



Swiss Re hosts its annual insurance review and outlook 2006:
Positive underwriting results for the primary insurance industry expected

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London, 14 December 2005 - At its annual review and outlook for the insurance industry, held today in London, Swiss Re predicted positive underwriting results for the primary non-life and life sectors in 2006. Non-life primary premium rates are expected to grow above inflation in 2006. Significant increases will be seen in classes impacted by the recent hurricanes in the US. Given strong competitive pressure and increasing regulation, the primary insurance industry will need to improve its business model to meet the challenges it faces.

Hosting the event for Swiss Re, Executive Board Member and Head of Client Markets, Michel M. Liès reflected on the impact of hurricanes Katrina, Rita and Wilma. While the industry dealt in a robust way with the largest insured loss ever, there are significant lessons to be learnt, if the industry is to continue to meet the considerable and growing demand for catastrophe cover.

Mr. Liès comments, "The data clearly shows that we are in a period of heightened hurricane activity, in terms of both frequency and severity of events. Insurers and modellers must now learn the lessons of 2005 and produce new models for risk pricing and assessing capital requirements, which more accurately reflect the true magnitude of risk being underwritten."

Insurers return to profitability

Thomas Hess Swiss Re's Chief Economist, reviewing 2005, outlined that the industry had delivered satisfactory results with non-life combined ratios below 100% outside the US, which has been hit by the very expensive hurricanes. In addition, the need for reserve strengthening has significantly reduced and in the life sector both balance sheets and profitability have improved. The results achieved in 2005 are set to continue in 2006/2007, although Mr. Hess cautioned that results must remain rooted in underwriting profitability, as investment returns will remain low.

With short-term profitability likely, particularly as the impact of Katrina will prolong the cycle, the primary industry faces the dual challenge of shareholders and regulators demanding transparent profitable results, while competition and claims costs are rising.

Mr. Hess comments, "To succeed insurers need to improve efficiency and underwriting quality and make better use of reinsurance, risk securitisation and hybrid capital. There is a strong demand for new products responding to social trends and the needs of insurers to achieve an acceptable return for the risks assumed."

Fittest insurers will succeed as competitive challenges emerge
Stephan L. Christiansen, Director of Research, Conning Research and Consulting, echoed Mr. Hess' comments: "Most companies are able to achieve decent profits in current market conditions, however, some are pulling away from the pack and are better placed to deal with increasing competition. Being identified as one of them should be the task of the smart insurance executive."

He particularly singles out the use of information technology as the key differentiator in both non-life and life sectors. By applying IT to risk and capital management, together with product distribution and client communication some companies are able to outperform. In addition, those players that are able to accelerate their balance sheet and improve their cost of capital will be best placed to meet expectations of regulators, rating agencies and investors alike.

Notes to editors

Swiss Re is one of the world's leading reinsurers and the world's largest life and health reinsurer. The company operates through more than 70 offices in over 30 countries. Swiss Re has been in the reinsurance business since its foundation in Zurich, Switzerland, in 1863. Swiss Re offers a wide variety of products to manage capital and risk. Traditional reinsurance products, including a broad range of property and casualty as well as life and health covers and related services, are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "AA" by Standard & Poor's, "Aa2" by Moody's and "A+" by A.M. Best.