
Liabilities from insurance operations – Group	102 570	3 535 936
Liabilities from insurance operations – Third parties	6 740 266	6 562 893
Other liabilities – Group	299 740	0
Other liabilities – Third parties	137 577	128 592
Other provisions	295 200	3 311 255
Accrued expenses	56 370	254 281
	7 631 723	13 792 957
	173 592 301	135 062 946
<hr/>		
SHAREHOLDERS' EQUITY		
Share capital	100 000 000	100 000 000
Legal reserve	1 326 000	1 274 000
Organisation fund	2 296 692	2 296 692
Retained earnings		
Retained earnings brought forward from previous year	556 153	350 558
Result for the year	313 873	257 595
	104 492 718	104 178 845
<hr/>		
Total liabilities and shareholders' equity	278 085 019	239 241 791

Income statement

Technical income statement

(for own account)

	2008	2007
	CHF	CHF
<hr/>		
NON-LIFE REINSURANCE		
Net premiums written	127 536 361	108 265 922
Change in unearned premiums	-3 493 180	2 144 219
<i>Premiums earned</i>	124 043 181	110 410 141
Other technical income	152	0
Commissions and profit commissions	-38 074 305	-32 775 843
Claims paid	-38 399 363	-46 443 910
Change in provision for outstanding claims	-46 984 847	-34 971 394
<i>Incurred claims</i>	-85 384 210	-81 415 304
Other technical expenses	-430 025	-379 399
Non-life reinsurance result	154 793	-4 160 405
<hr/>		
LIFE REINSURANCE		
Net premiums written	1 836 685	0
Change in unearned premiums	0	0
<i>Premiums earned</i>	1 836 685	0
Technical interest	321 331	0
Commissions and profit commissions	-363 434	0
Life benefits	8 549 066	0
Change in provision for future life benefits	-10 186 836	0
<i>Total life benefits</i>	-1 637 770	0
Life reinsurance result	156 812	0
<hr/>		
Overall technical result	311 605	-4 160 405

Non-technical income statement

	2008	2007
	CHF	CHF
Investment income	8 234 146	6 843 616
Capital gains	143 136	1 037 547
Capital losses	-3 991 050	-1 616 499
Exchange-rate differences	89 537	1 697 437
Other income	70 407	2 795
Total non-technical income	4 546 176	7 964 896
Personnel expenses	-1 944 000	-1 817 260
Financial expenses	-881 590	-313 105
Other administrative expenses	-1 420 618	-1 160 832
Total administrative expenses	-4 246 208	-3 291 197
Valuation adjustments	-186 565	-176 423
Other expenses	-54 808	-31 643
Total non-technical expenses	-4 487 581	-3 499 263
Non-technical result	58 595	4 465 633
Pre-tax result for the year	370 200	305 228
Taxes	-56 327	-47 633
Result for the year	313 873	257 595



Notes to the 2008 financial statements

The following notes are an integral part of the income statement and balance sheet. Below SIGNAL IDUNA Reinsurance Ltd has disclosed all details required for compliance with Art. 663b of the Swiss Code of Obligations.

1. GENERAL

SIGNAL IDUNA Reinsurance Ltd is a subsidiary of SIGNAL IDUNA Group, Dortmund/Hamburg. 100% of the shares are owned by SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund.

2. ACCOUNTING AND VALUATION PRINCIPLES

Time period

Reinsurance business comprises the cedants' 2008 financial year. Cedant accounts that are not available at the time of closing have been estimated. General income and expenses are congruent with the financial year 2008.

Foreign currency translation

As is common practice in the international reinsurance business, accounts are denominated in the original currencies. For the purposes of the balance sheet, translations are made into Swiss francs at year-end exchange rates; income statement amounts are translated at the relevant quarterly exchange rates. The resulting exchange-rate differences are recognised in the income statement. Net non-realised gains derived from foreign-currency translations are reserved.

Investments

Fixed-income securities are valued at amortised cost using the linear cost amortisation method. The difference between the purchase price and the redemption value is distributed evenly over the remaining time to maturity and is recorded in the income statement as write-ups or write-downs. Value adjustments are made to reflect any decline in credit rating. Shares in investment funds are carried at fair value on the balance sheet date.

Current assets

Receivables, deposits and other assets are carried at nominal value. In questionable cases, the value of the positions is reduced as appropriate.

Net technical provisions

Unearned premiums, the provision for outstanding claims and other technical provisions are based on information supplied by cedants. Final calculations conducted internally may result in the original reported provisions being strengthened. Additional provisions are created based on estimates for claims incurred but not yet reported.

Premium and claim portfolio movements

Premiums consist of premium portfolio inflows and outflows and claims paid consist of the corresponding claims portfolio inflows and outflows.

Change in unearned premiums

The change in the provision for performance-related premium rebates is contained in the position «Change in unearned premiums».

Other provisions

Other provisions for taxes include liabilities relating to taxes on income and capital at year-end as well as estimated income tax on years that have not yet been assessed for tax purposes.

Deposit accounting

Contracts without risk transfer are not included in the technical account but are accounted for using the deposit accounting method.

3. OWNERSHIP RESTRICTIONS ON RECORDED ASSETS PLEDGED TO SECURE OWN LIABILITIES

	2008	2007
	CHF	CHF

Technical provisions and other liabilities secured by pledged securities or current accounts		
Securities	55 480 153	42 705 229
Current account	187 776	200 116

Total book value of pledged assets	55 667 929	42 905 345

On 22 November 2007 a credit facility from UBS AG in favour of SIGNAL IDUNA Reinsurance Ltd, available in EUR and other foreign currencies, to secure deposits, guarantees and letters of credit, was increased from EUR 10 million to EUR 20 million. On the balance sheet date, 31 December 2008, EUR 10.5 million of this facility had been used (31 December 2007: EUR 2.5 million).

