Swiss Re sees promising renewal season and a positive outlook for 2000

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Swiss Re has announced today that its outlook for 2000 is optimistic based on various factors, one of which is a positive trend in non-life renewals. Further growth in life business with continuously robust margins combined with a sound investment performance were the highlights of 1999. The company expects earnings to be up in 1999 slightly more than 10% despite the insurance industry's record non-life loss burden.

Annual reinsurance renewals in the major non-life reinsurance markets indicate a positive trend and provide grounds for optimism for the year 2000. After a long period of unsatisfactory trading conditions, property rates are showing a slightly positive trend in some markets. Original rates in commercial business in the US market are increasing, with reinsurance terms following suit. However, further improvements on a broader scale are necessary. Motor and liability businesses are being buoyed by an upward trend in original rates in the major European markets. Workers compensation business in North America is firming, and special lines are seeing a slight increase in rates in selected areas.

Swiss Re's life reinsurance business grew in all markets at continuously strong margins. Net premiums increased by more than 60% over 1998 to approximately CHF 5.5 billion. This was mainly on the back of robust organic growth and the first-time inclusion of Life Re.

In May 1999 Swiss Re launched a Group-wide programme in response to the unsatisfactory market conditions. This initiative, known as the Triple 20 programme, comprises three objectives: it aims to carefully revise the lowest value generating reinsurance contracts, reduce catastrophe capacity where prices fail to reflect the level of risks assumed and increase overall productivity by reducing the administrative expense ratio.

The majority of objectives for the re-underwriting of the lowest value generating reinsurance contracts for the 1999/2000 renewal period were reached. Most clients were retained and comparatively little business was lost. This will contribute to an overall improvement in the expected underwriting result for the year 2000. The capacity for natural catastrophes was reduced last year by approximately 10%. The retrocession market is also showing strong rate increases and shrinking capacity. All these factors combined with the severe storms in Western Europe in December 1999 led to many large last-minute renewals at substantially higher rates.

As part of its Triple 20 programme, Swiss Re took steps to improve productivity. These initial measures are expected to improve the administrative expense ratio for 1999, which Swiss Re expects will be reduced by 2 points by 2001.

Total investments in 1999 grew strongly from CHF 77.5 billion in 1998 to approximately CHF 95 billion and are expected to provide a return of close to 8% at average.In 1999 the insurance industry faced the biggest loss burden ever from large and catastrophe events. In addition to heavy losses from man-made events, a series of natural catastrophes, including avalanches, landslides, floods, earthquakes, hurricanes and the winter storms Lothar and Martin in Europe, occurred in 1999. Total insured losses for natural catastrophes are estimated at approximately CHF 40 billion. The impact of Lothar and Martin on Swiss Re is estimated at CHF 900 million.

Swiss Re has accumulated equalisation provisions specifically to absorb large and catastrophic losses such as those experienced in 1999. Over the past 5 years these provisions accumulated to CHF 2.8 billion at year-end 1998. A portion of these large losses will be absorbed by these equalisation provisions.

In 1999 Swiss Re sold its minority holding in Credit Suisse Financial Products, London, (CSFP). In connection with the sale, Swiss Re will release a CHF 450 million provision which is no longer required. In response to the extraordinary loss burden in 1999, the CHF 450 million will be added to the equalisation provisions, thereby strengthening Swiss Re's financial flexibility.

After taking all known factors into consideration, Swiss Re expects its 1999 earnings to increase by slightly more than 10%.

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. In the 1998 financial year, gross premium volume amounted to CHF 18 billion and the result after tax reached CHF 2.5 billion. During the first half-year of 1999, Swiss Re achieved an excellent ordinary result of CHF 2.6 billion with gross premium volume rising to CHF 10.7 billion. Swiss Re is rated "Aaa" by Moody's and "AAA" by Standard & Poor's.

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