



*“Exploring solutions beyond
the obvious reflects our commitment
to the future.”*



137th Annual Report 2000
Swiss Reinsurance Company

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Water: risk and opportunity

Water is an important and multi-faceted topic. It embodies the double-edged sword of risk and opportunity with its power not only to save but also to destroy life. Seven specialists who have a link with Swiss Re explain what they find so fascinating about water, and where their individual professional and personal challenges lie.

For more information, visit www.swissre.com (click Investor Relations/Annual Reporting 2000/Annual report – comprehensive overview / Portraits of water specialists)

Dealing with the climate means dealing with uncertainty. It is a scientific fact that global warming is taking place, so what does this mean for Swiss Re and, ultimately, for society? What are the risks; how and when will their effects be felt? What can and must be done to counteract this trend? Finding practical answers to these extremely complex questions is imperative, and a challenge which fascinates me day after day.

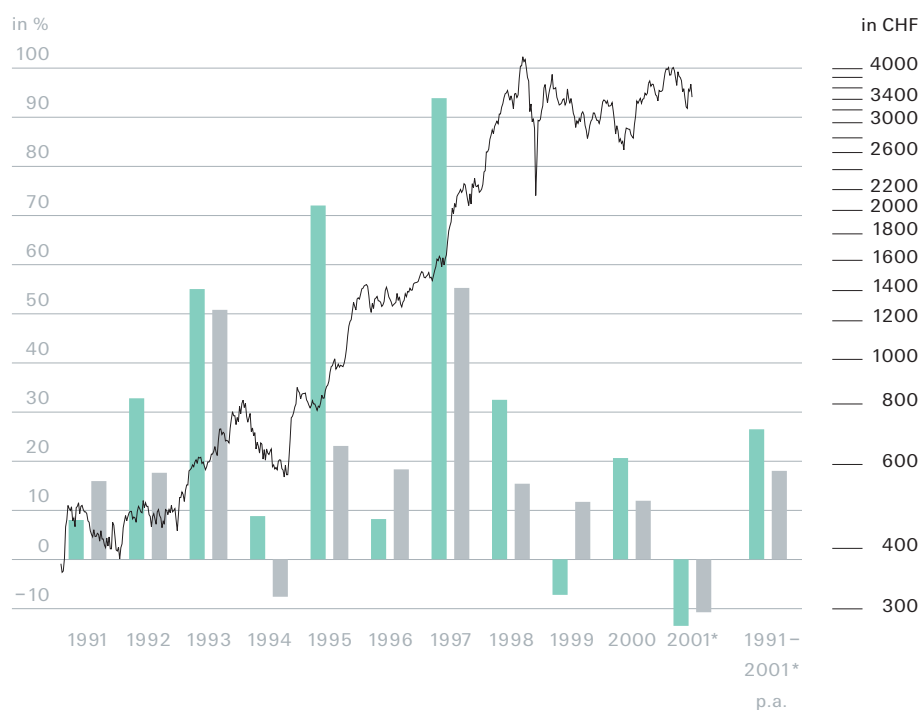
**Gerry Lemcke
Climate and Natural Hazards
Specialist, Swiss Re, Zurich**

Performance of Swiss Re shares and key figures

Performance of Swiss Re shares and the Swiss Performance Index from 31 December 1990 to 20 April 2001

An investor who invested CHF 100 000 in Swiss Re shares at the end of 1990 and reinvested all subsequent dividends, share rights, and the 1996 par value repayment of CHF 10, without investing any new funds, held a position with a market value of CHF 1 119 267 on 20 April 2001. The total performance amounts to 1 019.3% or an average of 26.4% per year.

An investment of CHF 100 000 in the total Swiss market at the end of 1990 would have increased in value to CHF 551 712 on 20 April 2001 (basis: Swiss Performance Index with reinvestment of income). The total performance amounts to 451.7% or 18.0% per year.



■ Annual performance of Swiss Re shares (left-hand scale)
 ■ Annual performance of Swiss Performance Index (left-hand scale)
 — Price of Swiss Re share weekly (logarithmic right-hand scale)

Source: Datastream

*as of 20 April 2001:

Closing share price: CHF 3 361, Stockmarket capitalisation: CHF 47 904 million

Key figures

CHF millions	1999	2000	Change in %
Gross premiums written	20 661	26 057	26
Premiums earned (net)	18 051	22 081	22
- Non-Life Business Group	8 916	11 530	29
- Life & Health Business Group	7 311	8 330	14
- Financial Services Business Group	1 824	2 221	22
Net income	2 446	2 966	21
Shareholders' equity	24 832	22 787	-8
Combined ratio Non-Life in %	122	117	
Return on operating revenues Life&Health in %	9.3	9.2	
Return on total revenues Financial Services in %	24.4	11.9	
Return on investment in %	8.8	10.0	
Return on equity in %	10.9	11.9	
Earnings per share in CHF	171	208	22
Dividend per share in CHF	50	50*	
Number of employees	9 010	9 585	6
- of which in Switzerland	2 870	2 841	-1

* Subject to approval by the General Meeting, not including a capital repayment of CHF 8 per share

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Annual Report of the Chairman and the Chief Executive Officer

Fellow shareholders, colleagues, ladies and gentlemen

In the year under review, Swiss Re once again achieved a strong increase in profits, which rose by 21.3% from CHF 2 446 million in 1999 to CHF 2 966 million in 2000. Earnings per share rose from CHF 171 in 1999 to CHF 208 in 2000. This result is the latest in a long series of marked improvements. Over the past six years – in other words, since the strategic reorientation of the Group and the sale of our direct insurance interests in 1994 – profits have grown by an average of 22% per annum.

The Board of Directors will propose to the Annual General Meeting an unchanged dividend of CHF 50 and, in addition, a capital repayment of CHF 8 per share. The nominal value of Swiss Re shares is currently CHF 10, and would reduce to CHF 2 after the capital repayment. In addition, the Board of Directors will propose a 20-for-1 split of the shares, which should increase the liquidity of the stock in the marketplace.

The present accounts have been prepared in accordance with new basis Swiss GAAP accounting standards (explained in detail on p. 83–84 of this report) – which significantly improve both the quality and the breadth of information on our operations when compared with the previous method. With this new accounting basis, our reporting will in future focus on our three business groups: Non-Life reinsurance, Life & Health reinsurance and Financial Services, as well as the Corporate Centre.

In 2000, the three business groups showed varying development: after several years of fierce competitive pressure, the non-life business benefited from signs of recovery. Premium income was up 29%, from CHF 8 916 million in 1999 to CHF 11 530 million in 2000. Operating income rose by no less than 43% to CHF 2 164 million (1999: CHF 1 513 million). The European winter storms Lothar and Martin – which had a substantial impact on results in 1999 and also left their mark on the figures for 2000 – were a key factor prompting firmer pricing in non-life reinsurance. This process is still very much under way, and we confidently expect to see further sharp improvements in the performance of the non-life business.

We are now probably witnessing the end of one of the most severe periods of “soft market” conditions ever experienced by the traditionally cyclical non-life reinsurance business. Swiss Re emerges considerably strengthened from this difficult period because, throughout the cycle, our priority has been to maintain a strong balance sheet. This is apparent from two indicators: equalisation reserves totalled CHF 1 788 million at the end of 1995 and CHF 3 019 million at the end of 2000. The reserve ratio, which includes equalisation reserves, was 244% of premiums at the end of 1995 (when the soft market began), and at the end of 2000 it stood at 337%. These figures indicate that we have consistently adhered to our standards for prudently establishing claims reserves and provisions for major catastrophes, even if the results reported by the company suffered as a consequence. Thus, we are now well placed to benefit from the expected upturn in the non-life business cycle.

Our life and health reinsurance business continued the positive development of recent years with premiums rising by 14%. The operating result decreased by 4% to CHF 1 447 million attributable to a reduction in the capital gains realised as the life and health business took capital losses on bonds to maximise the Group’s investment strategy. The fundamental performance of our Life & Health Business Group continues to be very strong, exceeding management’s targets, and is an important and stable contributor to Swiss Re’s overall growth.



Peter Forstmoser
Chairman of the Board of
Directors

The financial services business comprises a selected range of activities. Results for 2000 were marked by an above-average number of major loss events for large industrial risks and weather contracts and the absence of a significant gain realised on the sale of our 20% interest in Credit Suisse Financial Products in 1999. In addition, in the area of run-off covers, provisions for policies from the previous year had to be increased. Consequently, the excellent results achieved in 1999 could not be repeated in 2000. However, our belief in the business remains strong, particularly as the traditional non-life cycle continues to tighten.



After a series of very successful years, the Group's asset management entities achieved another outstanding return on investments of 10.0%, despite difficult market conditions. The decision to reduce the equity positions early in the year was very beneficial, generating significant gains and reducing the exposure to the later downturn of the markets.

Swiss Re's Corporate Centre essentially manages the Group's most important shared resources and functions: finances, risk, human resources, information technology, brand and reputation.

For the last two years, our Group has been committed to the "Triple 20" programme, which sought to respond to the harsh competitive environment and the downward phase of the business cycle by focusing the company's efforts on improving operating results. Today, we can report progress: a turnaround has been achieved in non-life underwriting results, underpriced natural hazard risks have been largely eliminated, total natural hazard exposure has been reduced and – a particularly important achievement – productivity has been improved dramatically, with costs rising at a considerably slower rate than premium income despite further expansion of the Group. The successes of the Triple 20 programme have made the company significantly more efficient. This puts Swiss Re in a strong position to now capitalise on the improving markets in which we compete.

A handwritten signature in black ink, which appears to read "Walter Kielholz". The signature is fluid and cursive.

Walter Kielholz
Chief Executive Officer

We are convinced that all three sectors of the business are extremely well positioned in the global marketplace. They hold a leading position in their respective markets, and they are leaner and fitter than just a few years ago. They have demonstrated their powers of innovation, can offer our clients a comprehensive range of products and they are underpinned by a strong financial base. In the future, Swiss Re will go on to even greater recognition as one of the world's leading successful financial services groups.

On behalf of the Board of Directors and the Executive Board, we would like to take this opportunity to thank the employees who, at our offices throughout the world, devote all their energies to the success of the Group – day in, day out. We would also like to thank our clients and shareholders, who repeatedly place their trust in our company, even at a time when the global financial services industry is undergoing rapid and radical changes. Your continuing loyalty cannot be taken for granted, and it is sincerely appreciated.

Board of Directors

Board of Directors

		Term expires in
Peter Forstmoser	Chairman	2002
Thomas W. Bechtler		2001
George L. Farr		2004
Rajna Gibson	From 1 July 2000	2004
Bénédict G. F. Hentsch		2001
Ernesto Jutzi		2003
Walter B. Kielholz	Chief Executive Officer	2002
Jorge Paulo Lemann		2003
Lukas Mühlemann	Deputy Chairman	2002
Thomas Hodler	Corporate Secretary	

Committees

Audit Committee

Compensation and Appointments Committee

Finance and Risk Committee

Investments Committee

Shareholder Relations Committee

Max E. Eisenring, our Honorary Chairman, passed away on 21 January 2001, shortly after his 91st birthday. Mr Eisenring joined Swiss Re in 1944 as an actuary in the Life Department. In 1958 he was appointed a member of the Executive Board. From 1964 to 1979 he was Chairman of the Board of Directors. In recognition of his outstanding achievements, he was appointed Honorary Chairman at the Annual General Meeting of Shareholders in 1979. Mr Eisenring's contribution and encouragement helped Swiss Re grow into a truly international enterprise. His ability to communicate, his humanity and openness to new developments were exemplary. We shall long remember Max E. Eisenring with gratitude and respect.

Executive Board

Chief Executive Officer

Walter B. Kielholz¹

Deputy Chief Executive Officer

Rudolf Kellenberger¹

Corporate Centre divisions

Risk & Knowledge

Bruno Porro¹

Finance

John H. Fitzpatrick¹

Communications & Human Resources

Walter Anderau

Information Technology

Yury Zaytsev

Business groups

Non-Life

Stefan Lippe¹

Life & Health

John R. Coomber¹

Financial Services

Walter B. Kielholz a.i.

Business divisions

Europe

Michel M. Liès

Swiss Re Life & Health

John R. Coomber
Jacques E. Dubois

Swiss Re Investors

Giuseppe Benelli

Americas

Andreas Beerli

Capital Partners

John J. Hendrickson

Asia

Pierre L. Ozendo

Swiss Re New Markets

Erwin K. Zimmermann

Auditors

PricewaterhouseCoopers Ltd

¹ Members of the Committee of the Executive Board

A woman wearing a green hooded raincoat, glasses, and black boots stands in a misty industrial environment. She is holding a white computer keyboard in her right hand and a white cable in her left. The background features large green tarps and a red metal railing. The overall atmosphere is industrial and somewhat surreal.

*“Mastering the unpredictable needs
passion, logic and intuition.”*

Business report

Financial year 2000

Swiss Re's record of outstanding earnings growth continued in 2000 with an increase in earnings per share of 22%. The Non-Life Business Group delivered significant improvements in underwriting performance despite having to absorb loss developments from prior years and a larger than usual contribution to equalisation reserves. The Life & Health Business Group continued to perform strongly and the Financial Services Business Group further developed its capabilities while delivering exceptional returns on the Group's investments. Swiss Re is now poised to emerge from this period of soft pricing with its balance sheet strength intact, well placed to take advantage of the opportunities that lie ahead.

