

Swiss Re reports net income of CHF 1 345 million in first half-year 2001

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Operating income excluding capital gains increases by 43%
Substantial growth in net investment income of 37%

Net premiums up 19%

Swiss Re's net income for the first half-year 2001 was CHF 1 345 million compared to CHF 3 008 million in the same period last year. Realised investment gains this year were CHF 884 million down, as expected, from last year's exceptional amount of CHF 3 431 million. Excluding realised capital gains, operating income before tax of the three business groups, Non-Life, Life & Health and Financial Services, increased 43% in the first six months to CHF 1 308 million from CHF 913 million last year.

In the first half of 2001, net investment income rose 37% to CHF 3 047 million from CHF 2 220 million. This increase was due to business growth, particularly funds acquired in the Admin Re business, and importantly from Swiss Re's well-timed strategic shift in asset mix from equities to bonds in the first six months of 2000.

Each of Swiss Re's business groups showed important improvements in their activities and operating results. Overall, net premiums reached CHF 11 898 million, representing a 19% increase over last year's CHF 9 961 million.

Combined ratio in Non-Life Business Group reaches target

Excluding realised gains, Non-Life Business Group saw operating income rise 10% to CHF 517 million from CHF 468 million. The improvement over the same period last year reflects the turn in the cycle and was achieved even though the half year 2000 benefited from significant Asbestos and Environmental commutations and despite the burden of large losses in 2001.

Non-Life Business Group net premiums were up 25% to CHF 6 458 million. The inclusion of Underwriters Re, acquired late in the first half of last year, added 5 percentage points to Non-Life's premium income growth. More importantly, Swiss Re capitalised on improvements in 2001 renewal activity by implementing its strategy to write larger shares at improved terms.

At 107.2%, the current combined ratio represents a significant improvement over the full-year 2000 figure of 117%. This is in line with Swiss Re's statement earlier this year that 107% is "within reach". The positive development of the company's non-life business was mainly due to the rate improvements from the 2001 renewal and new business written in the fourth quarter of 2000. The business group stresses its determination to pursue its strategy of achieving improved terms across its portfolio, combined with rigorous cost discipline.

Continued above-target performance in Life & Health Business Group

Life and Health Business Group's operating income, excluding capital gains, was CHF 651 million, an increase of 52% over last year's CHF 429 million, with the return on operating revenues improving to 10.7% from 8.6%. Continued revenue growth, the progressive elimination of underperforming accounts and mortality and morbidity experience broadly in line with expectations all contributed to producing this excellent result.

Premiums grew 14% to CHF 4 402 million from CHF 3 869 million last year. This growth resulted from a continuation of the favourable conditions in life reinsurance markets globally. In the important U.S. market, growth in the direct insurance market and an increased cession rate contributed to the premium increase. In addition, life and health premiums also benefited from the company's expanded Admin Re portfolio.

Financial Services Business Group reports strong improvement in return on total revenues

For Financial Services Business Group, operating income excluding capital gains improved substantially to CHF 140 million from the prior-year result of CHF 16 million, reflecting the quality of the business written. Premiums earned increased 11% to CHF 1 038 million from CHF 939 million as a result of stronger pricing conditions and new business. Although total revenues were impacted by a significant reduction in net

realised gains, return on total revenues improved from 11.9% in the full-year 2000 to 17.6% in the first half of 2001.

Jacques Aigrain, a former managing director with JPMorgan, joined Swiss Re in June as head of the business group.

Recent events

On 2 July, Financial Services Business Group completed the previously announced acquisition of Conning Corporation, a leading provider of financial services in the US. The acquisition establishes Swiss Re as a leading third-party asset manager for the insurance industry in the North American marketplace, boosting the company's third-party assets under management by CHF 48 billion.

On 30 July, Swiss Re announced the acquisition of Lincoln National Corporation's reinsurance operation, Lincoln Re, for USD 2 billion. With this transaction, the group will strengthen its position as the leader in the world's largest life and health reinsurance market. In order to finance the acquisition, the board of directors will seek authorisation to increase Swiss Re's share capital at an extraordinary general meeting on 27 September in Zurich.

On 22 August, Swiss Re Group announced a transaction to combine its 90% stake in the Dutch credit insurer NCM with Gerling Credit to form the world's leading credit insurer: Gerling NCM Credit and Finance AG. Swiss Re will be a 25% shareholder in the new company. At the close of the transaction, a capital gain of approximately CHF 300 million is expected to be realised. The transaction is consistent with Swiss Re's strategy of focusing on core reinsurance business while remaining an active supporter of the credit insurance business.

Confidence about performance of all business areas in the second half of the year

Swiss Re is confident about the further recovery of the non-life reinsurance markets. The group expects continuing improvement in its non-life business in the second half of 2001. The acquisition of Lincoln Re will strengthen the group's leading position in life and health reinsurance. In Financial Services, the non-life cycle improvement will boost alternative risk management and corporate risk underwriting business. Barring negative developments in the financial markets or extraordinary large loss events, another strong result is expected for the full year.

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. In the 2000 financial year, gross premium volume amounted to CHF 26.1 billion and the net income after tax reached CHF 3 billion. Swiss Re is rated "AAA" by Standard & Poor's, "Aaa" by Moody's and "A++" (superior) by A.M. Best.

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