

Swiss Re's Life & Health embedded value up 35% in 2001 Capital market downturn impacts investments but drives increasing demand for reinsurance

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Swiss Re's Life & Health Business Group recorded a 35% increase in its embedded value, to CHF 17.6 billion in 2001. Embedded value after tax operating profit was CHF 1.5 billion in 2001, down from CHF 1.8 billion in 2000. The downturn in capital market performance has negatively impacted Swiss Re's equity investment portfolio in the first half 2002. As markets have fallen, demand from clients for reinsurance is growing and as a leading reinsurer Swiss Re is benefiting from both this trend and the ongoing flight to quality.

Embedded value up 35% in 2001

Swiss Re is pleased to report a 35% increase in the embedded value of its life and health business, which grew CHF 4.5 billion to CHF 17.6 billion in 2001 from CHF 13.1 billion in 2000. The acquisition of Lincoln Re during 2001, contributed CHF 2.5 billion to the embedded value increase.

The embedded value after tax operating profit was CHF 1.5 billion (2000 CHF 1.8 billion). It was particularly impacted in 2001 by a planned lower volume of capital invested in Admin Re transactions, as Swiss Re focused on the acquisition of Lincoln Re during the second half of the year. An 11 September after tax loss of CHF 0.1 billion also contributed to the reduced profit. Underlying profitability of the business continues to be favourable.

Total embedded value after tax earnings were lower at CHF 1.2 billion in 2001 (2000 CHF 1.8 billion). A fall in the value of equities within shareholders' net worth, together with the lower operating profit noted above, led to this reduction.

Investments negatively impacted by market conditions

The investment environment during the first half 2002 has been challenging for all investors including Swiss Re. Swiss Re's equity portfolio has been negatively affected by the current market conditions.

The equity portfolio slightly outperformed market indices. However, the decline in market values last year, continuing into the first half of this year, will require that certain unrealised losses be reflected in the income statement for the first half year period. Partly offsetting this effect are other net realised gains on equities and bonds. Swiss Re follows FER 14, which is the accounting rule that deals with other than temporary impairments.

Swiss Re's fixed-income portfolio slightly underperformed relative to benchmarks due to a shortening of the portfolio's duration in anticipation of interest rate increases. Performance was also affected by an increase in credit spreads on corporate bonds.

Current capital market environment drives reinsurance demand

The negative capital market environment has affected many primary insurance companies and will drive an increase in demand from clients for more reinsurance protection. Swiss Re is expected to benefit from this trend and the market's continued flight to quality. In certain markets Swiss Re's Triple A rating has resulted in increased market share, while in other markets Swiss Re has increased the quality and rates generated by its property and casualty business. Swiss Re is also seeing its share of leading or co-lead positions increase.

Analysts' Conference Call and Half Year Results

Swiss Re is holding an Analysts' conference call today at 14:00 CET. The Analysts' Conference call can be followed by dialling in Europe + 41 91 610 41 1 8 and in United States + 1 412 380 7400. On 29 August 2002, Swiss Re will announce its 2002 Half Year Results. For further information, please refer to our [Investor Relations](#) page.

Notes to editors

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. Gross premiums in 2001 amounted to CHF 28.5 billion. Swiss Re has a strong track record of earnings growth only interrupted in 2001 with a net loss of CHF 165 million, largely due to the 11 September event. At the end of 2001, Swiss Re's shareholders' equity amounted to CHF 22.6 billion and the total balance sheet stood at CHF 170 billion. Swiss Re is rated "AAA" by Standard & Poor's, "Aaa" by Moody's and "A++" by A.M. Best.

Embedded value - is an actuarially determined estimate of the economic value of life insurance operations, excluding value from future new business, and is used, not only by Swiss Re but by a number of life insurers, to provide supplementary information to that shown in published accounts.

Admin Re - Administrative Reinsurance is the acceptance of in-force life and health insurance business either through acquisition or through the assumption of a reinsurance agreement.

Cautionary note on forward-looking statements

Certain statements contained herein are forward-looking. These statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. Forward-looking statements typically are identified by words or phrases such as "anticipate," "assume," "believe," "continue," "estimate," "expect," "foresee," "intend," "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will," "should," "would" and "could." These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Such factors include, among others:

- risks and uncertainties relating to our estimates of the losses arising from the 11 September 2001 terrorist attack in the United States, and the possibility of future terrorist attacks;
- changes in general economic conditions, particularly in our core markets;
- uncertainties in estimating reserves;
- the performance of financial markets;
- the frequency, severity and development of insured claim events;
- mortality and morbidity experience;
- policy renewal and lapse rates;
- changes in levels of interest rates;
- changes in currency exchange rates;
- changes in laws and regulations, including changes in accounting standards and taxation requirements; and
- increases in competitive pressures.

These factors are not exhaustive. We operate in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on our forward-looking statements. We undertake no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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