Gross premiums written increased to CHF 26.1 billion, a rise of 26% over 1999, while net premiums earned grew by 22%. The Non-Life Business Group increased its premium volume by 29%. The acquisition of Underwriters Re in May 2000, together with growth in North America and Europe, more than offset any losses from business cancelled through Swiss Re's drive to improve profitability during the renewal process. Premiums in the Life & Health Business Group increased by 14% to CHF 8.3 billion. The completion of new Administrative ReinsuranceSM (Admin Re) transactions – as well as the inclusion of the first full-year policy revenue on certain second-half 1999 Admin Re transactions – more than counterbalanced any impact from the remaining run-off of US medical business. The Financial Services Business Group increased premiums to CHF 2.2 billion, up 22% compared to the prior year.

The combined ratio in the Non-Life Business Group improved from 122% to 117%, primarily due to an absence of natural catastrophes on the scale of those seen in 1999. In the Life & Health Business Group, continuing good operating profitability was mainly driven by strong returns from Swiss Re's Admin Re business.

Swiss Re achieved a record investment result of CHF 9.1 billion, up 22% on the prior year. The return on investment was 10%, compared with 8.8% in 1999, marking the fifth year in a row of a return at or above Swiss Re's long-term target rate of 7%. This was achieved despite generally mixed market conditions.

Amortisation of goodwill increased from CHF 211 million in 1999 to CHF 310 million in 2000, mainly related to the acquisition of Underwriters Re. Several other smaller acquisitions – such as of Washington International Insurance Company and Società Italiana Cauzioni – also contributed to the increase. Amortisation of all intangible assets arising from acquisitions increased from CHF 453 million in 1999 to CHF 580 million in 2000. This includes the amortisation of goodwill and the effects of amortising the acquired present value of future profits from life and health acquisitions including Admin Re transactions. This latter component is included in the results for the Life & Health Business Group.

The sea is probably one of the most unpredictable forces of nature, a quality which has characterised all the activities associated with it, such as fishing, sport, trade – as well as reinsurance. While developing an online rating tool for yacht business, my major challenge was to identify the constants that govern the unpredictability of maritime activities. In order to do so, you need not only passion and logic, technical know-how, experience and perseverance, but also intuition. Creating an electronic tool for the web-based reinsurance of yachts was previously considered almost impossible. It is great to lead the team that has managed to cope with that challenge.

Erika Anna Schoch
Marine centre of competence,
Swiss Re, Zurich

Other operating expenses increased from CHF 2.8 billion to CHF 3.1 billion, mainly due to the acquisition of Underwriters Re, as well as continued investment in information technology and e-business to achieve Swiss Re's efficiency targets. The Group also incurred restructuring charges of CHF 110 million in 2000; this relates to various initiatives being undertaken by the Non-Life Business Group to improve operating efficiency – most notably the merger of the former divisions Bavarian Re and Europe which was announced in early 2001.

Shareholders' equity decreased from CHF 24.8 billion to CHF 22.8 billion. This reflects a reduction in unrealised gains on equity securities, due to movements in world stock markets in 2000. The effect of net income in 2000 was partly offset by payments made to shareholders in the form of dividends and share repurchases.

Swiss Re's effective rate of taxation declined from 24% to 19%, due to a number of one-off changes which took effect this year.

	1999	2000
Earnings per share in CHF	171	208
Return on equity in %	10.9	11.9

The Group's net income increased by 21% to CHF 2 966 million; earnings per share increased from CHF 171 to CHF 208, continuing the Group's record of double-digit earnings growth. Return on equity increased from 10.9% to 11.9%.

Investments

Following a good first quarter, most equity markets declined throughout 2000, ending an extended period of exceptionally high returns on equities. The well-publicised fall from grace of the technology, media and telecommunications stocks and the peaking of the US economy both contributed largely to this set-back. In the favourable market conditions at the beginning of the year, Swiss Re actively reduced its exposure to equities by eight percentage points. In addition, 10% of the remaining equity portfolio was hedged against potential losses, including a portion of key holdings in financial stocks. Both actions paid off handsomely, leading to substantial realised gains and significantly reduced exposure to the subsequent equity market decline.

Asset allocation in %

	1999	2000
Fixed income investments	62%	69%
Equities	34%	26%
Other investments	4%	5%

Interest rates in most major markets peaked around the beginning of the year, helping to support high average earnings on the fixed income portfolio and thereby contributing to Swiss Re's strong investment result. Rates then receded throughout the year, most notably in the US, leading to price appreciation on the fixed income portfolio. By focusing early in the year on long durations in its substantial USD portfolio, Swiss Re achieved a relative performance on the fixed income portfolio far in excess of market indices.

At the year end, fixed income investments accounted for CHF 62 billion, or 69% of the total portfolio, compared with 62% in 1999. This increase is attributable to company and portfolio acquisitions in the US – mostly related to Admin Re – as well as to Swiss Re's more cautious stance towards equities. These acquisitions also account for the growth in total investments to CHF 90 billion and for an increased weighting of both bonds and the US dollar within the investment portfolio. Despite the high level of realised gains in 2000, Swiss Re had unrealised gains on the investment portfolio of CHF 8.6 billion at 31 December 2000.

Expansion of the Group

The US broker reinsurance company Underwriters Reinsurance Group, Inc., of Calabasas, California, was acquired and consolidated as of 10 May 2000. Renamed Swiss Re Underwriters Agency Inc., it has been operating as a separate underwriting entity since 1 January 2001.

The remaining 65% of Società Italiana Cauzioni, Rome ("SIC"), was acquired as of 13 November 2000. Its balance sheet is consolidated in the 2000 accounts. Earlier in the year SIC, which specialises in the surety bond and credit insurance sector, announced its co-operation with NCM, a Dutch credit insurer and member of the Swiss Re Group.

On 1 January 2000, Swiss Re completed the acquisition of Washington International Insurance Company. It has been included as from this date in the Group financial statements.

During 2000, there were three administrative reinsurance transactions. Administrative reinsurance is the purchase of closed blocks of in-force business and can be facilitated through either a stock purchase or reinsurance. The stock of Midland Life was purchased on 31 July 2000 for CHF 496 million. The Group also entered into two reinsurance-based deals with CIGNA and Unum-Provident. The results of all of these deals have been included from the date of the transactions.

Swiss Re's non-life premiums grew strongly in 2000, particularly in European property and motor business – as well as through the acquisition of Underwriters Re. The combined ratio improved significantly, mainly due to the low number of natural catastrophes in 2000; this was partially offset, however, by the adverse development of prior treaty years – including the 1999 European winter storms. At the January 2001 renewal, Swiss Re secured significant improvements in reinsurance rates, terms and conditions in many markets.

Primary market

In 2000, non-life insurance showed the first signs of improvement in selected markets. Pressure towards further improvement should continue to build, particularly in those markets which have so far withstood the general price increase – thereby holding overall market performance nearer to 1999 levels.

The US market saw a partial reversal in the rate deterioration of the last few years; this, together with the market's strong economic activity, contributed to a premium volume growth of 5%. In the future this should lead to a lower combined ratio, which in 2000 suffered from an unusual increase in loss frequency, particularly in the personal lines business.

The positive trend was less pronounced in Europe, although price increases in selected markets and lines of business at least kept pace with claims inflation. Late loss reporting from the winter storms Lothar and Martin put additional strain on profitability, keeping the underwriting result comparable to the previous year's level; there are, however, good prospects for improvement in the coming years.

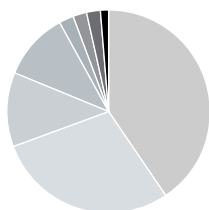
Premium income in Japan stagnated in 2000, reflecting the continuing difficult economic situation. Contrary to European and US experience, the Japanese insurance industry was affected by natural disasters which weighed heavily on overall performance.

Reinsurance market

In 2000, the non-life reinsurance markets saw a clear, though still small, reversal of pricing trends. After years of downward pressure, global prices stabilised in 1999 and then picked up during 2000. In retrospect, this is a further confirmation that the breakdown of the retrocession market in London at the end of 1999 was a definite turning point from a soft market into a general rate hardening.

This favourable trend has had a positive impact on business newly written in 2000. Overall, however, the reinsurance market was affected by late reporting of claims from previous years, leading to an estimated combined ratio for the global reinsurance industry somewhat below the level of 1999. This, together with the unfavourable stock-market development both in 2000 and 2001 year-to-date, has increased pressure on reinsurers to push through significant rate increases, both during the renewals in January and April 2001 and throughout the remainder of the year.

Premiums earned by currency in %



USD	40.3
EUR	28.8
GBP	11.2
JPY	2.2
AUD	2.3
CAD	2.2
CHF	1.3
other	11.7

Strong premium growth despite a drive to reduce unprofitable business

Non-Life Business Group results

CHF millions	1999	2000	Change in %
Revenues			
Premiums earned	8 916	11 530	29
Net investment income	1 564	1 722	10
Net realised investment gains	1 904	2 459	29
Expenses			
Claims and claim adjustment expenses	- 7 980	- 10 143	27
Acquisition costs	- 2 062	- 2 653	29
Other operating costs and expenses	- 829	- 751	- 9
Operating income	1 513	2 164	43
Claims ratio in %	90	88	
Expense ratio in %	32	29	
Combined ratio in %	122	117	

Net premiums earned

Net premiums earned increased by 29% from 1999 to 2000, due to growth in Europe and North America, the acquisition of Underwriters Re in May 2000 and the continuing weakness of the Swiss franc against other major currencies. Swiss Re was able to replace a sizeable portion of its underperforming contracts with better-priced business and increased participations. A shift from lower, more loss-exposed layers to higher, less loss-exposed layers has also improved Swiss Re's premium-to-risk ratio.

Results improve in difficult conditions

Combined ratio

The measures taken since 1999 to reduce the non-life combined ratio have shown improvement: a drop from 122% in 1999 to 117% in 2000. This improvement underlines Swiss Re's determination to keep to sound underwriting principles and also reflects the low number of natural catastrophe losses in most regions. It was partially offset by more medium-sized man-made losses, such as fires, explosions and pharmaceutical liability claims. A continuing negative influence from adverse loss developments of prior treaty years, particularly relating to the 1999 storms Lothar and Martin, prevented an even more pronounced improvement in 2000. In addition, Swiss Re made a larger than normal contribution to equalisation reserves of CHF 691 million. Excluding the effects of this contribution, and the effect of Lothar and Martin on year-2000 results, the combined ratio was 110% – a meaningful improvement over the 1999 baseline figure of 114% (the baseline combined ratio adjusts for the impact of losses above or below expectations).

Operating result

The operating result rose by 43% from CHF 1 513 million in 1999 to CHF 2 164 million in 2000. Markedly higher investment returns, lower operating costs and expenses and an improved claims ratio led to this significant improvement.

Technical reserves

Swiss Re's technical reserve ratio in the Non-Life Business Group decreased from 399% to 337%, driven mainly by the strong growth in premiums earned in 2000 and the impact of foreign exchange movements.

Lines of business

CHF millions	1999	2000
Property		
Premiums earned	2 869	3 850
Combined ratio in %	130	129

Property

Despite the termination of certain under-performing contracts, property business achieved a robust earned-premium growth of 34% over 1999. The acquisition of Underwriters Re accounted for one-third of that growth, but it also benefited from increased rates and new sources of business in Europe and North America. Moreover, premium income for the underwriting year 1999 had been underestimated and was therefore revised upwards. Substantial price improvements following the winter storms which hit Western Europe in the last days of 1999 will only show their effect in 2001, since most reinsurance contracts had already been concluded for 2000 at the date the events occurred.

Property claims experience improved substantially and a significant contribution to the equalisation reserves was made. Claims and claim adjustment expenses in Europe dropped by more than 20%. There was also a marked improvement in Asia, where in 1999 reinsurers had suffered from a high inci-

dence of natural catastrophes. Although these are only first steps towards satisfactory profitability in this line of business, the signs are promising that a positive trend will continue in the years to come. Results were affected negatively by some significant losses from man-made events, such as the explosion of an oil refinery in Kuwait, a chemical plant in Texas, a coal mine in Utah (USA) and a fireworks factory in the Netherlands. Natural events such as storms and earthquakes produced a much lower loss burden for the insurance industry in 2000 than in 1999: USD 7.6 billion as against USD 24.4 billion. According to experts, though, this single year experience does not change the trend towards greater frequency and severity of losses from natural catastrophes in the world.

CHF millions	1999	2000
Liability		
Premiums earned	2 220	2 326
Combined ratio in %	108	106

Liability

Growth was less pronounced in liability, with earned premiums rising by only 5%. Again, the portfolio of Underwriters Re made the largest contribution to this increase. Solid growth in certain lines of business, such as professional indemnity in Europe, helped to compensate for the absence of some large single transactions which were recorded in 1999. In industrial liability, the challenge of overcapacity continued, impeding the improvements in original rates and reinsurance terms seen in other business segments. Swiss Re therefore maintains its cautious underwriting approach – and has noted indications of a wider movement to sounder underwriting at the January 2001 renewal.

Swiss Re's prudent acceptance policy kept its liability result at a very satisfactory level, despite the adverse development of prior underwriting years – mainly in product liability – and some large losses, such as the Kaprun tunnel fire in Austria. Swiss Re has also benefited from its conservative reserve-setting in asbestos and environmental exposures, which resulted in a positive contribution from some successful commutations agreed in 2000.

