News release

Swiss Re

New Swiss Re *sigma* study:
Unit-linked life insurance in western Europe: regaining momentum

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Zurich, 22 May 2003 - The current crisis in equity markets will not hold back the growth of unit-linked life insurance for long. This is the conclusion of the latest *sigma* study "Unit-linked life insurance in western Europe: regaining momentum?".

This *sigma* study provides an overview of unit-linked life insurance and its distribution in western Europe, analyses the risks and discusses prospects for growth. In spite of falling equity markets, the study considers future growth prospects for unit-linked business to be strong.

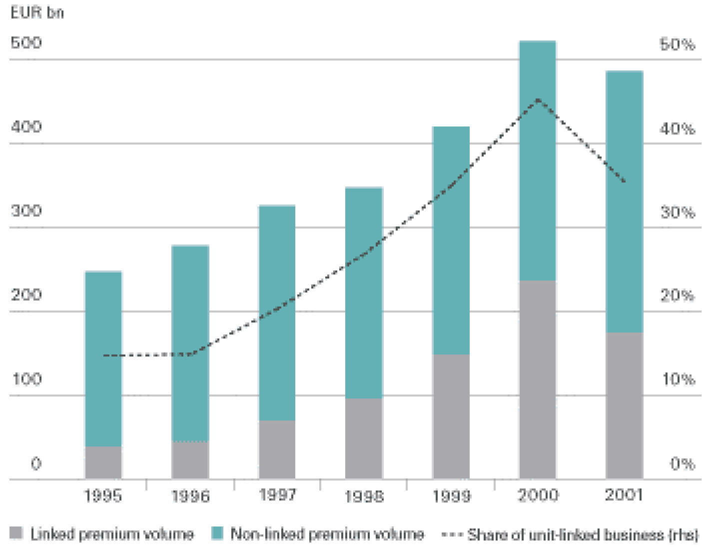
The appeal of this type of insurance is that the client can benefit in a transparent way from the higher than average long-term returns on the equity markets while, at the same time, retaining the advantages of life insurance products such as death benefits, tax advantages and, to a lesser extent, capital protection. The appeal for the insurer is that unit-linked insurance ties up less equity and reserves, which is a major advantage given the reduced equity base prevalent among European life insurers. In addition, investments are exposed to less financial market risk. The current problems associated with guaranteed products will also ensure that clients are offered a selection of unit-linked products.

Pension scheme reform will further drive growth of unit-linked products. These products, which are already becoming increasingly popular in France and Italy, are also set to absorb a lot of new business following the implementation of reforms. New pension reforms in Germany and Austria, such as the Riester pension, also give *sigma* reason to expect that unit-linked products will gain market share. The highest growth is anticipated in Germany, Switzerland and Austria, where penetration of unit-linked products is still low.

European life insurers held a total of EUR 5200 billion in investments in 2001, of which EUR 1020 billion was in unit-linked assets.

During the surge in equities of the 1990s, policyholders achieved very high returns with unit-linked policies, triggering a boom in unit-linked business. Between 1997 and 2001, the share of unit-linked business as a proportion of life insurers' total business in western

Europe rose from 21% to 36%. At the end of 2001, investments in unit-linked policies amounted to EUR 1 020 billion, equivalent to about 20% of the assets under management at European life insurers. Falling equity markets caused sales of unit-linked policies to fall in 2001. However, provisional figures for 2002 indicate a recovery of unit-linked sales after many providers added capital protection features to their products.



Source: Swiss Re Economic Research & Consulting

Unlike guaranteed return products unit-linked policies leave most of the most of the investment risk with the client, but, nevertheless, the life insurer also carries a major risk with these products. The policies often contain options and guarantees such as surrender options, guaranteed conversion rates or capital protection features. The long-term nature of life insurance business makes these options and guarantees difficult to cover on the financial markets which increases the element of risk for the insurer.

The fortunes of unit-linked insurance providers largely mirror equity market fluctuations, as premium payments primarily take the form of single premiums and the asset management fee income is contingent on the value of the underlying funds. Premium income and profit are consequently more volatile than in with-profits business or business offering guaranteed returns. Regulatory issues are also a factor, such as changes in taxation or cost ceilings and capital guarantees imposed by the government. As experiences in Europe have shown, these factors can trigger large fluctuations in profit and income.

Notes for editors:

Swiss Re is one of the world's leading reinsurers and the world's largest life and health reinsurer. The company operates through more than 70 offices in over 30 countries. Swiss Re has been in the reinsurance business since its foundation in Zurich, Switzerland, in 1863. Through its three business groups Property & Casualty, Life & Health and Financial Services, Swiss Re offers a wide variety of products to manage capital and risk. Traditional reinsurance products, including a broad range of property and casualty as well as life and health covers and related services, are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by AM Best.

You can order *sigma* as follows:
The English, German, French, Spanish and Italian versions of this *sigma* study are available electronically on Swiss Re's website: http://www.swissre.com („Research & Publications", „sigma insurance research").

Printed versions of *sigma* No. 3/2003 can now be ordered; the German and English editions are currently available; French, Spanish, Italian, Chinese and Japanese versions will follow shortly. Please send your orders, complete with your full postal address, to:

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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.