

New Swiss Re *sigma* study: World insurance in 2002: high premium growth in non-life insurance

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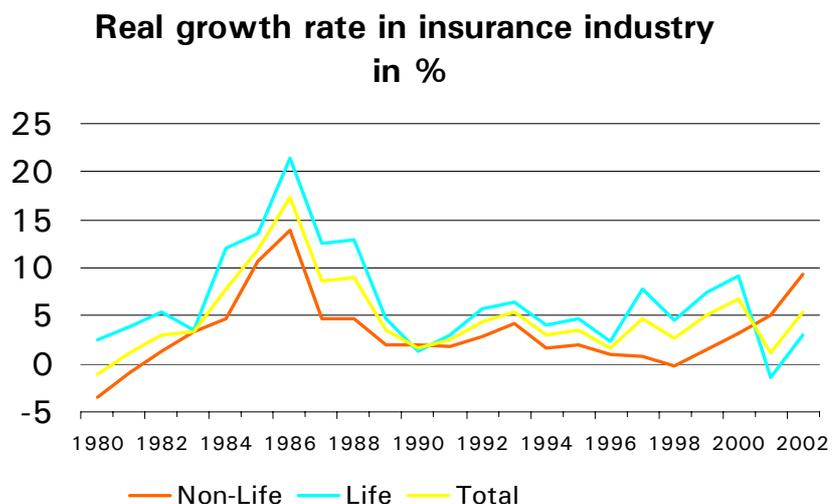
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Zurich, 3 December 2003 – While financial market turbulence continued to plague the insurance markets in 2002, some signs of recovery were evident in the most important markets: the non-life insurance sector grew at a record-breaking rate, the life sector posted minor improvement. This is the conclusion drawn by a *sigma* analysis of 2002 insurance data for 91 countries.

Global premium volume in 2002 amounted to USD 2 627 billion, of which USD 1 536 billion was attributable to life insurance and USD 1 091 billion to non-life insurance. Adjusted for inflation, this translated into 5.5% growth over the previous year. Growth was 3.0% in life insurance and 9.2% in non-life insurance, the latter on the back of a rise in premium rates.

With analyses of developments in the individual insurance markets and detailed premium data from the 91 most important countries, Swiss Re's most recent *sigma* study "World insurance in 2002: high premium growth in non-life insurance", provides a comprehensive overview of developments in the insurance industry.

Real growth in global premium volume, 1980–2002



Industrialised countries: non-life insurance on road to recovery

The industrialised countries registered an increase of almost 2% in life insurance premiums. This trend was attributable to robust premium growth in the US, which could be traced back to the success of protection and savings products furnished with fixed returns. Premium income declined, however, in countries such as Japan, the UK and France. Similar to the rest of the asset management sector, life insurance was hampered by the adverse capital market conditions and weak economy. Guaranteed returns in particular turned out to be a heavy burden for European life insurers in the low interest rate environment

Non-life insurance in the industrialised countries posted in 2002 extraordinarily robust premium growth of 9% over the previous year. Increased premiums were registered in the US and UK in particular, where premium rates for industrial lines were subjected to considerable hikes. Faced by low investment returns, insurers across the globe were forced to design products that would return their business to profitability. These improvements made themselves only partially felt in underwriting results and in overall results, as loss reserves had to be topped up further and investment results were again poor in 2002.

2003 developments in the industrialised countries

The life insurance sector will stabilise in 2003. As interest rates and stock markets will overcome the worst, the balance sheets and profitability of many life insurers are set to improve slowly. The driving force behind this recovery in the industrialised countries remains private pension provision, which is assuming a major role now that state pension systems are proving increasingly inadequate.

In the non-life sector underwriting results are also set to improve further across the globe in 2003, thanks to sustained price increases.

Emerging markets: very bright outlook, few dark clouds

Life insurance business in the emerging markets grew by just under 13% in 2002. This strong growth was supported by developments in many regions: China, Taiwan and India in particular, along with Brazil and Mexico, contributed the most to this growth. Premium income in Central and Eastern Europe as well as in the Middle East and Central Asia were burdened by special factors: changes in Russian and Israeli

tax legislation held premium development in these countries in check. This had a negative impact on results across the region. Overall, premium income in most of emerging markets increased at a markedly faster pace than gross domestic product.

Non-life premiums in the emerging markets grew by 10%, with insurers in many of these countries profiting from rising premium rates. An additional impetus to premium growth came from the introduction of obligatory insurance in Central and Eastern Europe as well as in the Middle East and Central Asia.

The emerging markets still have considerable ground to make up before they can draw level with the insurance markets of the industrialised countries. For insurers this opens up extremely promising prospects.

Growth in premium volume in major insurance markets in 2002

	Life insurance premiums		Non-life insurance premiums	
	in USD billions	Change (in %) over 2001, inflation adjusted	in USD billions	Change (in %) over 2001, inflation adjusted
Industrialised countries:	1 374.2	1.9%	984.8	9.1%
US	480.5	6.7%	519.9	11.1%
Japan	354.6	-2.3%	91.0	1.8%
UK	159.7	-1.9%	77.0	10.8%
Germany	60.9	2.6%	74.9	3.0%
France	80.4	-0.9%	44.6	6.1%
Italy	52.4	17.4%	31.6	9.3%
Emerging markets:	161.9	12.7%	105.9	10.7%
Latin America and the Caribbean	15.4	4.8%	24.5	2.7%
Central and Eastern Europe	8.1	-14.9%	17.2	13.4%
South and East Asia	117.0	18.3%	50.3	13.8%
Middle East and Central Asia	3.7	-3.3%	7.6	18.6%
Africa	17.8	7.0%	6.3	10.2%
World	1 536.1	3.0%	1 090.8	9.2%

Notes for editors:

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 AM Best.

***sigma* can be ordered as follows:**

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Data from selected figures and tables are available from the *sigma* chartroom on the Swiss Re Portal: <http://www.swissre.com/portal>.