CHF millions	1999	2000
Motor		
Premiums earned	1 860	2 520
Combined ratio in %	134	118

Motor

Earned premiums grew strongly by 35%, benefiting from new business as well as increased original rates. Premium volume grew in almost all geographical areas, with the UK as the most productive market. Re-underwriting also led to more favourable terms and conditions in the existing portfolio, particularly for non-proportional business in Germany, France, the UK and Switzerland.

Results improved significantly, reflecting the absence of large loss events as well as the continued upward move of original rates in a number of key European markets and in the US. These developments bolstered proportional results, while non-proportional business benefited from better reinsurance terms and conditions.

CHF millions	1999	2000
Accident		
Premiums earned	511	889
Combined ratio in %	95	115

Accident

The solid 74% growth in accident premiums stems primarily from workers' compensation in the US, where rates started to harden significantly following the Unicover failure.

The accident underwriting result worsened as a consequence of two factors. Firstly, additional reserves had to be established for losses from prior underwriting years. Secondly, new business written in the US had to be reserved at a combined ratio well in excess of 100%. In this business line, however, a negative result for newly-accepted covers in the first underwriting year is normal as the profit will only emerge in future years, in the form of investment returns.

CHF millions	1999	2000
Other lines		
Premiums earned	1 456	1 945
Combined ratio in %	120	109

Other lines

The 34% rise in earned premiums is mainly attributable to marine business and that portion of credit and surety programmes underwritten in the Non-Life Business Group. Marine premium volume increased worldwide, with the strongest growth recorded in the US – in part through the consolidation of the Underwriters Re portfolio. Engineering saw modest premium growth due to Swiss Re's restrained underwriting approach; terms and conditions in this business segment have still not reached a satisfactory level.

Underwriting results improved in all business lines, with marine showing a particularly strong increase. Positive developments from previous years helped boost profitability through the consequent release of reserves established in prior years. Engineering could not escape a generally depressed market situation and also felt the effects of a large flood loss in Northern India.

Outlook

Swiss Re sees clear signs of a recovery from the prolonged soft phase of the non-life business cycle and expects a markedly positive development in the coming years. Improvements are being recorded in original premium levels as well as in reinsurance conditions. The newly formed Non-Life Business Group will further sharpen Swiss Re's skills and processes to exploit this market upturn and offer superior value to clients.

Strict underwriting discipline and focused deployment of capacity have already brought a significant improvement in Swiss Re's book of business during the January 2001 renewal negotiations. Swiss Re is determined to continue these efforts, giving particular attention to consistent and thorough assessment of exposures and allocated capital in relation to potential returns.

Swiss Re continues with initiatives to optimise internal business processes and achieve strategic cost leadership. New, specific e-business applications, currently in the implementation phase, are key drivers in transforming Swiss Re's middle and back office operations into an efficient and lean business-support unit. The first results of these changes are already visible.

Premiums grew by 14% for Swiss Re's Life & Health Business Group in 2000. The operating result decreased by 4% to CHF 1 447 million due to reduced realised gains as the business group took capital losses on bonds to maximise the Group's investment strategy. The fundamental performance of the Life & Health Business Group continues to be very strong exceeding management targets.

Primary market

Strong growth and consolidation:
opportunities for reinsurers

Strong growth continues in the life and health insurance industry. This growth is likely to be sustained into the future by the market responses to the challenges facing national social insurance programmes and the resulting need for private provision.

In the US market, consolidation has continued as companies seek the capital and cost efficiencies of increased scale. Insurers have redesigned their products, often using reinsurance to reduce both earnings volatility and capital requirements. Primary life insurers are also managing their cost base and capital requirements by selling blocks of in-force business.

In several European countries, market developments centre around social security reforms, mainly in relation to pensions. The impact on life reinsurance requirements has so far been minor. The UK market in 2000 was strongly influenced by capital and cost pressures which have prompted consolidation and demutualisations. The strains on capital resources have simultaneously heightened interest in reinsurance as a capital management tool.

In Japan, the market situation continues to be affected by some legacy problems specific to the industry, as well as general economic uncertainties. Elsewhere in Asia, primary market trends are generally positive, reflecting the high level of personal responsibility for welfare provision and a cultural bias towards savings.

Health – still seeking the proper
balance

Health business continues to offer unfulfilled potential in a number of markets worldwide. While a global trend towards privatising health and welfare provision means there is a growing recognition of the protection provided by health policies, it has proved difficult in some countries to develop products which both meet policyholder needs and provide a reasonable return for insurers. Some existing health products have made losses because of unrealistic policy benefits, lax policy conditions or insufficient underwriting enquiries. Such business is not only detrimental to the interests of primary companies and reinsurers, but also ultimately disadvantageous to the consumer.

Reinsurance market

Cost and capital pressure on primary companies during 2000 has stimulated demand for reinsurance in key markets. Life reinsurance in particular has benefited both from strong growth in direct insurance and the ceding of more mortality risk to reinsurers. While competition among reinsurers has been intense, this has not led to a systematic underpricing.

Premiums by region



- North America
- Europe
- Rest of world

Good underlying growth for life business

CHF millions	1999	2000
Premiums		
Life	5 514	6 439
Health	1 797	1 891
Total	7 311	8 330

Life & Health Business Group results

CHF millions	1999	2000	Change in %
Revenues			
Premiums earned	7 311	8 330	14
Net investment income	1 839	2 530	38
Net realised investment gains	655	453	- 31
Expenses			
Claims and claim adjustment expenses; life and health benefits	- 6 119	- 7 448	22
Acquisition costs	- 1 732	- 1 912	10
Other operating costs and expenses	- 449	- 506	13
Operating income	1 505	1 447	- 4
Management expense ratio in %	4.9	4.7	
Return on operating revenues in % ¹	9.3	9.2	

¹Operating revenues include premiums earned and net investment income

Premiums for life business grew by 17% in the year 2000. If adjustments are made for distorting factors – exchange rate movements and a large single premium treaty in 1999 – the underlying rise was 12%. Life Admin Re premiums more than doubled, thanks both to the full-year effect of 1999 transactions and to new deals in 2000. Traditional business benefited from strong demand for life reinsurance in the North American and UK markets.

Health business premiums were 5% higher than in 1999; if exchange rate distortions are eliminated, however, the underlying figures show a decline of 1%, which reflects withdrawals from unprofitable lines. The run-off of US medical business is now essentially complete, contributing positively to results for 2000.

Admin Re: a market-leading capital management tool

The operating result of CHF 1 447 million was modestly below the 1999 level of CHF 1 505 million due to a reduction of CHF 202 million in net realised gains. The reduction in capital gains was due to capital losses the business group took on bonds to maximise the Group's investment strategy. Operating performance exceeded management targets. Life business in particular performed well, with North America providing the main impetus. During 2000, Swiss Re undertook three major Admin Re transactions, with Cigna Re, Midland Life and UnumProvident. These transactions involved total invested capital of CHF 1.3 billion and added CHF 6.1 billion to the Group's assets. Health business results in 2000 also improved compared to 1999, but remained disappointing, due primarily to adverse performance in Latin America and Australia. Unprofitable business is now in the course of being run off.

The management expense ratio (other operating costs and expenses in relation to operating revenues) declined in 2000. A continued focus on cost efficiency and the implementation of new systems should together generate further savings in the next two years.

Outlook

Global opportunities for a full-service reinsurer

Demand for traditional life reinsurance in the US should remain strong. Primary companies will continue to need the specialised capital and risk-management solutions which leading reinsurers offer. In addition, the extension of primary market distribution channels, especially through banks, will create new reinsurance opportunities. Swiss Re's strong market position and full-service capability mean that the Group is well positioned to satisfy clients' needs in all these areas of business. Continuing consolidation and rationalisation in the primary market should also sustain the demand for Admin Re.

In Europe, the welfare and health-care provision regimes are likely to change significantly in the medium term; insurance and reinsurance products will need to be developed or adapted to respond to evolving conditions. Swiss Re will be working closely with clients to meet these challenges.

In Asia, and particularly in Japan, insurance and reinsurance markets will be strongly influenced by general economic conditions. Liberalisation of the insurance markets in China and India should provide new reinsurance opportunities for Swiss Re over the long term.

Swiss Re's strategy in response to the convergence of the reinsurance and financial services industries has been to build up its ability to address clients' capital management needs through its divisions Swiss Re New Markets, Capital Partners and Swiss Re Investors. In early 2001, Swiss Re announced the next step forward in this strategy by combining these divisions into the new Financial Services Business Group.

Through this business group, Swiss Re offers a unique range of insurance-based capital management solutions covering the spectrum from risk financing and risk transfer to asset management and merchant banking. The strategy is both a sector play – the target clients are insurance companies, other financial institutions and corporates with risk-related needs – and a theme play, ie the solutions all benefit from Swiss Re's expertise in the risk and capital management field. The growth potential in this field is attractive, given the market trends towards convergence, the expanding capital and risk management needs of the clients, Swiss Re's established track record of innovation, and the strong franchise Swiss Re has with clients.

During 2001, work already in progress will create the synergistic benefits from combining these product businesses into one organisation, while still continuing Swiss Re's efforts to achieve profitable growth in each business on a stand-alone basis. Being an integrated financial solutions provider should result in above-average growth and return on capital. The main synergies are expected to come from greater cross-referrals and cross-selling between units based on a better understanding of client needs. In addition, more efficient and effective operations should be set up by combining common processes, for instance in risk management, financial management and client account management.

Financial Services Business Group results

CHF millions	1999	2000	Change in %
Revenues			
Premiums earned	1 824	2 221	22
Net investment income	422	458	9
Net realised investment gains	659	738	12
Other revenues	97	217	124
Expenses			
Claims and claim adjustment expenses	- 1 382	- 2 040	48
Acquisition costs	- 179	- 318	78
Other operating costs and expenses	- 708	- 845	19
Operating income	733	431	- 41
Return on total revenues in %	24.4	11.9	

Results for 2000 were marked by the above-average number of major loss events in the sectors of large industrial risks and weather contracts and the absence of a CHF 341 million gain realised on the sale of the Group's 20% interest in Credit Suisse Financial Products in 1999. A detailed view is structured around classes of products which share similar economic characteristics: credit, structured risk finance, corporate risk underwriting, asset management, private equity, and the equity and fixed income business.

CHF millions	1999	2000
Credit		
Premiums earned	860	874
Net investment income ¹	68	75
Other revenues ²	25	35
Gross revenues	953	984

Credit

This business area consists of Swiss Re New Markets' credit and surety reinsurance and structured credit solutions businesses as well as Swiss Re's interest in the primary credit and surety insurer NCM.

Swiss Re extended its leading position by exploiting its prudent credit risk management and underwriting expertise while also benefiting from a favourable economic situation in Europe. In the US, Swiss Re significantly increased and consolidated its position in the credit and surety business despite an environment characterised by sharp increases in the number of insolvencies in the construction industry and a deterioration of overall credit quality after 10 years of largely uninterrupted economic growth. Appropriate underwriting adjustments have been implemented to guard against these adverse factors undermining the quality of the credit portfolio. Furthermore, Swiss Re is a leading provider of structured credit products for corporates and banks. It expects continued strong demand for tailor-made solutions in the future.

In its core markets, NCM, a primary credit insurer, maintained its strong market positions, and further expanded its business activities with the acquisition of SIC (Società Italiana Cauzioni), the leading primary surety provider in the Italian market.

In total, the unit achieved a moderate growth of gross revenues at stable margins, despite highly competitive conditions in the major credit markets and general deterioration in credit quality. In order to further reduce operating costs, Swiss Re has investigated possibilities to deliver some of its short-term credit products through electronic platforms. Such solutions are expected to have an economic impact in the coming years.

CHF millions	1999	2000
Structured risk finance		
Premiums earned	403	400
Net investment income ¹	333	528
Other revenues ²	28	65
Gross revenues	764	993

Structured risk finance

This product unit includes finite reinsurance for non-life and certain product specialities of structured finance for life, loss portfolio run-off solutions and the alternative asset reinsurance business.

Swiss Re experienced sustained strong demand for sophisticated, risk-based, corporate finance solutions, which resulted from the continued convergence of the banking and insurance sectors. Very good performance was seen in alternative asset reinsurance, contingent capital, life financial reinsurance solutions, and special asset-backed risks. In the run-off business, the unit closed a modest number of new transactions, reflecting both Swiss Re Financial Services' continued disciplined approach to this business, and the fact that the run-off market in general was very competitive.

¹ including current income, realised gains and trading returns

² including fees, commissions and income on deposits

Swiss Re New Markets' solid position as the market leader for risk-based corporate finance solutions was recently confirmed when it was nominated "Alternative Risk Solutions House of the Year" by the industry publication *Risk* magazine. Innovative structured transactions for Enron, Michelin, Royal Bank of Canada, and Arby's were cited as prime examples of Swiss Re's ability to deliver sophisticated solutions for its clients' expanding risk and capital management needs.

Gross revenues for 2000 showed a strong increase over 1999 reflecting growth in net investment income. In addition, the expanding portfolio resulted in increased fee income. While new business generation was good, the structured risk finance business suffered in 2000 due to three main factors: losses from a small number of prior years' stop-loss transactions; adverse development from run-off contracts written in prior years; and weather-related contracts due to the extreme weather patterns in the US in the first quarter of 2000. Management has made the necessary reinforcements to reserves and has taken strong, positive measures to strengthen underwriting and risk management.

The outlook for 2001 is positive. The pipeline for new transactions remains strong and robust; with the hardening of the market for traditional risk transfer, expectations are high that demand for structured transactions will continue to grow.

