News release

Swiss Re

Swiss Re sees insurance industry improvement in 2004; calls for government to allow reinsurance branches

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Mumbai, 29 January 2004 – Swiss Re's chief economist for Asia was in India today to present a bullish outlook for the global insurance industry in 2004, while the company's senior management called for regulators to consider the benefits of allowing foreign reinsurance branches in India.

Starting with a broad overview of the global economy, Clarence Wong, Chief Economist for Asia, Swiss Re Economic Research & Consulting, said, "The outlook right now is very good. In the US, industrial production continues to rise, consumer spending is strengthening and the investment climate is improving."

The US recovery is expected to boost growth worldwide, Europe is getting stronger, Japan is growing modestly and the rest of Asia continues to expand rapidly. Mr Wong added. In India, macroeconomic trends also turned more positive, with real GDP rising a strong 7% during April to September of 2003.

Mr Davinder Rajpal, Swiss Re's Head of India, Turkey and the Middle East for Property & Casualty, called on India to review its reinsurance regulations and open the market to reinsurance branches. He said, "We urge the Indian authorities to seize this unique opportunity to further enhance the development of India's insurance markets, by de-linking reinsurance from direct insurance regulations and allowing reinsurance branching."

Calling for an end to the joint venture requirements currently imposed on foreign reinsurers, Mr Rajpal pointed to the key benefits available from allowing wholly-owned reinsurance branches, including:

- A full range of technology know-how and services, available locally to serve India's increasingly complex risk landscape
- Local insurers can access reinsurer's global balance sheet
- Increased security and reduced credit risk due to the regulator's direct supervision of reinsurance branches
- Encourages more foreign direct investment into India.

Worldwide, positive opportunities for non-life insurers will continue in 2004

Mr Wong noted how global non-life premium volume continued to increase in 2003, following strong growth in 2002: "In 2003 the non-life sector benefited from substantial improvements in rates, particularly in industrial lines business," he commented.

For 2004, Mr Wong expected a larger proportion of 2003's positive underwriting developments to show up in insurers' results. He predicted further improvements for the non-life industry over the coming year, both in underwriting and in investment results. He expected the hard market to last until at least 2005.

Improvements in life insurance will take longer

Whilst globally life premiums continued to grow in 2003, Mr Wong said that the life industry still faces challenging times: "Recent improvements in investment conditions and successful efforts to cut costs have brought improvements, but it will still take some time for life insurers to return to their former profitability levels. Unlike non-life insurers, who can turn their book around in a few years and change conditions if necessary, many life insurance companies - particularly in Germany, Switzerland and the UK - are committed to longer-term guarantees," he commented.

Mr Wong was confident that life company defaults should largely be avoidable, but said that some life insurers still have very weak balance sheets, so that consolidation will be inevitable, particularly amongst smaller players.

Asia will continue to outperform with strong growth predicted for life business

In Asia, sound economic fundamentals will continue to support robust insurance business growth in 2004. Life insurance will in particular benefit from increasing affluence and rising risk awareness. Compared to more mature markets, emerging Asia, in particular China and India, will remain highly attractive to international insurers.

In India, the insurance landscape will continue to change as a result of market liberalisation, rate deregulation and intensifying competition. The country's strong economic fundamentals will support robust growth in premiums in both the non-life and life sectors, Mr Wong said.

Notes to editors

Swiss Re

Swiss Re is a leading reinsurer and the world's largest life and health reinsurer. The company is global, operating from 70 offices in 30 countries. Since its foundation in 1863, Swiss Re has been in the reinsurance business. Swiss Re has three business groups: Property & Casualty, Life & Health and Financial Services. Swiss Re offers a wide range of traditional reinsurance products and related services, which are complemented by insurance-based corporate finance solutions and supplementary services. Swiss Re is rated "AA" by Standard & Poor's, "Aa1" by Moody's and "A+" by A.M. Best.