

Swiss Re announces successful non-life renewals and estimates increased for 2000

7 Feb 2001 CET Press Release

Swiss Re reports a successful non-life renewal period with markedly improved conditions and prices. The company's target for its non-life business, a combined ratio of 107%, is within reach for 2001. Bavarian Re Division is to be merged with Europe Division, consolidating Swiss Re's European non-life business under one organization. For the first time, Swiss Re published the embedded value for its life and health operations, amounting to CHF 8.5 billion of which CHF 4.4 billion was not recognized in the company's previously published balance sheet for year-end 1999.

The company also implemented a new-basis Swiss GAAP accounting. The company expects earnings for 2000 to be up slightly in excess of 20%. This vigorous earnings growth is due to strong investment income and steady life business growth, more than offsetting the impact of strengthened equalization reserves and restructuring charges.

Successful non-life renewals and turnaround in 2001

Swiss Re successfully negotiated significant improvements in reinsurance conditions and prices for the 1 January 2001 non-life reinsurance renewal period. This renewal includes most of its business in the largest non-life markets: Europe, North America and parts of Asia. Business relationships not in line with the profit requirements were either re-underwritten, cut back or terminated. In addition Swiss Re has reduced its capacity (committed capital) for natural catastrophes by 10% with this renewal.

Swiss Re estimates that new business and price increases will offset the business that was cut back or terminated. The entire reinsurance portfolio benefited from the improved conditions and higher prices. Paralleling this welcome trend in its own reinsurance business, Swiss Re saw direct insurance rates and conditions improve in relevant large markets. Capital has been withdrawn from the reinsurance markets, and capacity in the retrocession markets is also dwindling.

Swiss Re expects that this trend towards higher prices and better conditions will continue for the balance of renewals in 2001 and in 2002. Given this view and barring extraordinary or unusually high losses, Swiss Re is confident that a major target for 2001 is within reach: a combined ratio of 107%.

Estimates predict continued strong result for 2000

The favorable estimates for the 2000 financial year are primarily based on a very strong investment result and steadily growing income in life business.

Swiss Re expects that the investment result will exceed CHF 8.5 billion. Though natural catastrophe losses were significantly lower than in record year 1999, a series of serious manmade losses were recorded in 2000. Swiss Re will strengthen its equalization reserves for future catastrophe losses and claims fluctuations by a larger figure than normal a move that will further increase its financial strength.

Swiss Re expects earnings for the year 2000 to be up by slightly more than 20% after restructuring charges and the strengthening of equalization reserves. The company has shown strong earnings growth over the last six years of over 27% annually despite the extended down cycle in the non-life reinsurance market.

Embedded value of life and health business

For the first time, Swiss Re published the embedded value for its life and health operations. The embedded value is an actuarial estimate of the economic value of a life insurance operation, excluding any value for future new business. The total embedded value of CHF 8.5 billion included CHF 4.4 billion not previously recognized in the company's balance sheet for year-end 1999. Under the new-basis Swiss GAAP accounting standards, this amount would reduce to CHF 1.6 billion.

Strengthening non-life business: Bavarian Re merges into the Swiss Re brand

Swiss Re is consolidating its European non-life business under one organization by merging Bavarian Re Division with Europe Division. Following this move, Bavarian Re is to be renamed Swiss Re Germany. Swiss Re has chosen to improve and streamline services, to foster know-how utilization within the Group

and to eliminate duplications, thus lowering costs and enhancing client benefit. Overall, these measures will contribute to achieving cost leadership in the non-life reinsurance business and strengthen the Group's competitive position in Europe.

Stefan Lippe, currently CEO of Bavarian Re, will become head of the Non-Life Business Group, uniting the Europe, Americas and Asia Divisions. Michel Liès will continue to lead the restructured Europe Division formed from units of Swiss Re and Bavarian Re. Anton Wittl will be nominated as CEO of Swiss Re Germany, subject to approval by the relevant authorities.

Rudolf Kellenberger, until now head of non-life operations, will devote himself fully to his duties as Deputy Chief Executive Officer. In addition he will focus on the Group's role in developing new business models and expanding e-business.

The Non-Life Business Group will include resources for product and risk management, to be transferred from the Corporate Center. With the reorganization of its non-life business, Swiss Re aims to improve the quality of client services and to achieve cost efficiencies which are expected to be fully realized in somewhat more than a year, including some reductions in head count above normal fluctuations.

Building a new Financial Services Business Group

A Financial Services Business Group is also being formed. It will comprise the divisions Swiss Re Investors, with its asset management and asset liability management focus; Swiss Re New Markets, which concentrates on underwriting business to large corporate clients, aviation and space risks, structured finance and credit solutions; and Capital Partners, Swiss Re's private equity division including the investment bank Fox-Pitt, Kelton and credit insurer NCM.

The objective of the Financial Services Business Group is to judiciously expand product units while coordinating marketing activities and consolidating the risk management and financial management areas. Swiss Re's Chief Executive Officer, Walter B. Kielholz will lead the new business group in its initial phase.

Annual Report 2000 to use new-basis Swiss GAAP accounting standard

For 2000, Swiss Re's annual reporting will use a new-basis Swiss GAAP, permitting accounting processes to be standardized and simplified. This enhancement in the quality and transparency of its financial information is the latest step in a Swiss Re initiative for continual improvement in financial disclosure dating back to its first use of EU standards in the 1994 report. (See attached table for 1999 accounts prepared in accordance with new-basis Swiss GAAP.)

 Important supplement to press release: **[Download table for 1999 accounts in accordance with new-basis Swiss GAAP](#)**

Swiss Re Investors' Day on 7 February 2001 in Rüschiikon

Swiss Re is holding an Investors' Day at its new center for global dialogue in Rüschiikon today, 7 February, from 10:30 CET. Presentations will cover in greater detail the topics outlined above. The Investors' Day presentations will be broadcast live on the Internet or can be followed by telephone conference.

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