CHF millions	1999	2000
Corporate risk underwriting		
Premiums earned	488	842
Net investment income ¹	243	391
Other revenues ²	6	1
Gross revenues	737	1 234

Corporate risk underwriting

This product unit offers mainly facultative reinsurance products to large corporate (Fortune 500) clients, financial institutions and the aviation market in the high-severity/low-frequency risk segment. During 2000, the risk underwriting area implemented an aggressive, two-pronged strategy of pushing rates higher, while following a very selective client acceptance and retention policy. This approach was adapted in order to improve the overall pricing and quality of its risk underwriting portfolio of Fortune 500 business. This strategy will continue to be pursued in 2001.

Premiums earned as well as net investment income substantially increased due to growth especially in the accountants and aviation/space business as well as due to new business written in marine for oil industry participants.

Property business experienced a difficult year mainly due to a series of large, man-made losses. As the market is expected to continue to harden, the efforts to narrow policy coverage, increase deductibles and increase premium levels are expected to be successful. This should mitigate the reduction of premium volume written as a result of decreased capacity provided in critical natural catastrophe areas of business.

Casualty business produced a satisfactory result with continued sound reserve setting particularly in light of the very difficult and competitive market conditions. Recent offers are providing evidence that market conditions are firming up, reinforcing the optimistic outlook for 2001.

¹ including current income, realised gains and trading returns

² including fees, commissions and income on deposits

Aviation premium volume increased substantially due to growth in the space business and to the successfully managed aviation cycle, whereby Swiss Re increased its involvement in an improving market. Swiss Re New Markets is very optimistic that the continued growth of aviation premium levels in 2001 will generate continued volume growth and an improved result in 2001.

CHF millions	1999	2000
Asset management		
Premiums earned	0	0
Net investment income ¹	0	1
Other revenues ²	209	212
Gross revenues	209	213

Asset management

Swiss Re Investors manages fixed income investments and traded equity investments, on behalf of Swiss Re as well as on behalf of third parties. Its presence with dedicated units in all major financial markets centres is geared to optimising investment returns on a global basis while observing intricate and dynamic requirements concerning risk, return and liquidity. These requirements are the typical adjunct of an insurance company's asset and liability management considerations. Value is added both on a market assessment level as well as on a security selection level. Third party assets under management increased from CHF 4.6 billion to CHF 6.8 billion by organic growth. Proprietary invested assets under management including private equity and participations grew from CHF 86 billion to CHF 90 billion in 2000.

For 2001, growth of assets under management is expected both in the proprietary and in the third party segment, with a positive impact on fee income. Expenses are expected to develop at a slower pace than the fees, thus improving the profitability of the product unit.

CHF millions	1999	2000
Private equity and participations		
Premiums earned	0	4
Net investment income ^{1,3}	359	96
Other revenues ²	0	0
Gross revenues	359	100

Private equity and participations

Gross revenues declined due to the absence of a CHF 341 million gain realised on the sale of the Group's 20% interest in Credit Suisse Financial Products in 1999.

Capital Partners manages in its private equity business several funds, totalling over CHF 1 billion, both for Swiss Re and for third parties. Securitas, a USD 500 million fund, was formed in 1995 to invest in the insurance industry. While the insurance investing environment in 1999 was not very conducive to great economics, the environment changed in 2000 when the pace of investment activities doubled, directly committing over USD 143 million to 7 companies in 4 countries. The portfolio at year-end reflected total commitments of USD 245.8 million.

Securitas Ventures, L. P., a USD 100 million fund, was formed in 2000 to invest in early-stage companies in the insurance industry. During 2000, commitments were made totalling USD 13.2 million to 4 companies. Both these funds were funded by commitments made by Swiss Re and Credit Suisse.

Capital Partners also makes private equity investments in the non-insurance area; this strategy allows an optimal diversification by industry sector, maturity level and geographical distribution. These benefits are especially manifest in Europe, which lags behind North America's pace in terms of private equity and venture capital spending. During 2000, Swiss Re committed over CHF 284 million to 11 funds. The portfolio at year-end reflected total commitments of over CHF 2 billion.

¹ including current income, realised gains and trading returns

² including fees, commissions and income on deposits

³ 1999 includes realised gains on sale of CSFP

Capital Partners also actively manages the portfolio of Swiss Re's direct minority holdings in insurance companies. The portfolio at year-end had a market value of over CHF 5 billion and a book value of approximately CHF 3.2 billion.

CHF millions	1999	2000
Equity and fixed income		
Premiums earned	0	0
Net investment income ¹	21	35
Other revenues ²	88	177
Gross revenues	109	212

Equity and fixed income

The investment bank Fox-Pitt, Kelton ("FPK") focuses on equity brokerage (research, sales and trading) and corporate finance (M&A and equity capital markets), specialising in insurance companies, banks and other financial institutions. In 2000, FPK was able to substantially grow gross revenues and operating income, with the brokerage business contributing heavily to the increase.

Swiss Re Financial Products ("SRFP") as a separate business unit was established at the beginning of 2001 to participate in the ongoing convergence of insurance and capital markets. SRFP works closely with many Swiss Re divisions to develop synergies that will enhance existing Swiss Re businesses, thereby building its competitive advantage in both the insurance and capital markets arenas. SRFP's client base is the global insurance industry and selected financial services companies. SRFP's aim is to become a leading provider of various forms of capital, structured investment products and financial risk management solutions through the integration of cash and derivative capabilities: fixed income, credit and equity derivatives structuring, trading and distribution including fixed income bond sales, and trading with particular focus on insurance linked, asset-backed and structured credit securities.

¹ including current income, realised gains and trading returns

² including fees, commissions and income on deposits

The Corporate Centre acts as a strategic architect, defining Group-wide business direction for financial and human capital, information and technology, knowledge and risk, brand and communications. This supports Swiss Re's policy of managing shared resources and skills efficiently while making them available to all business units worldwide.

CHF millions	1999	2000	Change in %
Operating expenses	- 293	- 321	10

In 2000 the Corporate Centre continued its programme to improve the Group's efficiency by making prudent investments in web technology. The Corporate Centre advanced plans to "e-enable" the Group's systems by starting to roll out some of the key components of the planned information technology architecture. It also continued to invest in ideas and technology that will maintain Swiss Re's competitive advantage. In order to improve long-term efficiency certain initiatives were undertaken to reduce the cost base – such as a reduction in the number of data centres in 2000. The Corporate Centre also completed a number of other notable achievements in 2000, including the opening of Rüschtikon, Swiss Re's centre for global dialogue.

The costs associated with these initiatives have led to a modest increase in Corporate Centre expenses in 2000. Swiss Re is convinced that these investments are essential to maintain its competitive advantage and to leverage the knowledge and experience of its employees. The Corporate Centre continues to be focused on value for money.

Finance Division

Increased Group-wide reporting efficiency by the implementation of the Financial Systems Architecture

The Finance Division provides planning and reporting information for strategic management, performance assessment and external accounting. Through Group-wide financial management it ensures best use of capital, balancing overall risk and expected returns. It maintains close and continuous relationships with the investment community, keeping regular contacts with all stakeholders – including analysts, investors and key media.

During 2000, the division introduced new basis Swiss GAAP and enhanced Group performance measurement for all non-life business: a major milestone towards Group-wide integration of management reporting and control.

Risk & Knowledge Division

The Risk & Knowledge Division anticipates, monitors and reports on the Group risk landscape from an underwriting, credit and financial risk perspective. It supports Swiss Re's strategic capital allocation process and ensures optimal risk diversification. Group claims reserves are based on a best practice

assessment of potential threats. To improve the underwriting and reporting process, new tools were implemented in 2000, setting Group-wide standards, enhancing underwriting quality and increasing cost efficiency.

Knowledge networks, training and publications serve to build and disseminate reinsurance skills. Swiss Re's recent initiatives include Intranet-based training activities; internal knowledge networks, which allow specialists to share and exchange information; and externally acquired and disseminated reinsurance skills. Swiss Re's clients can access special knowledge platforms, such as the Food Forum, and benefit from a broad expertise. The Intranet-based 'knowledge portal' enables 9000 Swiss Re employees around the globe to obtain fast access to the specific information they need to do their jobs.

sigma, Swiss Re's periodic publication, is a recognised source for research articles in the business and trade press; it covers developments and driving forces in the insurance and reinsurance markets. In 2000, Swiss Re also created an Internet-based industry chart resource and began selling insurance data to its clients.

Information Technology Division

Web-based applications harmonise business practices for Non-Life, Life & Health and Financial Services

The IT division supports Swiss Re's global IT organisation in its dual role: enabling efficient business processes Group-wide and driving innovation. It also ensures efficient project portfolio management and resource allocation to make best use of synergies.

New business solutions for 2000 included a Group-wide client management system to enhance global client relationships; a harmonised information architecture to support worldwide risk and performance analysis; and an Internet-based knowledge management facility. A cost-efficient, standardised technical IT infrastructure has enabled the implementation of further innovative web-enabled systems throughout the Group.

Communications & Human Resources Division

This division enhances Swiss Re's brand recognition, maintaining its distinct corporate profile and culture in open dialogue with all its stakeholders. It also promotes Swiss Re as the employer of choice for professionals worldwide: attracting, rewarding, developing and retaining the best people.

In 2000, Swiss Re enhanced its already strong brand identity through increasing use of web technology. Clients and other stakeholders can now access Swiss Re information, services and transactions through the new Swiss Re Portal.

Rüschlikon, Swiss Re's centre for global dialogue, opened for business in November 2000 – a unique, inspiring platform for meeting internal and external partners and developing new industry solutions.

Income reconciliation

Income reconciliation

The following table reconciles the income from Swiss Re's business groups and the operations of its Corporate Centre with the Group consolidated net income before tax.

CHF millions	1999	2000
Business groups' operating income	3 751	4 042
Corporate Centre expenses	- 293	- 321
Items excluded from the business groups:		
Net realised gains/losses	370	625
Amortisation of goodwill	- 211	- 310
Other income/expenses	- 388	- 381
Net income before tax	3 229	3 655

Net realised gains or losses on own shares; amortisation of goodwill; and other income or expenses – such as indirect taxes, capital taxes, interest charges, restructuring costs and certain other income and expense items – have been excluded when assessing the performance of each business group.

Capital management

In 2000, as an integral part of its Corporate Centre activities, Swiss Re continued to build on the efficient use of its capital base. The active management of the capital structure – equity, debt and hybrid capital – allows Swiss Re to retain financial flexibility at a low weighted average cost of capital. Among other initiatives in 2000, the launch of a European Medium Term Note programme and the repurchase of Swiss Re shares exemplified the successful implementation of this strategy.

Favourable adjustments to Swiss Re's debt structure

In 2000, Swiss Re redeemed its 1995 USD 500 million issue of 2% convertible bonds. Due to the favourable development of the Group's share price since 1995, nearly all of the bonds were converted into Swiss Re shares. There were no other maturities of debt or hybrid capital instruments in 2000. In order to further optimise its corporate capital structure, Swiss Re issued about USD 80 million of long-dated structured financial debt at favourable rates.

Swiss Re also launched a European Medium Term Note (EMTN) programme, a platform for raising funds from different investor categories in 14 different currencies, up to a nominal USD 1 billion outstanding at any time. At the end of 2000, pursuant to this programme Swiss Re had debt outstanding of an aggregate face value of USD 240.4 million, rising to USD 527.5 million by the end of March 2001.

In February 2001, Swiss Re repurchased Adjustable Conversion-Rate Equity Security Units (ACES), assumed in the acquisition of Life Re Corporation. The nominal amount of the repurchases was USD 37.6 million. The remaining securities were redeemed on 15 March 2001, retiring a nominal amount of USD 42 million.

Active management of Swiss Re's capital base

Share repurchases and dividend payments are both ways of returning capital to shareholders. Using both of these instruments allows Swiss Re to manage the capital base of the company efficiently. On 6 May 1999 the company announced a second share repurchase programme of up to CHF 1 billion, subject to market conditions. As part of this programme, in 2000 Swiss Re repurchased 72 650 shares for a total value including commissions of CHF 195.6 million, which results in an average repurchase price of CHF 2 692 per share. The Annual General Meeting held in June 2000 agreed to cancel these shares and to reduce the share capital accordingly. Swiss Re has CHF 804.7 million of remaining capacity for share repurchases.

Sources of capital

CHF millions 1999



CHF millions 2000



- Shareholders' equity
- Equalisation reserves
- Subordinated debt
- Senior debt

Swiss Re was a net seller of own shares, at an average price well above the level in the repurchase programme. This was achieved partly by the sale of a large block of shares to an institutional investor.

Outlook

Apart from a private placement of CHF 200 million which will mature on 7 June 2001, Swiss Re has no other maturities of senior debt or hybrid capital during this year. It does, however, plan to increase the capacity of its EMTN programme to USD 2.0 billion during 2001, thus further extending its financial flexibility.

The Board of Directors of Swiss Re proposes to the Annual General Meeting a dividend of CHF 50 per share. In addition to the CHF 50 dividend, the Board of Directors proposes a capital repayment of CHF 8 per share. The capital repayment has become possible as a result of a change in the law, due to come into effect on 1 May 2001, which provides for a minimum nominal share value of CHF 0.01 for public limited companies (Aktiengesellschaften) registered under Swiss law. The Board of Directors also proposes that the registered shares, after the capital repayment each with a nominal value of CHF 2, be split in the ratio 20-for-1 to a nominal value of CHF 0.10.

