



Swiss Re Economic Risk Survey: Concerns over drastic declines in equity markets and the value of the dollar are abating but the likelihood of higher US inflation has increased

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Zurich, 18 May 2004 – Swiss Re’s seventh survey of economists’ opinions shows that concern about a sharp decline in stock markets is abating, when compared to the previous survey conducted in October 2003. The ‘Economic Risk Survey’, conducted in April, also indicated that while worries of a sharp devaluation of the dollar versus the euro are declining, the risks of higher inflation in the US are increasing.

Thomas Hess, Head of Economic Research, Swiss Re comments: “The risk of a major economic disruption is waning as the US and Eurozone economies continue to strengthen. However, the risk of higher US medium term inflation and, hence, higher interest rates is rising, providing better investment opportunities for insurers over the next couple of years.”

According to 50 economists surveyed by Swiss Re in April, the risk of a stock market crash has decreased both in the US and Europe over the last six months. They indicated that the probability of a stock market crash in 2004 – defined as a 25% decline in a major stock market index – is around 11% both for the US (down from 13% in October) and Europe (down from 16% in October). The likelihood of a persistent bear market from 2004 through 2013 – the market not recovering to 2003 year-end levels until after 2013 – was around 5% both in Europe and the US. In comparison to the previous survey, the long-term risks for stock markets have increased slightly for the US market (up from 3% in the previous survey) and remained about the same for Europe.

Concern about a potential devaluation of the US dollar is also falling. The economists indicated that the likelihood of the US dollar declining by 60% against the Euro over next three years is 9%, down from 12% in the previous survey), while the estimated probability of the Euro losing 60% of its value in comparison to the US dollar is around 5%, the same as in the October survey.

Consistent with the strength shown by the US economy over the past few months, the survey respondents gave a probability of 72% for US

growth exceeding 3% this year. For Europe, respondents gave a 76% probability of growth being above 0% but below the trend growth of about 2%.

The possibility of higher medium term inflation in the US has increased over the past six months. According to the respondents, the likelihood that the US economy experiences average CPI inflation of 4.5% or more for the next three years is 8% (up from 6% in the October survey), while in Europe it is 3% (down from 4%).

In this April's survey the participants considered the risk of deflation to be small. Respondents rated the risk of falling prices over the next five years to be around 3% both in the US and Europe. The likelihood of a period of very low inflation has declined over the last six months. Inflation below 1% in the short term has a probability of 9% for the US and 11% for Europe. In the previous survey estimates were 14% for the US and 15% for Europe.

Notes to editors

Swiss Re

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. Through its three business groups Property & Casualty, Life & Health and Financial Services, 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, "Aa1" by Moody's and "A+" by A.M. Best.

Economic Risk Survey

The biannual "Economic Risk Survey" takes the opinions of 50 economists from Europe and the United States and focuses on the probability of economic performance substantially deviating from the general economic consensus. It was undertaken within the time period April 6 to April 28 2004.

How to obtain a copy of the "Swiss Re Economic Risk Survey":

The study is available electronically on Swiss Re's website: <http://www.swissre.com> ("Research & Publications", "sigma insurance research", "Additional research").

This news release is also being distributed by e-mail; to receive a copy, please contact sigma@swissre.com.

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