

RISKY BUSINESS

TEMPLE UNIVERSITY, FOX SCHOOL OF BUSINESS, DEPARTMENT OF RISK MANAGEMENT AND INSURANCE

Swiss Re Takes \$1 Billion Write-Down

Swiss Reinsurance, the world's biggest reinsurer, said Monday that it had taken a \$1.07 billion write-down on the value of some derivatives backed by mortgage securities.

Swiss Re's chief, Jacques Aigrain, discussing financial results in the summer. On Monday, Swiss Re announced a big write-down.

The announcement unsettled investors, coming two weeks after the company said its exposure to problems in the American subprime mortgage market would be limited. Its share price dropped the most since March 2003.

Swiss Re, whose financial services division is run by Roger W. Ferguson Jr., a former governor of the United States Federal Reserve, said that it incurred the losses, which it called deeply embarrassing, when it sold two credit-default swaps as protection against declines in the value of investments mainly backed by mortgages.

While some analysts expect large investment banks to announce further write-downs, the effects on insurance companies have been expected to be limited because their exposure to mortgage-backed securities was thought to be smaller.

In a conference call with analysts, Mr. Ferguson acknowledged that the company "clearly made some poor choices."

Investment banks like Citigroup, Morgan Stanley and Merrill Lynch have reported trading losses and asset write-downs of more than \$40 billion as a result of credit market turmoil that started this summer as delinquencies mounted among borrowers with poor credit histories.

Swiss Re, founded 144 years ago, makes most of its money from premium income generated by taking on some property and casualty risks for direct insurers. But its financial services business provides risk and capital management, structured investments and investment banking. The company has tried to reassure investors that it is able to absorb the extraordinary financial market developments because of its income in its income in previous months. Insurance companies profited from lower



claims this year, in part because no major hurricane struck the United States during the Atlantic storm season.

But Monday's announcement will heighten the perception of risk in the insurance industry for some time, said William Hawkins, an analyst at Keefe, Bruyette & Woods here. "At a time when we thought the risk management of the insurance sector was getting better," he said, "today's announcement is a serious blow to confidence."

The share price of Swiss Re fell 10 Swiss francs Monday, or more than 10 percent, to 87.55 Swiss francs, in Zurich trading. A smaller rival, Munich Re, also declined, even though the company said it had nothing to add to a statement it made last month, when it called the subprime issue "harmless." Shares in other rivals, including Aegon, Allianz, AXA and Zurich Financial Services, also fell.

Swiss Re's loss originated in investment portfolios that mainly held mortgage-backed securities and included some subprime and asset-backed holdings in the form of collateralized debt obligations, the company said.

George Quinn, Swiss Re's finance chief, said that the loss, equivalent to 981 million Swiss francs (\$879 million) after taxes, occurred in October because of downgrades by credit rating agencies amid a lack of any liquid market for the assets.

The company reduced the value of the collateralized debt obligations to zero and the subprime securities to 62 percent of their original value, it said.

Swiss Re reiterated Monday that it expected to report a net profit for the year because income in other divisions made up for the losses in the financial services unit and that the year-end return on equity would be above its long-term target of 13 percent.

On Nov. 6, Swiss Re reported that its third-quarter profit fell 5 percent, less than analysts expected, to 1.47 billion Swiss francs (\$1.31 billion).

H. WAYNE SNIDER DISTINGUISHED GUEST LECTURER



Kirk Larsen
Regional President
Travelers

Wednesday, November 28, 2007

11:40am-12:30pm

Walk Auditorium, Ritter Annex

Kirk Larsen is the President of the Eastern Mountains Region for The Travelers Companies. His territory encompasses Pennsylvania and West Virginia and is comprised of eight offices, 24 distinct business units and over \$1.4 billion of premium. He is responsible for all business activities in the region including making sure that all Travelers' products and services are distributed to its agents and brokers in a fashion they can best utilize.

Prior to assuming this position in August 2006, he was the Regional Vice President for Global Technology. From April 2004 he handled most states north of Virginia and Ohio (excluding Downstate NY and NJ). Kirk joined The St. Paul Companies in April 2001 as the Commercial Lines Regional Vice President for Eastern

Pennsylvania and Southern New Jersey. He worked to effectively deliver the products of the St Paul Companies to over 125 agents and brokers. Kirk was given the additional responsibility of Regional Underwriting Director for Middle Market business in the Midatlantic Region (PA, DE, KY, So. NJ, MD, VA, WV and DC) in November 2001. He managed the underwriting quality and production efforts of the local managers and underwriters in six offices on accounts between \$75,000 and \$1,500,000 in premium.

Prior to joining The St. Paul Companies, Kirk held various management, underwriting and marketing positions with the Chubb Group of Insurance Companies, most recently as a Senior Vice President and Branch Manager of the Tulsa, OK office. From 1994 to 1999 he was the Global Leader of Chubb's Machinery Break-down Underwriting Unit, working out of the worldwide headquarters in Warren, NJ.

Kirk is a graduate of Hobart College, Geneva, NY, with a degree in Political Science. He currently resides in Villanova with his wife and three sons. Kirk is on the board of the West Virginia Insurance Guarantee Association.

Gamma Birthday Celebration!!!

Friday, November 30, 2007

8:00pm-12:00midnight

Fado (1500 Locust Street)

Come join your fellow members as we celebrate the Sigma Chapter's 27th year as a fraternity! We will be enjoying good food and good libations at **Fado located at 1500 Locust Street**, easily accessible from public transportation. The GIS Birthday Celebration will be held on **Friday, November 30, 2007**. Everyone is welcome

If you have any questions regarding this event, please contact Jim O' Hearn: ohearn@temple.edu

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Graduating Senior Luncheon

Wednesday, December 5, 2007

11:00am-1:00pm

Diamond Club (Lower level of Mitten Hall)

To all December 2007 Graduating Seniors, please join the Sigma Chapter in celebrating your accomplishment in graduating from the Fox School of Business, Department of Risk, Insurance & Healthcare Management with your fellow classmates and faculty.

If you have any questions regarding this event, please contact Chris Lavelle: christopher.lavelle@temple.edu

Brokers Panel

Friday, November 30, 2007

11:40-12:30pm

Speakman 113

A major component of the insurance industry is insurance intermediaries. They are the people responsible for helping their clients attain the best available insurance coverage at the best price. Although there are many similarities in the way brokers operate, there are also differences. Size difference, geography and many other factors lead to differences in the way brokerage firms operate. In this workshop, you will be able to hear from three different brokers at different companies discussing their company and career.

If you have any questions regarding this event, please contact Karen Gaudet: k.gaudet@temple.edu

CIGNA: Career Presentations

Friday, November 30, 2007

11:40-12:30pm

Student Center 217D

To all Actuarial Science majors: when you receive job offers do you really know what you are getting into, or do you only think you know? Either way, you should attend this workshop. In this session, Nick Zornosa and Temple alumni Andrew Atkins of the class of 2007 (both from CIGNA) will explain to you what people expect of them in their careers as well as how they adjusted themselves to succeed. In addition, they'll tell you the true meaning, in plain speak, behind their job titles.

If you have any questions regarding this event, please contact Nate Loughin: nloughin@gmail.com