Following the reduction in share capital and the share split, the Board of Directors proposes to the General Meeting that conditional capital amounting to no more than CHF 900 000 be created for issuance of convertible bonds, and CHF 700 000 for employee share and option plans.

Group risk management

Through its underwriting and investment activities, Swiss Re is in the business of managing insurance, credit and financial market risks. These risks must be measured accurately to help achieve an optimum risk/return profile. Group risk management focuses on the combined impact of individual risks to identify potential accumulation and diversification effects.

Shareholder capital is also risk capital

Assets	Liabilities	
Market value of assets	Economic value of liabilities	
	Risk Bearing Capital (RBC)	Excess capital
		Risk Adjusted Capital (RAC)

An integrated, quantitative approach to managing risk

Group risk management provides the Executive Board and the Board of Directors with the necessary tools to measure risks accurately. It supports a range of processes, including adequate risk identification and measurement, reporting and controlling, capacity allocation and approval – all of which are essential for value-oriented decision-making.

Swiss Re's shareholder capital ultimately absorbs any large, unexpected losses resulting from the Group's various exposures. Swiss Re measures its risk exposure in terms of the amount of capital required to maintain normal operations even under such rare adverse conditions. This risk exposure is counterbalanced by the return Swiss Re expects to generate from its reinsurance and investment operations.

Swiss Re takes an integrated approach to managing its risk, modelling the combined effect of all individual risk exposures. The effect of adding any new risk – such as through an acquisition – is assessed in the context of the whole portfolio. In particular, the model identifies accumulation and diversification effects. A new exposure to California earthquakes, for example, will diversify a portfolio with existing exposure to earthquakes in Japan. Groups of interdependent exposures within a portfolio, however – such as a set of California earthquake risks – will not have this desired diversification effect. A case in point is credit risk, which is highly interdependent with financial market risk.

Swiss Re is exposed to a great diversity of risks. The Group risk model regularly updates all relevant insurance, credit and financial market risk exposures, to ensure that every new exposure and risk interdependency is considered. Among the latest developments in this field is a model which describes the dependency between financial market and credit risks.

Reports to key management

Group risk management reports to the Executive Board and Board of Directors giving a detailed analysis of the Group's risk exposure and its sources as well as views on the adequacy of Swiss Re's capitalisation. This reporting analyses changes in the risk landscape and also serves as the basis for evaluating business plans or possible acquisitions.

Adjusting the portfolio in response to a changing risk landscape

Changes in the risk landscape

In 1999, Swiss Re's exposure to financial market risk was considerably higher than its exposure to credit and underwriting risk. In the course of 2000, Swiss Re shifted its portfolio balance towards underwriting and credit exposure. The acquisition of Underwriters Re in North America, for instance, increased exposure to California earthquake and North Atlantic hurricane risks. At the same time, the Group recorded strong growth in credit and life and health business and reduced its financial market risk exposure by paring down its equity holdings.

Financial market risk

Swiss Re applies standard risk-measurement methods when assessing potential losses from fluctuations in equity prices, interest and exchange rates. Due to its asset allocation strategy, the financial market risk exposure of Swiss Re's investment portfolio is determined largely by the European and US markets. Volatility in these markets was comparatively high in the first quarter of 2000, stabilising on a lower level through the second and third quarters before increasing again in the fourth quarter. The decision taken early in the year to lower Swiss Re's equity exposure reduced the financial market risk on the investment portfolio. This reduction, however, was offset in absolute terms by growth in the fixed income portfolio through acquisitions and the shift to fixed income investments.

Over the year, the net effect was a modest increase of the risk within the investment portfolio, assessed on a stand-alone basis. From an integral Group perspective, however, financial market risk exposure decreased because, by and large, the interest rate and currency risk of bonds are balanced by the corresponding exposure of reinsurance liabilities, which tends to run in the opposite direction.

Swiss Re continues to manage and monitor investment risk closely, being particularly careful to avoid financial leverage at a portfolio level, limit equity exposure and maintain strict credit-rating requirements for bonds.

Recent events and outlook

The reorganisation of Swiss Re's non-life operations, announced in early 2001, is designed to further improve its competitive position in a substantially hardening market. Demand for insurance-based corporate finance solutions – an area in which Swiss Re has well-established strengths – is also increasing. In the life business, Swiss Re can take advantage of its leadership position, benefiting from economies of scale in strongly-growing traditional life reinsurance markets, and expanding its Admin Re business.

In the first quarter of 2001, Swiss Re consolidated its European non-life business into one organisation by merging the Bavarian Re and Europe divisions. The goal is to improve and streamline services, foster knowledge-sharing and eliminate duplications – thus lowering costs and enhancing client benefit. The Non-Life Business Group will also benefit more directly from product and risk-management resources transferred from the Corporate Centre. Overall, these measures will contribute to achieving strategic cost leadership in the non-life reinsurance business and strengthen the Group's competitive position in Europe.

Early 2001 also saw the formation of the Financial Services Business Group, comprising: Swiss Re Investors, with its asset management and asset liability management focus; Swiss Re New Markets, which concentrates on underwriting business to large corporate clients, as well as aviation and space risks, structured finance and credit solutions; and Capital Partners, Swiss Re's private equity division, which includes the investment bank Fox-Pitt, Kelton and credit insurer NCM. The aim of the Financial Services Business Group is to promote the convergence of reinsurance and financial solutions and judiciously expand the existing range of products and services while co-ordinating marketing activities and consolidating the risk management and financial management areas.

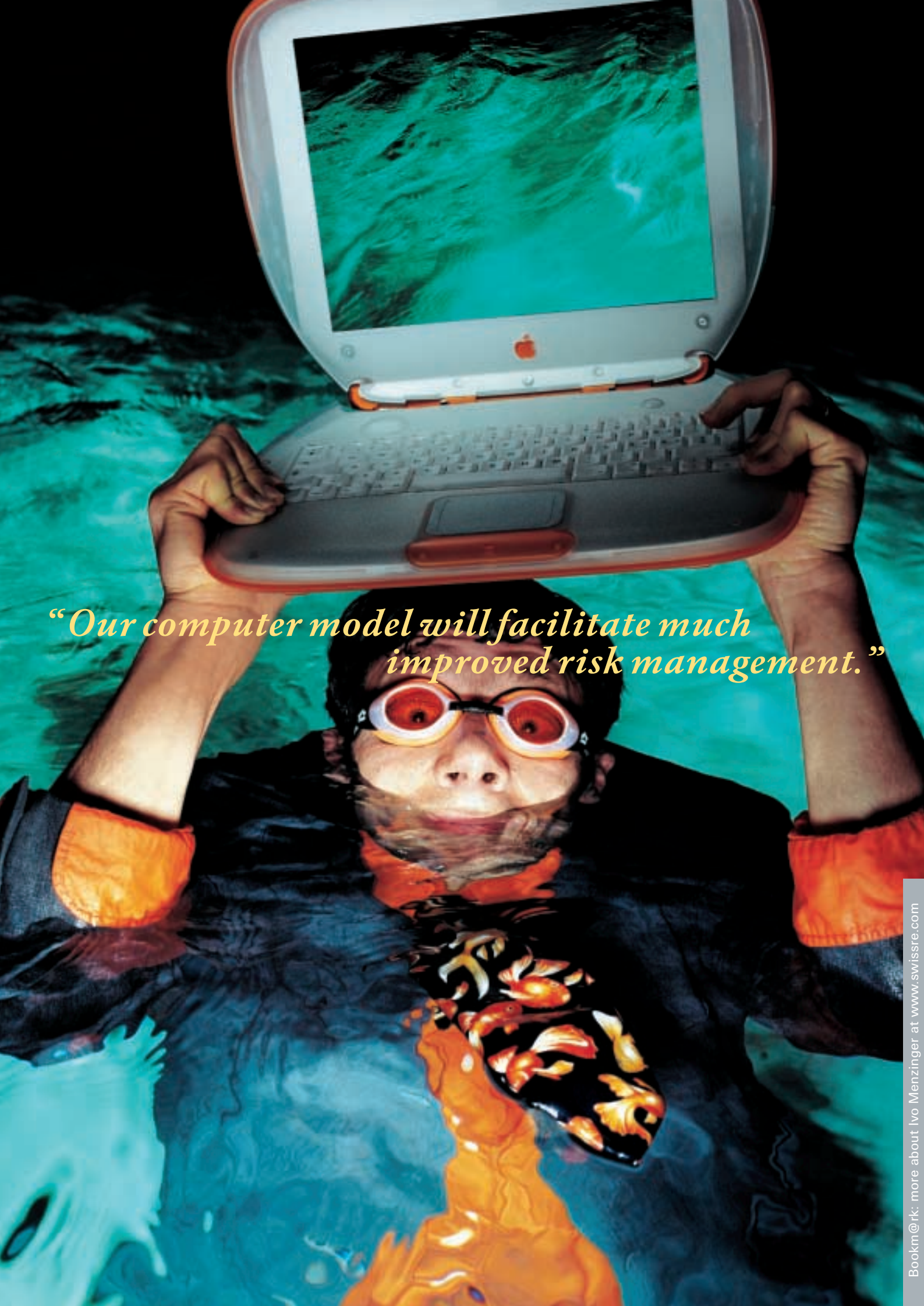
Swiss Re successfully negotiated significant improvements in non-life reinsurance conditions and prices during the 1 January 2001 renewal period. These improvements covered most of its business in the largest non-life markets: Europe, North America and parts of Asia. Business relationships which were not in line with profit requirements were either re-underwritten, reduced or closed. Swiss Re expects any loss of business to be recouped, in original currencies, by new business and price increases.

The renewals per 1 April in three major Far East markets showed overall positive results. In Japan natural catastrophe business improved, especially industrial earthquake coverages. Terms of earthquake treaties improved as well and Swiss Re shifted capacity from proportional to non-proportional business. The rates of wind and flood catastrophe covers increased after many years of rate reductions. In Korea, where Swiss Re has received a provisional reinsurance licence, a general trend towards raising rates and conditions was also observed. In the Indian market liberalisation continues and Swiss Re maintained its leadership presence.

Swiss Re's entire non-life reinsurance portfolio is showing the positive effects of improved conditions and higher prices. In parallel with this welcome trend in its own reinsurance business, Swiss Re sees direct insurance rates and conditions improving in its largest relevant markets. One cause of hardening prices and conditions has been the withdrawal of capital from reinsurance markets and a similar reduction of capacity in the retrocession markets. Swiss Re therefore expects that the trend towards improved prices and conditions will continue for the balance of renewals in 2001 and on into 2002. Given this expectation and barring extraordinary or unusually high losses, Swiss Re believes that one of its major targets for 2001 is within reach: a combined ratio of 107%.

Swiss Re has already achieved a leading position in insurance-based corporate finance solutions. Changes in the non-life market environment and in the financial options facing large corporate clients suggest that demand in this area is likely to increase, offering attractive growth opportunities for Swiss Re.

Swiss Re's life and health business will benefit from continued strong demand for traditional life reinsurance in US. Further consolidation in the primary market should also sustain demand for Admin Re. In Europe, the gradual move towards private provision in social security and health care will create new challenges and opportunities for the industry; Swiss Re is ready to meet these alongside its clients. Overall, Swiss Re's life business margins are expected to remain stable while benefiting from further improvements in productivity.



“Our computer model will facilitate much improved risk management.”

Spotlights

e-business

Swiss Re's e-business strategy is being implemented

Swiss Re has built a leading e-business position in the reinsurance industry: 22 e-solutions are currently available to clients and further diversified e-initiatives are being implemented. The Swiss Re Client Portal increasingly serves as the integrated entrance point to all Swiss Re's e-business solutions and services.

Swiss Re's determination to add value through e-business was underlined in the public announcement of its e-business strategy in May 2000. The initial focus was on risk placement: on-line submission and quoting for standardised reinsurance products – as well as a customised client-renewal process developed in partnership with selected global clients. This was quickly complemented by business services such as comprehensive reinsurance accounting transaction services. Other service components were expanded to allow client access to Swiss Re's knowledge and expertise: web-enabled underwriting tools, in-depth information and visual summaries of hazard exposure, loss frequencies, financial/insurance benchmarking, performance comparisons and calculation of claims indices.

Clients actively participate in interactive services such as the Food Forum, the first of several planned industry communities. In December 2000, Swiss Re launched an industry-wide reinsurance risk exchange *inreon* (insurance meets reinsurance online), in partnership with Munich Re, Accenture and the venture-capitalist Internet Capital Group.

In 2000, nearly 300 people at Swiss Re were working on the development of e-solutions.

During 2001, Swiss Re expects to create further substantial value, both for itself and for its clients, through e-business. The focus will be on implementing the most promising initiatives and integrating e-related activities into normal business practices. Success will depend on three factors: adding value for Swiss Re's clients through substantially simplified business transactions and reduced costs; providing B2B applications which allow clients to transact and administer a significant portion of their premium volume through e-business; and strengthening client relationships by providing enriched information content.

In 2000, the insurance industry witnessed the highest loss amounts due to flooding ever recorded. Floods are an extremely complex phenomenon. To date, there has not been a computer-aided model based on physical processes and probabilities which can be used to estimate this insurance risk. My team and I want to be the ones to make this breakthrough, thus laying the foundation for much improved risk management. We are well on the way to achieving this.

Ivo Menzinger
Head of Flood Group,
Swiss Re, Zurich

“Companies which do business according to the principles of sustainability have the best chance of success in the long term.”

