



Swiss Re *sigma* study: insurance industry on the road to recovery

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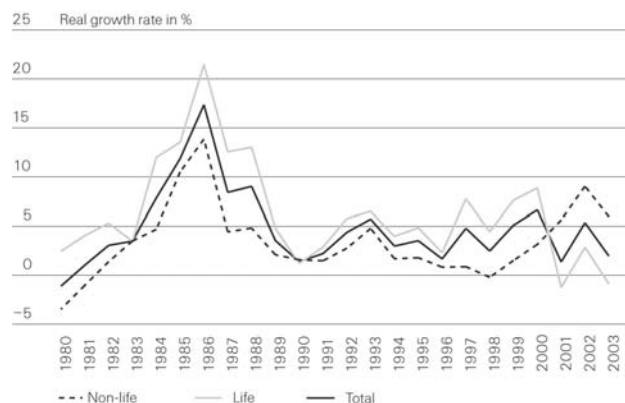
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Zurich, 24 June 2004 – The direct insurance industry is on the road to recovery with further progress expected this year, according to Swiss Re’s latest *sigma* study. Worldwide premiums for life and non-life insurance grew by an inflation-adjusted 2% to USD 2 941 billion in 2003. *sigma*’s annual review of developments in world insurance shows premiums and results in non-life business increased markedly in 2003. Life insurers reported improved profitability despite a slight decline in premium income. The recovery is set to continue in 2004.

Thomas Hess, Head of Economic Research & Consulting at Swiss Re, commented: “Both the direct life and non-life insurance industries are experiencing a turn-around following the turbulent financial markets and extreme loss events of past years. The expected growth in premiums and profits this year should speed up this process.”

According to the *sigma* study, global premium income for direct insurers in 2003 totalled USD 2 941 billion, up 2% compared with the previous year. As in past years, the life and non-life sectors showed conflicting trends. In 2003 non-life insurance premiums rose 6% to USD 1 268 billion while life insurance premiums fell 0.8% to USD 1 673 billion. Industrialised countries generated just under 90% of the premium volume, with emerging markets accounting for around 10%.

Global premium growth 1980-2003



Life insurance: falling premiums, less pressure on balance sheets and income statements

The 0.8% decline in life premiums in 2003 reflects falls in life business in the US and UK, as well as below-average growth recorded in other industrialised countries and a number of emerging markets. Consumers remained cautious about buying unit-linked policies and traditional products due to a lack of confidence in the sustainability of the stock market recovery and the decrease in profit sharing and guaranteed returns. The erosion in equity capital of previous years – precipitated by investment writedowns on equity holdings and corporate bonds – has forced a large number of life insurers to reduce their with-profit payouts and guaranteed returns.

Life insurers' balance sheets improved against a backdrop of improved economic conditions. Although investment income remained below average, the pressure exerted by writedowns on corporate bonds and equity holdings relaxed. Cost savings and business restructurings contributed to the improvement in results. Life insurers' equity bases stabilised, indicating that the outlook is brighter for the life insurance industry.

Non-life insurance: premium growth and improved results

Albeit at a slower pace than in the previous year, the 6% growth reported in non-life insurance was twice as high as the ten-year average, with price increases in virtually all regions. Following the increases in property rates of previous years, substantial rate rises were registered, particularly in third party liability. Since 2000 non-life premium income has grown at a cumulative real rate of 22%, mainly on the back of an increase in premium rates.

Rate increases together with more stringent underwriting standards, and comparatively few extreme losses resulted in a marked improvement in non-life underwriting results in 2003. However, investment results remained poor and overall profits are likely to be average. Although insurers' equity capital bases improved, capital remained scarce.

Outlook for 2004: the recovery is set to continue

The pick-up in the global economy and the expected rise in both interest rates and stock markets are set to further improve conditions for life insurers and spur demand in life and non-life business.

Price-driven growth in non-life insurance will slow as rates gradually stabilise. Premium growth for direct insurers will consequently be less pronounced than in 2003. Assuming average claims levels in 2004, results may well improve further. Life insurers' equity capital and profits should witness some sustained recovery given the improved conditions.

Swiss Re *sigma* study "World insurance in 2003" examines the insurance markets of 152 countries, making explicit reference to 88.

Developments in the major insurance markets 2003

	Life insurance premiums		Non-life insurance premiums	
	USD bn	Change against previous year, inflation-adjusted	USD bn	Change against previous year, inflation-adjusted
World	1 672.5	-0.8%	1 268.2	6.0%
Industrialised countries	1 482.3	-1.7%	1 144.3	5.7%
United States	480.9	-2.1%	574.6	6.9%
Japan	381.3	0.2%	97.5	-1.5%
United Kingdom	154.8	-13.4%	91.9	6.5%
Germany	76.7	3.6%	94.1	3.2%
France	105.4	6.8%	58.2	5.7%
Italy	71.7	10.7%	40.1	2.6%
Emerging markets	190.3	6.6%	123.9	8.5%
Latin America and Caribbean	16.1	-0.4%	25.8	2.6%
Central/Eastern Europe	11.0	17.5%	23.4	18.8%
South and East Asia	137.2	10.2%	57.3	8.8%
Middle East/Central Asia	3.8	-3.0%	8.6	3.7%
Africa	22.2	-14.8%	8.8	6.8%

Notes for editors

Swiss Re

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 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, "Aa2" by Moody's and "A+" by AM Best.

How to obtain a copy of this *sigma* study:

The English, German, French, Italian and Spanish versions of the *sigma* study "World insurance in 2003: insurance industry on the road to recovery" are available electronically on Swiss Re's website: <http://www.swissre.com/sigma>

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