Swiss Re's Insurance Review and Outlook: after turbulent 2002 outlook for non-life insurers is positive but challenges continue in life market into 2003

11 Dec 2002 CET

Speakers at Swiss Re's annual Insurance Review and Outlook, held in London today, highlighted the positive opportunities for non-life insurers, as premiums look set to continue rising in 2003. Prospects for life insurers are weaker in 2003, as they will continue to be impacted by low interest rates and stock market volatility. Speaking at the event were John Coomber, Swiss Re's Head of Life & Health Business Group and Chief Executive Officer designate, Thomas Hess, Swiss Re's Chief Economist and William Hawkins, Insurance Analyst at Fox-Pitt, Kelton.

John Coomber opened the event by reflecting on the challenging times the industry currently faces: "The industry is experiencing turbulent financial markets and difficult economic conditions. In response, insurers need to concentrate on aligning their risk exposure with their capital base and restoring underwriting profitability. As rebuilding balance sheets has become an industry priority, we can expect further consolidation to reduce costs and improve capital efficiency."

2003 promises better results in non-life insurance

Chief Economist, Thomas Hess, predicted a recovery for the non-life market, with premiums continuing to grow through 2003 and on to 2005: "Premium growth will be in the 3 - 5% range per annum, mainly driven by further price improvements and tighter terms and conditions," he said. As a result, profitability will improve from the current low levels. However, he warned, "little can be expected from investment results in 2003. Profitable technical underwriting is what is needed."

Restoring profitability is the challenge for life insurers in 2003

Turning to the life insurance industry Mr Hess reviewed the predictions he made at Swiss Re's event last year and concluded that, while the problems for the industry were foreseeable, the full extent of the difficulties had been underestimated: "With low interest rates and poor stock market returns there are some basic profitability problems in the life industry. As life insurers' capital bases remain under pressure they must concentrate on restoring the balance sheet. This means raising capital, reducing exposure to guaranteed products, cutting bonus payments, buying more reinsurance and, ultimately, there needs to be a contraction in the number of life companies."

Prospects for insurance stocks remain weak

William Hawkins, Insurance Analyst at Fox-Pitt, Kelton, Swiss Re's investment bank, sees limited prospects for a significant upswing in the fortunes of insurance stocks during 2003: "The prospects for European non-life insurers are brighter, although question marks remain over the need for additional reserving. However, without a return to higher interest rates and/or investment return, the whole life insurance business model will be challenged. Whilst the solvency pressure has been relieved as equity markets recover, the potential upside does not compensate for the downside risk of a further market fall. As a result, Fox-Pitt, Kelton maintains an underweight stance for the European insurance sector," he said.

Notes for Editors:

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. For 2001, Swiss Re reported a net loss of CHF 165 million, largely due to the 11 September event. Gross premiums in 2001 were CHF 28.5 billion. At the end of June 2002, Swiss Re's shareholders' equity amounted to CHF 18.3 billion and the total balance sheet stood at
CHF 168 billion. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by A.M. Best.

Contact:

Group Media Relations, Zurich, tel. +41 43 285 7171
Investor Relations, tel. +41 43 285 4444
Corporate Communications, London, tel. +44 20 7204 3937

Downloads

English
German

Top of page