Bruno Porro, Head of Risk & Knowledge

Swiss Re’s continuing commitment to environmental management covers three areas: reinsurance, investment and internal operations. During 2000, the Group further developed its environmental risk management, increased the importance of sustainability-relevant factors in its business and continued a risk dialogue with its stakeholders.

Swiss Re has a leading position as a reinsurer in the US environmental market. In Europe, it is closely involved in national environmental insurance pools. It has also built up its environmental presence in the emerging economies of Eastern Europe and Asia by providing training courses and client seminars. Swiss Re’s study on greenhouse gas emission trading shows promising future market opportunities.

Swiss Re has further increased its environmental portfolio to CHF 87 million. This portfolio now comprises balanced direct investments in 11 companies, 2 holding companies and 2 investment funds.

All Swiss Re’s construction and renovation projects in Switzerland conform to the recognised MINERGIE standard, which defines limits for a building’s energy consumption. Internal environmental management in Zurich has been certified to the ISO 14001 standard.

Swiss Re is represented in the Dow Jones Sustainability Group Index; other sustainability and environmental rating agencies, such as Oekom and Centre Info, continue to rank the Group as a leader within the insurance industry. Around 2% of all Swiss Re shares are estimated to be held by institutional investors who build up their portfolios through systematic consideration of environmental and social performance criteria.

Swiss Re’s environmental report can be accessed at www.swissre.com or ordered from Swiss Re Publishing.

Good corporate citizenship: as a re-insurer, as an employer and as a sponsor

Consistent with its role as a global leader in risk management, Swiss Re places the highest importance on good corporate citizenship in its internal and external relations. The Group-wide Code of Conduct defines individual and corporate roles in maintaining the high standards of responsibility which form the core of Swiss Re's brand and reputation.

Swiss Re's commitment to its employees includes a broad spectrum of services and benefits, customised to the needs of the individual. Compensation is based on a global "pay-for-performance" philosophy with a variable wage component and, in most countries, an opportunity to purchase Swiss Re shares at attractive terms. A strong emphasis on continuing education includes intensive management development, identifying and training individuals with high potential at all levels of the company; the centre for global dialogue at Rüschtikon will be an essential part of this process.

Swiss Re's employment model includes flexible annual working time, teleworking, part-time opportunities and an increased number of apprenticeships. The Group encourages staff to strike a healthy long-term balance between work and private life, with support and counselling packages for maternity or paternity leave and childcare. In the wider world, Swiss Re offers financial and intellectual support to a variety of institutions and projects with humanitarian, social, environmental and cultural goals.

“Rüschlikon has been called not just the brain, but the new heart of Swiss Re.”
Walter Anderau, Head of Communications & Human Resources

Rüschlikon, Swiss Re’s centre for global dialogue, opened in November 2000. It offers a platform for sharing knowledge, building networks, identifying the topics of the future and generating sustainable innovation. A broad range of internal and external events take place in Rüschlikon, focusing on applied research, business solutions and corporate development – designed to generate tangible results for all stakeholders.

Applied research, in this context, means detecting emerging risks and identifying business opportunities. Together with its partners in risk management, Swiss Re examines issues in the economy, business, science and technology, to assess their impact on the industry. The inaugural Rüschlikon conference, Digital Worlds, investigated the strategic, legal and risk implications of increasing digitalisation.

The knowledge generated in applied research needs to be translated into viable business solutions which bring value to clients. The centre therefore provides a shared space for workshops with clients and specialists to develop tailor-made products and services in risk and capital management.

Corporate development means shaping corporate strategy, communicating shared values and developing the talents of employees. Management development programmes bring together staff from all divisions across the globe to share knowledge, exchange best practice and establish networks – activities which are further facilitated by the Media Net. For more information, visit: www.ruschlikon.net.

Water is gradually emerging as an investment topic. Billions of dollars need to be invested to renew drinking water and sewage systems in industrialised countries. In some developing countries, this type of infrastructure does not exist at all. Furthermore, in the northern and southern hemispheres, very innovative and sustainable concepts and technologies are needed that allow environmentally-friendly deployment of scarce water resources. I find it fascinating to search out and invest in companies who are today working on solutions for tomorrow, thereby creating for themselves an excellent foothold in a growing market.

Alois Flatz
Head Research, SAM
Sustainable Asset
Management, Zurich

*“Water is an investment topic
with a bright future.”*



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Income statement

For the years ended 31 December

CHF millions	Notes	1999	2000
Revenues			
Premiums earned	8	18 051	22 081
Net investment income	2	3 846	4 802
Net realised investment gains	2	3 588	4 275
Other revenues		246	395
Total revenues		25 731	31 553
Expenses			
Claims and claim adjustment expenses	7,8	- 9 333	- 12 153
Life and health benefits	8	- 6 200	- 7 478
Acquisition costs	5	- 3 973	- 4 883
Amortisation of goodwill	4	- 211	- 310
Other operating costs and expenses		- 2 785	- 3 074
Total expenses		- 22 502	- 27 898
Income before income tax expense		3 229	3 655
Income tax expense	11	- 783	- 689
Net income on ordinary activities		2 446	2 966
Extraordinary income		450	
Extraordinary charges		- 450	
Net income		2 446	2 966
Earnings per common share in CHF			
Basic	10	171	208
Diluted	10	171	207

The accompanying notes are an integral part of the consolidated financial statements.
1999 figures have been restated (see notes 1 and 19).

Balance sheet

As of 31 December

Assets

CHF millions	Notes	1999	2000
Investments	2,3		
Fixed income securities:			
Available for sale, at amortised cost (fair value: 1999: 44 659; 2000: 51 019)		46 023	49 826
Trading, at fair value (amortised cost: 1999: 574; 2000: 648)		579	646
Equity securities – Available for sale, at fair value (cost: 1999: 18 008; 2000: 16 812)		29 426	23 224
Mortgages and other loans		3 100	6 920
Investment real estate		1 143	1 183
Short-term investments, at amortised cost which approximates fair value		3 015	4 156
Other invested assets		2 398	3 629
Total investments		85 684	89 584
Cash and cash equivalents		3 300	3 433
Accrued investment income		832	1 383
Premiums receivable		8 601	10 824
Reinsurance recoverable on paid and unpaid claims		6 995	6 459
Funds held by ceding companies		9 537	10 922
Prepaid reinsurance premiums		174	780
Deferred acquisition costs	5	2 469	4 444
Acquired present value of future profits	4	2 678	2 628
Goodwill	4	4 084	4 574
Income taxes recoverable		632	539
Other assets		5 214	7 070
Total assets		130 200	142 640

The accompanying notes are an integral part of the consolidated financial statements. 1999 figures have been restated (see notes 1 and 19).

Balance sheet

As of 31 December

Liabilities and shareholders' equity

CHF millions	Notes	1999	2000
Current liabilities			
Unpaid claims and claim adjustment expenses	7	54 072	59 600
Liabilities for life and health policy benefits		23 279	29 300
Unearned premiums		4 251	6 131
Funds held under reinsurance treaties		4 284	4 247
Reinsurance balances payable		3 286	3 697
Income taxes payable		1 120	582
Deferred income taxes	11	4 223	3 442
Short-term debt		1 116	2 074
Accrued expenses and other liabilities		4 790	5 722
Total current liabilities		100 421	114 795
Long-term debt	6	4 947	5 058
Total liabilities		105 368	119 853
Shareholders' equity			
Common shares, CHF 10 par value; 1999: 14 730 951 and 2000: 14 658 301 shares authorised and issued		147	147
Additional paid-in capital		1 934	1 753
Accumulated other comprehensive income:			
Net unrealised investment gains, net of deferred taxes		8 829	5 714
Cumulative translation adjustments		1 874	871
Total accumulated other comprehensive income		10 703	6 585
Retained earnings		11 043	14 053
Reserve for own shares	10	1 005	249
Total shareholders' equity		24 832	22 787
Total liabilities and shareholders' equity		130 200	142 640

The accompanying notes are an integral part of the consolidated financial statements.
1999 figures have been restated (see notes 1 and 19).

Statement of shareholders' equity

CHF millions	Common stock	Additional paid-in capital	Net unrealised gains (losses) net of tax	Cumulative translation adjust- ments	Retained earnings	Reserve for own shares	Total
Balance as of 31 December 1998	147	1 934	7 317	276	9 162	1 127	19 963
Net income					2 446		2 446
Unrealised gains on securities, net (note 2)			1 512				1 512
Foreign currency translation adjustments				1 598			1 598
Dividends					- 687		- 687
Change in own shares (note 10)					122	- 122	
Balance as of 31 December 1999	147	1 934	8 829	1 874	11 043	1 005	24 832
Net income					2 966		2 966
Unrealised losses on securities, net (note 2)			- 3 115				- 3 115
Foreign currency translation adjustments				- 1 003			- 1 003
Dividends					- 712		- 712
Change in own shares (note 10)		- 181			756	- 756	- 181
Balance as of 31 December 2000	147	1 753	5 714	871	14 053	249	22 787

The accompanying notes are an integral part of the consolidated financial statements.
1999 figures have been restated (see notes 1 and 19).

Statement of comprehensive income

For the years ended 31 December

CHF millions	1999	2000
Net income	2 446	2 966
Other comprehensive income:		
Change foreign currency translation adjustments	1 598	- 1 003
Change unrealised gains (losses), net of tax	1 512	- 3 115
Comprehensive income	5 556	- 1 152

The accompanying notes are an integral part of the consolidated financial statements.
1999 figures have been restated (see notes 1 and 19).

Statement of cash flow

For the years ended 31 December

CHF millions	1999	2000
Cash flows provided (used) by operating activities		
Net income	2 446	2 966
Adjustments to reconcile net income to net cash provided (used) by operations:		
Depreciation, amortisation and other non-cash items	722	940
Net realised investment gains	- 3 588	- 4 275
Change in technical provisions, net	4 212	2 135
Change in reinsurance receivables and funds held by ceding companies	- 2 990	- 2 102
Change in other assets and liabilities	- 590	- 534
Change in income taxes payable (recoverable)	78	157
Income from equity accounted investees	- 29	- 31
Net cash provided (used) by operating activities	261	- 744
Cash flows provided (used) by investing activities		
Fixed income securities – Available for sale:		
Proceeds from sale of investments	42 288	33 846
Purchase of investments	- 41 821	- 35 219
Net purchase of short-term investments	- 366	- 116
Equity securities – Available for sale:		
Proceeds from sale of investments	12 172	17 902
Purchase of investments	- 10 874	- 12 389
Cash paid for acquisitions and reinsurance transactions, net	- 747	- 1 727
Other investments, net	743	- 1 404
Net cash provided (used) by investing activities	1 395	893
Cash flows provided (used) by financing activities		
Issuance of long-term debt	1 048	142
Issuance (repayment) of other debt	- 1 107	732
Repurchase of common shares		- 181
Dividends paid	- 687	- 712
Net cash provided (used) by financing activities	- 746	- 19
Effect of foreign currency translation	- 244	3
Change in cash and cash equivalents (including short-term investments)	666	133
Cash and cash equivalents as of 1 January	2 634	3 300
Cash and cash equivalents as of 31 December	3 300	3 433

The accompanying notes are an integral part of the consolidated financial statements.
1999 figures have been restated (see notes 1 and 19).

Non-point source (NPS) pollution deals with the uncontrolled run-off into bodies of water resulting from polluted rainfall, snowmelt or irrigation practices. Agriculture is a major source of NPS. We research the topic and its impact on the environment, the population as a whole, and our business. We follow developments in regulations, produce guidelines for underwriting, and assist our clients in product development. What fascinates me is the potential we have as a reinsurer to positively impact the effects of human practices on the environment and human health.

Adrienne Atwell
Manager Environmental
Liability Department (ELD),
Swiss Re Americas Division,
Armonk (USA)

*“We help to manage
and prevent water pollution.”*



1. Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company (the parent company, referred to as "Swiss Re Zurich") and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Group provides reinsurance, alternative risk transfer products and services to life and non-life insurance companies, clients and others world-wide. Reinsurance and other related products and services are delivered to clients through a network of more than 70 offices in over 30 countries as well as through reinsurance brokers.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the Accounting and Reporting Recommendations (ARR) and comply with the Swiss Company Law and include the financial statements of Swiss Re Zurich and its subsidiaries. The presentation requirements of ARR 14 have been complied with except certain financial information has been disclosed in the notes and not in the primary financial statements. All significant intercompany transactions and balances have been eliminated in consolidation.

In the current year the Swiss Re Group is modifying the presentation of its consolidated financial information to improve comparability with more widely accepted international practice. In connection with this effort, the Group has also changed certain accounting policies from one acceptable method to another under the Swiss ARR basis and has restated its previously reported 1999 consolidated financial statements to conform to the new basis (see note 19).

Scope of consolidation

Companies in which Swiss Re Zurich, directly or indirectly, holds a voting majority or otherwise controls are consolidated in the Group accounts. Companies in which Swiss Re Zurich maintains a direct or indirect holding of between 20% and 50% and has a significant influence, but not controlling interest, are accounted for using the equity method and are included in other invested assets. The Swiss Re Group's share of net profit or loss in investees accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group accounting policies. The results of consolidated subsidiaries and investees accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure including contingent assets and liabilities. The Swiss Re Group's liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates on the basis of historical information, actuarial analyses, financial modelling and other analytical techniques. Actual results could differ from the estimates described above.

