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## New Swiss Re *sigma* study: The picture of ART

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**Zurich, 5 February 2003 – Demand for ART products is growing, according to Swiss Re's latest *sigma* study, *The picture of ART*, particularly in areas where traditional risk transfer is either expensive or unavailable. The report creates transparency in a market segment that has rapidly grown in complexity over recent years. It outlines the scope and current trends in the major non-life ART markets and shows how customised solutions are being used to diversify, finance and transfer corporate risk.**

Efficient and effective risk management is the cornerstone of a company's success. The role of (re)insurers is to manage and offset the risks that corporations hold, using a growing range of complementary solutions. These include traditional insurance and ART products such as finite reinsurance, committed capital and multi-line/multi-year products. The hardening of the commercial insurance market has prompted risk managers to capitalise on the additional capacity offered by the ART market, as a complement to traditional (re)insurance. Alternative risk transfer is available in two forms: through alternative carriers and through alternative products.

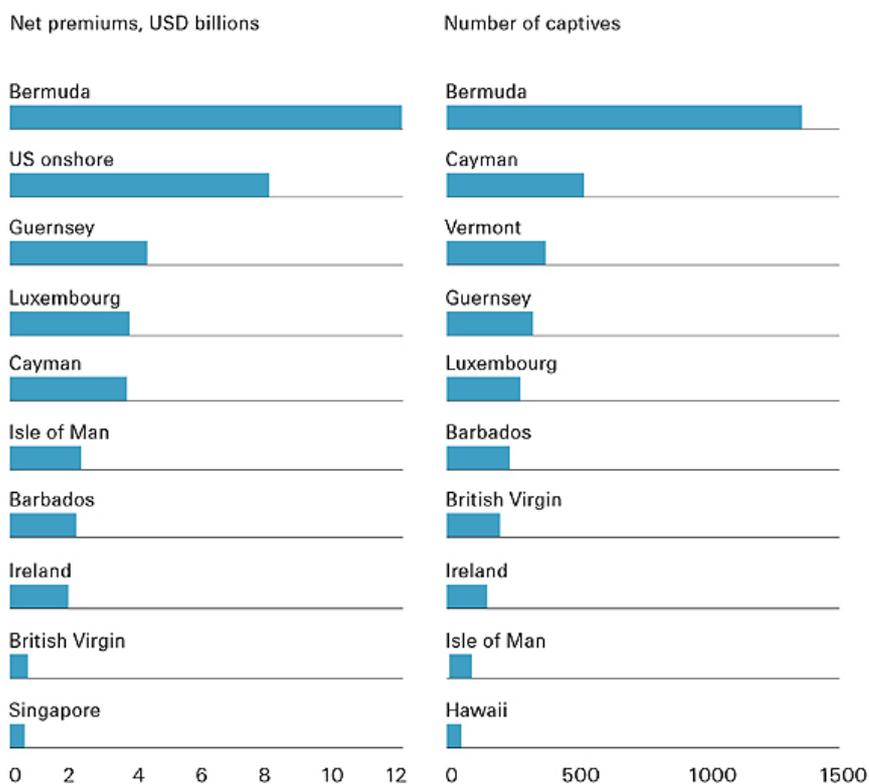
### **Alternative risk carriers**

The market for alternative carriers currently consists of self-insurance, captives, risk retention groups and pools. In 2001, the market attracted premiums of some USD 88 billion, more than half of which flowed into US self-insurance programs.

Alternative carriers cover  
USD 88 billion worldwide.

The use of captives has increased strongly due to the hardening market.

The use and formation of captives has increased dramatically with the hardening non-life insurance market. Despite the predicted annual 10% growth in premiums until 2005, the actual number of captives in this sector is not expected to rise substantially, as most multinational corporations already have a captive. Some growth in captive formation is, however, expected to come from so-called "rent-a-captives" and "protected-cell captives", which primarily serve medium-sized corporations.



Source: A.M.Best, Swiss Re Economic Research & Consulting

### Alternative risk products

Alternative products are available in a wide variety of forms to meet corporate needs.

The full range of ART products provides a variety of solutions to meet the financial and risk transfer needs of corporations. Established ART products include: finite risk reinsurance, run-off solutions, multi-line/multi-year products, multi-trigger programs, capital market solutions and committed capital. Most of these products are in strong demand due to the hardening of the commercial insurance market.

In the wake of recent accounting scandals and given the current state of risk aversion in financial markets, prospects have shifted for some innovative structured finance products. In the longer term, however, the market for these innovative solutions is expected to grow rapidly, though often from a very small base.

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**Notes for editors:**

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. Swiss Re reported a net loss of CHF 165 million in 2001, predominantly due to losses from 11 September. In the 2001 financial year, gross premium volume amounted to CHF 28.5 billion. At the end of June 2002, Swiss Re's shareholders' equity amounted to CHF 18.3 billion and the total balance sheet stood at CHF 168 billion. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by A.M. Best.

**How to obtain a copy of *sigma*:**

The English, German, French, Spanish and Italian versions of the *sigma* study are available electronically on Swiss Re's website: <http://www.swissre.com> ("Research & Publications", "sigma insurance research").

Printed editions of *sigma* No. 1/2003 can now be ordered. English and German versions are now available, those in Spanish, French, Italian, Chinese and Japanese will be available soon. Please send your orders, complete with your full postal address, to:

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This media release is also being distributed by e-mail; to receive a copy, please contact [sigma@swissre.com](mailto:sigma@swissre.com).

Data from selected figures and tables are available from the *sigma* chartroom on the Swiss Re Portal: <http://www.swissre.com/portal>.