News release

Swiss Re

Swiss Re economists: US economy entering slow patch, insurance industry faces prolonged hard market

Contact:

Group Media Relations, Zurich
Telephone +41 43 285 7171

Investor Relations
Telephone +41 43 285 4444

Corporate Communications, New York
Telephone +1 212 317 5640

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

New York, 25 June 2003 - Swiss Re's Chief Economist, North America, Kurt Karl today said that the US economy is growing slowly - weakness consistent with a Fed cut later today - but will grow more rapidly in the second half of the year. Additionally, at the company's Mid-year Economic and Insurance Industry teleconference, Swiss Re's Senior Economist, Thomas Holzheu asserted that underwriting profitability was further improving and, due to capacity constraints, the industry is in the midst of a prolonged hard market.

'Because of the spike in energy prices and the uncertainty surrounding the Middle East military actions, the US economy has been weak for the past nine months,' said Kurt Karl. 'However, positive indications are increasing, as deflationary risks decline and interest rates remain low and stable. Fed actions along with tax cuts and deficit spending should slowly improve economic activity.'

Karl also noted:

- The US economy is currently in a 'slow patch' of growth - industrial production is weak, investment is flat and consumer spending is moderate.
- In the second half of the year, the economy will get a boost as tax cuts, the weak dollar, falling oil prices and low interest rates work their magic. Yields on the 10-year Treasury note will rise as the economy gains strength.
- Due to the economic weakness and the threat - however small - of deflation, the Fed is expected to cut rates by at least 25 basis points (0.25 percent) today. With this cut, yields on the 10-year Treasury note will likely test the 3.0 percent barrier in the near term.

Regarding the property and casualty insurance business, Thomas Holzheu, Swiss Re's senior economist for that business sector, said, 'Underwriting profitability has staged a rapid comeback, but overall profitability in the industry has still suffered due to higher reserving and poor stock markets.

'This points to a continued hard market due to capacity constraints, and a push by insurers to pull back from expansion and focus on core areas of expertise,' he added.

Among Holzheu's observations:

- The US property, casualty industry is still on a path of strengthening the core business and restoring underwriting profitability. However, capital losses and adverse reserves development overshadowed this positive trend in last year's financial results.
- Capital remains tight despite active capital management, also reserve deficiencies are contributing to the capacity shortage. Rating agencies' actions are still biased toward downgrades.
- The pressure to increase rates will continue to come from a tight capital base, deficient loss reserves, high loss-cost trends, and low investment income. The industry's profit potential will trend upward for the next couple of years.

NOTE: Please access presentations (and other relevant information), which are available on Swiss Re's Web site, www.swissre.com. A replay of the teleconference will be available for 30 days in the US at (800) 642-1687, or internationally at (706) 645-9291. The ID # is 1331876.

About Swiss Re
Swiss Re is a leading reinsurer and the world's largest life and health reinsurer. The company is global, operating from 70 offices in 30 countries. Since its foundation in 1863, Swiss Re has been in the reinsurance business. Swiss Re has three business groups: Property & Casualty, Life & Health and Financial Services. Swiss Re offers a wide range of traditional reinsurance products and related services, which are complemented by insurance-based corporate finance solutions and supplementary services. Swiss Re is rated "AA" by Standard & Poor's, "Aa1" by Moody's and "A+" by A.M. Best.