Investments

The Group's investments in fixed income securities are classified as Available for sale ("AFS") or Trading. Fixed income securities AFS are reported at amortised cost. Trading fixed income securities are carried at fair value with unrealised gains and losses being included in the income statement.

Investments in equity securities are classified as AFS and carried at fair value with temporary declines in fair value below acquisition cost and subsequent recoveries up to acquisition cost being recognised in the income statement, and all movements in fair value above acquisition cost being reported as a separate component of shareholders' equity.

Interest on fixed income securities is recorded as income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recorded on the basis of the ex-dividend date. Realised gains and losses on sales are included in the income statement.

Mortgages and other loans are carried at amortised cost (effective yield method), net of any allowance for amounts estimated to be uncollectible. Other loans consist of mortgage participations associated with linked investment contracts where the contract holders bear all investment risk.

Investment real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-down for impairment in value. An impairment in value is recognised if the estimated future undiscounted cash flows from the use of the real estate asset are less than its carrying value. Impairments in value, depreciation and other related charges or credits are included in net investment income. Investment real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in net realised investment losses.

Short-term investments are carried at amortised cost, which approximates fair value. The Group considers highly liquid investments purchased with an original maturity of one year or less, but greater than three months, to be short-term investments.

The Group enters into security lending arrangements under which it loans certain securities in exchange for collateral and receives security lending fees. The Group's policy is to require collateral equal to at least 102% of the carrying value of the securities loaned. The collateral held consists of deposits, cash or other securities. The liability for collateral held is included in accrued expenses and other liabilities. Security lending fees are recognised over the term of the related loans.

Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange traded financial futures as part of an overall risk management strategy. These instruments are included in other invested assets and are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities and also to lock in attractive investment conditions for funds which become available in the future.

Derivative instruments which do not meet the criteria for hedge accounting or which are held for investment purposes are carried at fair value with changes in unrealised gains and losses recognised in income.

Interest rate and foreign currency swaps

Interest rate swaps involve the periodic exchange of payments without the exchange of underlying principal or notional amounts. The Group utilises interest rate swaps to convert its variable rate debt into fixed rate debt and accordingly records interest expense using the fixed interest rate. Any related fees are amortised as yield adjustments.

A foreign currency swap operates in a similar way to an interest rate swap. Different currencies are exchanged, based on a notional amount, at an agreed upon exchange rate at the beginning and the end of the swap. Foreign currency swaps purchased in anticipation of a firm commitment to make foreign currency asset purchases are carried at fair value with related unrealised gains or losses deferred until the asset purchase date, at which time the deferred gain or loss is recognised in income offsetting the change in value of the underlying asset or liability.

Foreign currency and interest rate forward contracts

The Group uses foreign currency and interest rate forward contracts to manage its exposure to future movements in foreign exchange and interest rates. Foreign currency forward contracts are agreements to exchange fixed amounts of two different currencies at a specified future date and at a specified price. The Group generally utilises foreign currency forward contracts with terms of between one and six months. Foreign currency forward contracts designated as a hedge at inception and qualifying as a hedge are accounted for as a hedge with unrealised gains or losses deferred. Foreign currency forward contracts that do not qualify for hedge accounting are carried at fair value with changes in unrealised gains or losses recognised in income.

The Group uses interest rate forwards to lock in an interest rate at a future date. Accordingly interest expense is recognised using the forward rate.

Bond forward contracts

The Group uses bond forward contracts to lock in sales prices for fixed income securities that it intends to sell at a future date. The contracts are used to determine the carrying value of the related investments.

Equity and equity index contracts

Equity index options, which are used to manage the market and liquidity risks of equity securities, represent an option to either purchase or sell a "basket" of shares underlying a well-established stock market index; delivery of the stocks is not required as the contracts are settled for cash on maturity. Equity index options are included in other invested assets with changes in unrealised gains and losses included in investment income.

The Group uses equity options to lock in sales prices for investments in equity securities and to improve investment returns on its equity security investments. Options are carried at fair value as available for sale, with changes in carrying value included in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, highly liquid debt instruments, and short-term deposits purchased with an original maturity of three months or less.

Deferred acquisition costs

Acquisition costs, which vary with, and are primarily related to, the production of new business, are deferred to the extent they are deemed recoverable from future gross profits. Deferred acquisition costs consist principally of commissions. Deferred acquisition costs associated with non-life reinsurance business are amortised to income in proportion to non-life premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs on non-life business.

Deferred acquisition costs associated with life and health reinsurance business are amortised over the premium paying period. For investment-type contracts, deferred acquisition costs are amortised in relation to the present value of estimated gross profits and are adjusted to reflect the estimated effect of realising unrealised investment gains and losses with an offset to unrealised investment gains and losses included in shareholders' equity.

Acquired present value of future profits

The acquired present value of future profits ("PVFP") of in-force business is recorded in connection with the acquisition of life reinsurance operations. The initial value is determined actuarially by discounting estimated future gross profits as a measure of the value of business acquired. The resulting asset is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate.

The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in income during the period in which the determination of impairment is made.

Goodwill

The excess of the cost of acquired businesses over the fair value of net assets acquired is recorded as goodwill (purchase method). It is amortised using the straight-line method over periods that correspond with the benefits expected to be derived from the related acquisition. Goodwill is amortised over periods of between 5 and 20 years.

The carrying value of goodwill is reviewed periodically for indicators of impairment in value. Adjustments to reflect an impairment in value are recognised in income in the period in which the determination of impairment is made.

Other assets

Other assets consist of investments for separate account business relating to certain types of insurance contracts where the contract holder bears the investment risk, deferred expenses on retroactive reinsurance, own use real estate, property, plant and equipment, accrued income and prepaid assets.

Separate account business assets and liabilities are valued at market value and unrealised gains/losses are included in the income statement. Own use real estate and property, plant and equipment are carried at depreciated cost. Deferred expenses on retroactive reinsurance policies are amortised into income over the expected claims paying period.

Capitalised software costs

External direct costs of materials and services incurred to develop or obtain internal use software, payroll and payroll-related costs for employees who are directly associated with software development and interest cost incurred while developing internal use software are capitalised and amortised on a straight-line basis over a period of 3 years through the income statement.

Deferred income taxes

Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax asset may not be realised.

Unpaid claims and claim adjustment expenses

Liabilities for unpaid claims and claim adjustment expenses for non-life reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. A provision is also included for claims incurred but not reported, which is developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgements made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are continually reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

Unpaid non-life claims provisions may only be discounted if the payment pattern and ultimate cost are fixed and reasonably determinable.

Equalisation reserves

Reserves prescribed by local regulatory authorities for future claim fluctuations and for large and catastrophic losses are established and included in the unpaid claims and claim adjustment expenses liabilities.

Liabilities for life and health policy benefits

Liabilities for life and health policy benefits are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest assumptions for life and health reinsurance benefits liabilities range from 4% to 14%. Assumed mortality rates are generally based on experience multiples applied to actuarial select and ultimate tables commonly used in the industry. Withdrawal assumptions for individual life reinsurance contracts issued by the Group range from 1% to 20% and are based on historical experience.

Liabilities for investment-type contracts, including separate account (unit-linked) life reinsurance business, are based either on the contract account balance, if future benefit payments in excess of the account balance are not guaranteed, or on the present value of future benefit payments, if such payments are guaranteed. Liabilities for policy benefits are increased if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses.

The liability for accident and health policy benefits consists of active life reserves and the estimated present value of the remaining ultimate net costs of incurred claims. The active life reserves include unearned premiums and additional reserves. The additional reserves are computed on the net level premium method using assumptions for future investment yield, mortality and morbidity experience. The assumptions are based on projections of past experience and include provisions for possible adverse deviation.

Premiums

Non-life reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided.

Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts. For investment type contracts, charges assessed against policyholders' funds for the costs of insurance, surrender charges, actuarial margin and other fees are recorded as income.

Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

Reinsurance ceded

The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency.

Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for ceded claims and claim adjustment expenses and ceded unearned premiums under these retrocession agreements are reported as assets in the accompanying consolidated balance sheet.

Contracts which do not meet risk transfer requirements defined as transferring a reasonable possibility of a significant loss to the reinsurer are accounted for as deposit arrangements. Deposit amounts are adjusted for payments received and made, as well as for amortisation or accretion of interest.

The Group provides reserves for uncollectible amounts on reinsurance balances ceded and assumed, based on management's assessment of the collectibility of the outstanding balances.

The excess of estimated liabilities for claims and claim costs payable over consideration paid in respect of retroactive non-life reinsurance contracts which meet risk transfer tests is recorded as a deferred charge. The deferred charges are amortised over the expected settlement periods of the claims liabilities.

Pensions and other post-retirement benefits

The Group accounts for its pension and other post-retirement benefit costs under the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange on the balance sheet date. Revenues and expenses are translated at average exchange rates. Unrealised gains or losses resulting from translation of functional currencies to the reporting currency are included as a separate component of shareholders' equity, net of applicable deferred income taxes. Realised currency gains and losses resulting from foreign currency transactions are included in income.

Currency exchange rates in CHF per 100 units of foreign currency are as follows:

		1999		2000	
		Closing rate	Average rate	Closing rate	Average rate
British pound	GBP	257.97	244.16	242.08	256.43
Euro	EUR	160.44	160.21	152.15	156.11
US dollar	USD	160.07	150.32	162.05	168.81
Canadian dollar	CAD	110.29	101.14	107.89	113.75
Japanese yen	JPY	1.56	1.35	1.42	1.57
Australian dollar	AUD	104.74	96.84	90.04	98.24
South African rand	ZAR	26.00	24.74	21.41	24.41
Mexican peso	MXP	16.89	15.74	16.87	17.83

Own shares

Shares purchased are recorded at market value and are classified and accounted for as equity securities Available for sale. Unrealised gains and losses are recorded in equity. The average cost method is used to determine the cost of own shares sold. Any gains or losses on the disposition of own shares are recorded in the income statement.

Earnings per common share

Basic earnings per common share is determined by dividing income available to common shareholders by the weighted average number of common shares entitled to dividends during the year. Diluted earnings per common share reflects the effect on earnings and average common shares outstanding associated with dilutive securities.

Fair value of financial instruments

The Group carries financial instruments generally at fair value on its balance sheet, with the exception of fixed income securities AFS, real estate, mortgages and other loans and debt. Fair values for investment real estate and mortgages are presented in Note 2.

2. Investments

Amortised cost or cost and estimated fair values of investments in fixed income and equity securities classified as Available for sale were as follows:

As of 31 December 1999 CHF millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by govern- ments and government agencies:				
United States	14 798	3	- 631	14 170
Switzerland	1 249	4	- 24	1 229
Germany	3 051	17	- 106	2 962
United Kingdom	2 450	59	- 55	2 454
Canada	2 841	79	- 95	2 825
Other	7 624	186	- 259	7 551
Corporate debt securities	11 853	105	- 584	11 374
Mortgage and asset-backed securities	2 157	5	- 68	2 094
Fixed income securities				
Available for sale	46 023	458	- 1 822	44 659
Equity securities				
Available for sale	18 008	11 820	- 402	29 426
<hr/>				
As of 31 December 2000 CHF millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by govern- ments and government agencies:				
United States	15 673	664	- 26	16 311
Switzerland	917	4	- 18	903
Germany	2 035	31	- 13	2 053
United Kingdom	2 952	98	- 5	3 045
Canada	2 917	245	- 5	3 157
Other	7 268	164	- 55	7 377
Corporate debt securities	13 641	333	- 304	13 670
Mortgage and asset-backed securities	4 423	97	- 17	4 503
Fixed income securities				
Available for sale	49 826	1 636	- 443	51 019
Equity securities				
Available for sale	16 812	7 324	- 912	23 224

Investment concentration

The Group has an investment concentration with Credit Suisse Group. As of 31 December 1999 and 2000, the Group's investments in equity securities included CHF 3 481 million and CHF 2 469 million, respectively, of Credit Suisse Group securities at fair values and CHF 370 million and CHF 331 million, respectively, of other operating assets.

The Group also has an investment concentration with ING Groep N.V., a European-based financial institution. As of 31 December 1999 and 2000, the Group held CHF 1 222 million and CHF 1 239 million, respectively, of common stock at fair value, and CHF 1 439 million and CHF 1 516 million, respectively, of other operating assets.

Maturity of fixed income securities

The amortised cost and estimated fair values of investments in fixed income securities by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 1999 and 2000, CHF 1 945 million and CHF 2 180 million, respectively, of fixed income securities were callable or had call options in the instruments' structure.

As of 31 December CHF millions	1999		2000	
	Amortised cost	Estimated fair value	Amortised cost	Estimated fair value
Due in one year or less	1 689	1 689	1 435	1 417
Due after one year through five years	10 771	10 733	25 571	26 231
Due after five years through ten years	13 413	12 980	10 937	11 166
Due after ten years	18 651	17 808	8 320	8 564
Mortgage and asset-backed securities	1 499	1 449	3 563	3 641
Total fixed income securities	46 023	44 659	49 826	51 019

Assets on deposit or pledged

As of 31 December 1999 and 2000 securities with a carrying value of CHF 808 million and CHF 653 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 1999 and 2000 investments with a carrying value of approximately CHF 4 575 million and CHF 4 161 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

Cash and cash equivalents

Cash and cash equivalents included short-term deposits with a carrying value of CHF 2 208 million and CHF 1 424 million as of 31 December 1999 and 2000, respectively.

