

Swiss Re announces successful 2002 renewals and solid outlook - 2001 result impacted by large losses, including 11 September - Dividend remains unchanged at CHF 2.50 per share

26 Feb 2002 CET

Swiss Re reports a highly successful 2002 renewal, with a substantial improvement in prices and conditions. Given the unprecedented large losses in 2001, including the 11 September event, and the decline in the investment environment, Swiss Re expects to report a small loss for 2001 in the range of CHF -200 million, or CHF -0.69 per share. Based on the solid outlook, management will recommend to the Board of Directors an unchanged dividend of CHF 2.50 per share.

Renewals 2002

Swiss Re's property & casualty and financial services renewals at 1 January 2002 saw significant improvements in rates as well as terms and conditions across all lines of business. Overall the average increase in rates achieved has been above 15%. This is largely driven by price increases on treaty renewals of 11% and renewals of facultative corporate business, which, during the last quarter, have produced rate increases of approximately 35%. Renewals during the remainder of 2002 are expected to be at comparable levels. The strong 2002 renewal confirms Swiss Re's confidence in future business growth and profitability.

The 11 September event and adverse capital market developments significantly reduced many insurers' capital base. New capital entering the market has been limited, relative to the losses incurred, and capacity is therefore scarce. At the same time, there is increased demand for reinsurance cover. Client demand is strongest for cover backed by the highest security, leading the market into a flight to quality. Swiss Re's triple A rated security enables it to take full advantage of this market trend. Swiss Re's reputation for building long-standing client relationships is also decisive in clients' choice of reinsurer. These factors present Swiss Re with substantial opportunities to maintain improved pricing and other terms and ensure profitable growth over the next several years.

Performance and targets

Swiss Re's 2001 investment return is expected to be in a range of CHF 8.4 billion, exceeding its current target of a 7% return. With capital market returns expected to be lower and reduced equities in its portfolio, Swiss Re has adjusted its future return on investment target from 7% to 6.7% over the reinsurance cycle.

Swiss Re has reduced its target combined ratio for the Property & Casualty Business Group from 107% to 104% over the cycle. The reduction is a result of three factors; the effect of reduced investment yields, a lower cost base and better underwriting profitability driven by increased demand and better terms and conditions for reinsurance.

Life & Health will exceed its 9% return target in 2001, even with the inclusion of a CHF 150 million impact from 11 September. The target for 2002 and beyond has been raised to 10% reflecting management expectations of increased economies of scale and improved profitability on certain product lines.

2001 large losses

For both Swiss Re and the insurance industry 2001 was a record year for large losses. Even without 11 September, other events such as tropical storm Allison, the Enron collapse and a large increase in other man-made losses had a significant impact.

However, 11 September was unique. Not only was it the insurance industry's largest ever loss, it also impacted several lines of business and led to declines in capital markets which negatively affected investment performance. The extraordinary nature of the event and the complexity of losses involved has led to uncertainties and revision of loss estimates throughout the insurance industry.

As a result of a 9.9% increase in the USD gross loss estimate, reductions in recovery assumptions and movement of foreign exchange rates Swiss Re's loss estimate arising out of 11 September is CHF 2.95 billion after retrocession and tax. Swiss Re will utilise approximately CHF 1 billion from its equalisation reserves to absorb part of this loss.

Earnings 2001

On 20 September 2001, Swiss Re announced that its exposure to 11 September would negatively affect its 2001 earnings. Swiss Re now expects to report a small loss in the range of CHF -200 million or CHF -0.69 per share for 2001. Swiss Re's 2001 earnings will be released on 10 April 2002. Given its positive outlook for earnings going forward, Swiss Re expects a sharp increase in earnings for 2002.

In line with these expectations, management will recommend an unchanged dividend, payable in 2002, of CHF 2.50 per share, continuing Swiss Re's track record of paying a dividend in every year since 1869.

Investors' Day 26 February 2002

Swiss Re is holding an Investors' Day today at 13:00 CET. Presentations will cover the topics outlined above in greater detail. The Investors' Day presentations will be broadcast live on the internet or alternatively can be followed by telephone conference.

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. In the 2000 financial year, gross premium volume amounted to CHF 26.1 billion and the net income after tax reached CHF 3 billion. Swiss Re is rated "AAA" by Standard & Poor's, "Aaa" by Moody's and "A++" (superior) by A.M. Best.

For further information please contact:

Group Media Relations, Zurich, tel. +41 43 285 2481
Investor Relations, Zurich, tel. +41 43 285 4444

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