News release

Swiss Re

Insurers set to regain financial strength
Swiss Re sees good year ahead for Asian insurance industry in 2005

For further information please contact:

Economic Research & Consulting Asia
Clarence Wong
Telephone: +852 2582 5644

Corporate Communications, Asia
Telephone +852 2582 3660
Email: asia@swissre.com

Group Media Relations, Zurich
Telephone +41 43 285 7171

Swiss Reinsurance Company
61st Floor, Central Plaza
18 Harbour Road
Hong Kong

Telephone +852 2582 3600
Fax +852 2582 3699

Hong Kong, 2 December, 2004 – The insurance industry in Asia is set to regain its financial strength as continued economic growth drives both business and personal insurance needs, said Swiss Reinsurance Company today. Swiss Re, one of the world's leading reinsurers and the world's largest life and health reinsurer sees real growth of 5.9% in non-life and 8.4% in life premiums in Asia outside Japan in 2005.

"We see a good year ahead for insurance markets in Asia. This improved outlook is being influenced by factors including stable economic conditions, improving investent returns and further efforts to liberalize and deregulate insurance markets," said Mr Clarence Wong, Asia Head of Economic Research & Consulting at Swiss Re. Mr Wong was speaking at Swiss Re's annual Outlook Briefing for the Insurance Industry.

In line with global trends, insurers in both non-life and life sectors in Asia are seeing their capital situation improve. Insurers have been using improved underwriting results to replenish their capital positions. At the same time, non-life product prices are expected to derive some support from the recent series of high natural catastrophe losses. Globally, hurricane losses destroyed 2-3% of global P&C insurance capacity, amounting to some USD 25 billion, so far this year.

Mr Wong noted, "In emerging Asia non-life premiums are expected to grow by 5.9% in 2005 and 6.1% in 2006. This is a higher level of growth than in industrialized markets.

"Growth will be driven by continued strong economic fundamentals, increasing trade and investment flows with emerging Asia, the implementation and enforcement of more compulsory insurance in Asian markets, and faster growth of personal lines of insurance."

For life insurers, growth will be driven by increases in household wealth, wider availability of more products through multi-channel distribution (e.g. bancassurance), and increased awareness by consumers of risk.

The Outlook Briefing also reviewed the protection gap in life insurance as well as the prospects for liability insurance in Asia.

Market focus – China
China's non-life market is expected to grow at a real rate of 9.3% in 2005, in line with GDP growth. This takes into consideration the on-going macroeconomic tightening in China as well as further stablisation in motor insurance prices after the price liberalization implemented last year.
Life insurance premiums are expected to recover to grow by 13%, with insurers focusing more on profitability than on gaining market share.

Market focus – Hong Kong
Hong Kong's non-life business will see stable growth of around 2.5% in 2005. This is a result of recent strong economic recovery and the stabilization of the investment market. In particular, Swiss Re expects further improvements in the underwriting results of the two statutory lines of EC and Motor Third Party Liability.

The life sector is expected to build on strong growth seen in the first half of 2004, with further demand from individual linked business in 2005. However, rising interest rates could slow the momentum over time.

Protection gap a big opportunity for life insurers
An opportunity lies in the life insurance protection gap, which measures the difference between people's life insurance protection needs and their existing financial resources.

According to Jean-Michel Chatagny, Swiss Re's Head of Asia, Life & Health Business Group, the company estimates this gap is as high as USD 290 billion for Hong Kong and up to USD 4500 billion for China.

"There is a clear need among Asian consumers for life insurance protection products, and thus a big opportunity exists for premium growth in an area that has been relatively neglected by the life insurance industry," said Mr Chatagny.

He pointed out that life protection products offer the twin benefits of excellent value for the consumer, and good opportunities for the life insurance industry. He called on the life industry to adopt a more sophisticated, needs-based approach to distribution and selling, so as to achieve more of a balance between savings and protection products in its portfolios.

Governments, too, should facilitate consumers’ access to more adequate life insurance protection by providing tax incentives on premiums paid, Mr Chatagny pointed out.

Legal developments to spur demand for liability insurance
Another area of growth, this time for Asia’s property and casualty (non-life) insurers is in the area of liability insurance.

Liability insurance premiums globally totalled USD 107 billion last year. Of this, USD 67 billion comes from the US, where liability claims are growing at a rate of 1.5 to 2 times that of nominal GDP.

In contrast, liability insurance in Asia (including Japan) currently accounts for only USD 9.5 billion in premiums.

According to Ruediger Otto, Swiss Re’s Property & Casualty Business Group Head of Underwriting for Asia, liability litigation is expected to grow in Asia due to rising affluence, changes in legal and regulatory environments, increasing acceptance of foreign litigation trends and greater awareness of consumer rights.

“Already, there are clear signs of growing litigious environments in some key Asian markets including China, where there is rapid regulatory, legal and cultural change,” explained Mr Otto.

He added that while these changes in themselves are often beneficial to the economy and to consumers, there is a potential for the kind of abuse of legal systems that has become widespread in the US and Australia. “These abuses have led to bankruptcies, higher costs for economies and pressure on competitiveness, ” Mr. Otto said.

He called on insurers in Asia, and in particular in rapid-growth economies such as China, to recognize the risks and business growth opportunities inherent in liability litigation developments.

Note to editors

About 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 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 servics, 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 A.M. Best.

Swiss Re has been associated with Asia since 1913, and now has over more than 600 staff in 13 offices in Asia Pacific.