4. FIRE INSURANCE VALUE OF TANGIBLE ASSETS

	2008	2007
	CHF	CHF

Tangible assets	800 000	600 000

5. OFF-BALANCE SHEET LEASING COMMITMENTS

Rental contract for office space with an earliest possible termination date 30 September 2010 – CHF 392 000.

6. ADDITIONAL INFORMATION ON SPECIFIC INCOME-STATEMENT POSITIONS

Breakdown of gross/net account:

2008	CHF Gross	CHF Retro	CHF Net
Premiums written	130 595 904	-1 222 858	129 373 046
Change in unearned premiums	-3 493 180	-	-3 493 180
<i>Premiums earned</i>	127 102 724	-1 222 858	125 879 866
Technical interest	321 331	-	321 331
Other technical income	152	-	152
Commissions and profit commissions	-38 437 739	-	-38'437'739
Claims paid / life benefits	-29 850 297	-	-29 850 297
Change in provision for outstanding claims and future life benefits	-57 171 683	-	-57 171 683
<i>Incurred claims and life benefits</i>	-87 021 980	-	-87 021 980
Other technical expenses	-430 025	-	-430 025
Technical result	1 534 463	-1 222 858	311 605
2007	CHF Gross	CHF Retro	CHF Net
Premiums written	109 687 137	-1 421 215	108 265 922
Change in unearned premiums	2 144 219	-	2 144 219
<i>Premiums earned</i>	111 831 356	-1 421 215	110 410 141
Commissions and profit commissions	-32 775 843	-	-32 775 843
Claims paid	-46 443 910	-	-46 443 910
Change in provision for outstanding claims	-34 971 394	-	-34 971 394
<i>Incurred claims</i>	-81 415 304	-	-81 415 304
Other technical expenses	-379 399	-	-379 399
Technical result	-2 739 190	-1 421 215	-4 160 405

7. ADDITIONAL INFORMATION ON SPECIFIC BALANCE-SHEET POSITIONS

Technical provisions gross and for own account are as follows:

	2008	2008	2007	2007
	Gross	Net	Gross	Net
	CHF	CHF	CHF	CHF
Unearned premiums	2 888 544	2 888 544	13 745	13 745
Provision for annuity contracts	1 090 006	1 090 006	197 297	197 297
Provision for future life benefits	9 509 760	9 509 760	0	0
Provision for outstanding claims	150 885 663	150 885 663	119 741 235	119 741 235
Other technical provisions	1 586 605	1 586 605	1 317 712	1 317 712
Total technical provisions	165 960 578	165 960 578	121 269 989	121 269 989

«Other provisions» contains the following amounts:

	2008	2007
Unrealised foreign-exchange gains	0	3 088 655
Taxes	66 000	54 000
Other	229 200	168 600
Total other provisions	295 200	3 311 255

8. RISK MANAGEMENT ASSESSMENT

In 2007 the Board of Directors tasked the Executive Board with creating a company-specific risk management and internal control system. The resulting risk management system is structured to reflect the complexity and size of the company and dovetails with the Swiss Solvency Test and the internal control system. Furthermore, the risk management system has been integrated into the SIGNAL IDUNA Group's central risk management system.

The risk management process is the responsibility of the company's risk manager who supplies the Executive Board with a half-yearly risk report based on information contained in the risk catalogue. The risk report analyses the company's overall risk position and examines the development and quantification of technical, financial and company-wide risks. It also gives details of any corporate governance incidents.

The Executive Board reports twice a year on the findings of the report to the Board of Directors at its regular board meetings.

Appropriation of available earnings



CHF

Retained earnings brought forward from previous year	556 153
Result for the year	313 873
Retained earnings as per 31 December 2008 available to the Annual General Meeting	870 026

The Board of Directors proposes to the Annual General Meeting to appropriate available earnings as follows:

Allocation to legal reserve	63 000
Retained earnings carried forward	807 026

870 026

Zug, 23 March 2009

Auditor's report

Report of the statutory auditor
to the general meeting of
SIGNAL IDUNA Reinsurance Ltd
Zug

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of SIGNAL IDUNA Reinsurance Ltd, which comprise the balance sheet, income statement and notes (pages 14-22), for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi
Audit expert
Auditor in charge

Manuela Blätter
Audit expert

Zurich, 31 March 2009



© Hannes Bok, detail of «Papageno»

ARTIST HANNES BOK

Hannes Bok has worked from 1982 to 1988 as cabinet maker and furniture renovator. He then studied European Ethnology, History of Art and romance Language in Tübingen and Paris. He studied at the «Ecole Boulle» in Paris to become an «artist inlayer» (artiste marqueteur).

He now exhibits his works in Germany and in France.

Publisher's imprint

Publisher: SIGNAL IDUNA Reinsurance Ltd, Zug

Concept and text: Dr. Schanz, Alms & Company AG, Zurich

Design and typesetting: Screenlounge AG, Vaduz

Translation: MOTIF Executive Communications

Photographs: © Hannes Bok; cover picture: detail of «Steingarten»

August 2009

www.sire.ch

SIGNAL IDUNA Reinsurance Ltd

A subsidiary of
SIGNAL IDUNA Group

Bundesplatz 1
CH-6300 Zug
Switzerland

Telephone +41 41 709 05 05
Fax +41 41 709 05 00
info@sire.ch