Media release

Swiss Re

New Swiss Re technical publication: calculating the claims ratio in motor third party liability insurance

Contact:

Group Media Relations, Zurich
Telephone +41 43 285 7171

Media Relations, London
Telephone +44 20 7204 3937
Telephone +44 20 7814 3184

Swiss Reinsurance Company
Mythenquai 50/60
P.O.Box
CH-8022 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com

Zurich, 6 March 2003 – Swiss Re today launches *Pricing of motor quota share treaties*, a new brochure setting out how premiums can be profitably priced in the increasingly deregulated motor quota share market. In this latest publication in Swiss Re's *Technical Publishing* series, author Hans Schmitter considers the agreements between primary insurers and reinsurers on motor third party liability (TPL), motor own damage (MOD) and passenger accident insurance covers.

The study examines the difference between cover written on a "quota share" basis (where a loss is divided in the same ratio as the premium between the direct insurer and reinsurer) and "excess of loss" cover (a newer, more sophisticated, form of reinsurance written for large losses).

Insurers have traditionally paid little attention to the pricing of quota shares. Doing so was largely unnecessary in regulated markets with universally-binding premium rates - because the magnitude of the expected claims ratio was known, as was the level of commissions that would make it possible to operate the reinsurance business at a profit over the long term. By contrast, in deregulated markets, and in new markets where the basis for the calculation of primary insurance premiums is still uncertain, there is no reliable empirical foundation for the pricing of quota share treaties.

According to Mr. Schmitter, a casualty specialist within Swiss Re's Chief Underwriting Office, the report complements Swiss Re's existing range of publications and serves as an aid for reinsurers in arriving at appropriate commissions for motor quota share treaties: " This publication is intended mainly for reinsurers who have to price reinsurance covers in practice and for primary insurers who require such prognoses for their planning calculations. It uses calculation examples to describe how to arrive at the claims ratio," he explains.

How to obtain a copy:
English and German versions of the publication are available electronically on the Swiss Re website: http://www.swissre.com (under "Research & Publications").

Printed copies are available (order no. 1493126_02). Please fax your orders, complete with your full postal address, to:

Zurich: +41 43 285 2023
London: +44 20 7814 3014

All calculations described in this publication needed for pricing can be performed with the aid of the Excel file *motorproppricing.xls*, which is programmed in VisualBasic. The software is available free of charge from the e-mail address *publications@swissre.com*

Press releases are also distributed by e-mail. To be put on the distribution list, please send an e-mail to media_relations@swissre.com.

Notes for editors:

Swiss Re
Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. For 2001, Swiss Re reported a net loss of CHF 165 million, largely due to the 11 September event. In the 2001 financial year, gross premium volume amounted to CHF 28.5 billion. At the end of June 2002, Swiss Re's shareholders' equity amounted to CHF 18.3 billion and the total balance sheet stood at CHF 168 billion. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by A.M. Best.