Mortgages, loans and real estate

As of 31 December 1999 and 2000 investments in mortgage and other loans, real estate and investment for separate account business comprised the following:

As of 31 December CHF millions	1999		2000	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages and other loans	3 100	3 100	6 920	6 920
Investment real estate	1 143	2 122	1 183	2 167
Investment for separate account business	1 688	1 688	1 964	1 964

As of 31 December 1999 and 2000 the Group's investment in mortgages and other loans included CHF 170 million and CHF 204 million, respectively, of loans due from employees and CHF 284 million and CHF 322 million due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

The Group's investment in mortgages and other loans included CHF 955 million and CHF 1 483 million of mortgage participations associated with linked investment contracts as of 31 December 1999 and 2000, respectively. Contract holders bear all investment risk related to mortgage participations. Fair value for other loans is considered to be equal to carrying value.

As of 31 December 1999 and 2000 investments in real estate included CHF 20 million and CHF 11 million, respectively, of real estate held for sale.

Depreciation expense related to income producing properties was CHF 28 million and CHF 27 million for 1999 and 2000, respectively. Accumulated depreciation on investment real estate totalled CHF 631 million and CHF 638 million as of 31 December 1999 and 2000, respectively.

Substantially all mortgages and other loans receivable are secured by buildings and land. The ultimate collectibility of the receivables is evaluated regularly and an appropriate allowance for uncollectible amounts is established.

Development of real estate and investments in affiliated companies

CHF millions	Investment real estate		Affiliated companies	
	1999	2000	1999	2000
Carrying value as of 1 January	1 102	1 143	1 446	1 274
Foreign currency translation adjustments	23	- 25	151	- 29
Depreciation	- 28	- 27		
Additions/sales/disposals	14	51	- 451	- 8
Unrealised gains/losses				55
Gains or losses on sales	32	41	128	130
Carrying value as of 31 December	1 143	1 183	1 274	1 422

Investment income

Net investment income by source was as follows:

CHF millions	1999	2000
Fixed income securities	2 407	3 027
Equity securities	571	516
Mortgages and other loans	152	404
Real estate	88	89
Short-term investment	171	281
Other current investment	61	126
Income on investments in affiliated companies	58	15
Equity in earnings of equity accounted investees	60	71
Cash and cash equivalents	65	94
Deposits with ceding companies	474	391
Gross investment income	4 107	5 014
Less investment expenses	- 261	- 212
Net investment income	3 846	4 802

Dividends received from investees accounted for using the equity method were CHF 31 million and CHF 40 million in 1999 and 2000, respectively.

Realised gains and losses

Realised gains and losses for fixed income securities, equity securities and other investments were as follows:

CHF millions	1999	2000
Fixed income securities:		
Gross realised gains	614	469
Gross realised losses	- 672	- 735
Equity securities:		
Gross realised gains	3 807	5 837
Gross realised losses	- 514	- 976
Net realised gains on other investments	334	242
Value readjustments	305	303
Value adjustments	- 286	- 865
Net realised investment gains	3 588	4 275

For fixed income and equity securities, gross realised gains of CHF 1 607 million and gross realised losses of CHF 493 million as of 31 December 1999 were calculated using the specific identification method of determining investment cost. The remainder of realised gains and losses were calculated using the average cost method. All realised gains and losses for the year ended 31 December 2000 were calculated using the specific identification method.

3. Derivative financial instruments

Derivative financial instruments include futures, forward, swap or option contracts and other financial instruments with similar characteristics. The Group, under its risk management strategy, uses these instruments to manage risk.

The Group uses derivative financial instruments with the following characteristics:

As of 31 December 1999 CHF millions	Contract/ notional amount	Positive fair value	Negative fair value	Carrying value assets (liabilities)
Interest rate contracts				
Forwards and futures	3 019	3	- 9	- 6
Swaps	1 915	35	- 56	14
Floors and caps	5 442	254	- 254	
Total interest rate contracts	10 376	292	- 319	8
Equity and index contracts				
Forwards and futures	69		- 2	- 2
Options	6 408	178	- 141	37
Total equity and index contracts	6 477	178	- 143	35
Foreign currency				
Forwards and futures	14			
Swaps	128		- 3	- 3
Total foreign currency	142		- 3	- 3
Other derivatives				
Credit derivatives	21 175	17	- 20	- 3
Catastrophe derivatives	144		- 1	- 1
Weather derivatives	235		- 43	- 43
Total other derivatives	21 554	17	- 64	- 47
Total	38 549	487	- 529	- 7

As of 31 December 2000 CHF millions	Contract/ notional amount	Positive fair value	Negative fair value	Carrying value assets (liabilities)
Interest rate contracts				
Forwards and futures	4 101	3	- 6	- 3
Options	45		- 1	- 1
Swaps	392	3	- 1	2
Swaptions	395	1		1
Floors and caps	227			
Total interest rate contracts	5 160	7	- 8	- 1
Equity and index contracts				
Forwards and futures	109	1	- 1	
Options	6 261	127	- 71	56
Total equity and index contracts	6 370	128	- 72	56
Foreign currency				
Forwards and futures	1 994	107	- 19	88
Swaps	4 014	76	- 70	6
Total foreign currency	6 008	183	- 89	94
Other derivatives				
Credit derivatives	36 197	93	- 77	16
Weather derivatives	382	11	- 43	- 32
Other	62	1	- 6	- 5
Total other derivatives	36 641	105	- 126	- 21
Total	54 179	423	- 295	128

4. Acquisitions and dispositions

Underwriters Reinsurance Group, Inc., a US broker reinsurance company based in Calabasas, California, was acquired for CHF 1 084 million on 10 May 2000.

On 1 January 2000, the acquisition of Washington International Insurance Company for CHF 82 million was completed by the Group. Washington International writes mainly credit and surety business.

Both of these acquisitions were accounted for as purchases, and the companies' results were included in the Group's results from the date of purchase.

The outstanding 65% of Società Italiana Cauzioni, Rome, not previously owned by the Group was acquired on 13 November 2000 for CHF 53 million. Società Italiana Cauzioni is an Italian specialist credit insurer.

During 2000, there were three Admin Re transactions. Admin Re is the purchase of closed blocks of in-force business and can be facilitated through either a stock purchase or reinsurance. The stock of Midland Life was purchased on 31 July 2000 for CHF 496 million. The Group also entered two reinsurance-based deals with CIGNA and UnumProvident. The results of all of these deals have been included from the date of the transaction.

Swiss Re's share of Euler SA of 19.99% was reduced to 8% during 2000 through a sale which realised CHF 125 million. This investment, which had been accounted for under the equity method of consolidation, has now been deconsolidated and is recorded as an available for sale equity security.

Acquired present value of future profits

Acquisitions resulted in CHF 539 million and CHF 426 million being capitalised in 1999 and 2000, respectively. The net amortisation charge recorded in the income statement for 1999 and 2000 amounted to CHF 242 million and CHF 270 million, respectively. The change in unrealised gains increased the balance by CHF 242 million in 1999 and decreased the balance by CHF 200 million in 2000. The foreign exchange impact in 1999 was CHF 298 million, and in 2000 CHF -6 million.

The percentage of the PVFP which is expected to be amortised in each of the next five years is 7%, 7%, 6%, 6% and 5%, respectively.

Goodwill

In conjunction with the acquisitions, CHF 126 million and CHF 874 million of goodwill was recorded in 1999 and 2000, respectively. During the years ended 31 December 1999 and 2000, goodwill of CHF 211 million and CHF 310 million, respectively, was amortised.

As of 31 December 1999 and 2000, the balance of accumulated goodwill amortisation was CHF 394 million and CHF 664 million, respectively.

5. Deferred acquisition costs

The following table presents changes in deferred acquisition costs:

CHF millions	1999	2000
Balance as of 1 January	1 846	2 469
Deferred	4 094	5 440
Effect of portfolio acquisitions	35	1 306
Amortisation	- 3 731	- 4 613
Foreign exchange	225	-158
Balance as of 31 December	2 469	4 444

6. Debt

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. It also issues operational debt for financing of specific assets on a matched basis as part of its business activities. The Group defines long-term debt as debt having a maturity greater than one year. The Group's long-term debt as of 31 December 2000 was:

Long-term financial debt

Senior debt as of 31 December 2000:

Maturity	Instrument	Issued in	Currency	Nominal in m	Interest rate	Book value in CHF m
2002	Syndicated loans	1997	ITL	600 000	Libor+10bp	471
2003	Exchangeable bonds	1998	NLG	925	1.25%	639
2004	Exchangeable bonds (TRIPLES)	1999	USD	530	2.25%	859
2006	Senior Notes ¹	1996	USD	200	7.875%	321
2007	Trust preferred stock ² (TruPs)	1997	USD	46	8.72%	93
2007	Straight bond	1997	CHF	500	3.75%	500
2013	Payment Undertaking Agreement	2000	USD	24	Libor-15bp	38
2026	Payment Undertaking Agreement	2000	USD	57	Libor-15bp	92
Total senior debt						3 013
Total senior debt 1999						2 949

Subordinated debt as of 31 December 2000:

Maturity	Instrument	Issued in	Cur- rency	Nominal in m	Interest rate...	...to first reset in	Book value in CHF m
-	Subordinated perpetual loan (PARCS)	1999	EUR	250	Euribor+55bp	2006	380
-	Subordinated perpetual loan	1998	DEM	340	Libor+40bp	2008	264
-	Subordinated perpetual loan	1998	DEM	400	5.71%	2008	311
-	Subordinated perpetual loan	1998	CHF	300	Libor+37.5bp	2008	300
-	Subordinated perpetual loan	1998	DEM	110	Libor+45bp	2010	86
-	Subordinated perpetual bond (SUPERBs)	1999	CHF	600	3.75%	2011	600
Total subordinated debt						1 941	
Total subordinated debt 1999						1 998	

¹ assumed in the acquisition of Underwriters Re Group

² assumed in the acquisition of Life Re Corporation

Long-term operational debt

Operational debt as of 31 December 2000:

Maturity	Instrument	Issued in	Currency	Nominal in m	Interest rate	Book value in CHF m
2017	Payment Undertaking Agreement	2000	USD	64	Libor+ 15bp	104

Interest expense on long-term financial debt as of 31 December 1999 and 2000, respectively, was as follows:

CHF millions	1999	2000
Senior debt	89	105
Subordinated debt	74	90
Total	163	195

The majority of interest payments on debentures are payable annually with the principal due at maturity. Interest on bank and other loans is generally due semi-annually with principal due upon maturity.

In June 1995, the Group issued convertible bonds with a face value of USD 500 million, bearing interest at 2% and maturing on 30 June 2000 in exchange for proceeds of USD 439.5 million. The bond conversion rights were exercisable in multiples of USD 5 000 in exchange for 4.9033 Swiss Re shares through 30 June 2000. Interest was payable semi-annually. As of 30 June 2000, when the conversion right expired, 99 833 bonds of nominal value USD 499 million had been converted into 489 447 shares of the Group.

In July 1997, the Group issued a straight bond with a face value of CHF 500 million, bearing interest at 3.75%, maturing on 2 July 2007, in exchange for proceeds of CHF 511 million. Interest is payable annually and the principal is due at maturity.

In May 1998, the Group issued CHF 1 010 million of multi-currency subordinated debt with a perpetual term, bearing interest at the rate of six-month LIBOR plus 37.5 basis points, for the first tranche of CHF 300 million, LIBOR plus 40 basis points for a tranche of DEM 340 million, LIBOR plus 45 basis points for a tranche of DEM 110 million payable semi-annually and 5.71% for a tranche of DEM 400 million, payable annually. The loan is subordinated in the event of liquidation to all senior creditors of Swiss Re Zurich, but will be paid in priority to all holders of its equity.

In June 1998, the Group issued exchangeable bonds with a face value of NLG 925 million bearing interest at 1.25% payable annually and maturing on 23 June 2003, in exchange for proceeds of NLG 901 million. The bond exchange rights are exercisable in multiples of NLG 1 000 into 5.4054 ING depositary receipts in respect of fully paid ordinary shares of ING Groep N.V.

In June 1999, the Group issued CHF 600 million in subordinated perpetual debt, with an interest rate of 3.75% for 12 years, resetting to six-month LIBOR plus 100–140 basis points thereafter, depending upon the rating of Swiss Re.

In June 1999, the Group also issued EUR 250 million of subordinated Perpetual Auction Reset Capital Solvency bonds, with a coupon of six-month EURIBOR plus 55 basis points for the first seven years. After seven years, and every five years thereafter, an auction will be conducted to determine the re-offer yield.

In June 1999, the Group also issued USD 530 million exchangeable notes with a five year term, bearing interest of 2.25% payable annually. The notes are exchangeable at the noteholders' option for shares of Swiss Re, Credit Suisse Group or Novartis AG.

In 2000, the Group entered into three Payment Undertaking Agreements, which are a form of financing transactions in which a counterparty deposits funds with the Group having fixed repayment terms and interest rates on the deposited funds.

Asbestos and environmental claims exposure

7. Unpaid claims and claim adjustment expenses

The Swiss Re Group's obligation for claims payments and claims settlement charges also includes obligations for long latent injury claims arising out of policies written prior to 1985, in particular in the area of US asbestos and environmental liability.

A reconciliation of the beginning and ending reserve balances for asbestos, environmental and other long latent liability claims and claim adjustment expenses for the periods presented is as follows:

CHF millions	1999	2000
Balance as of 1 January	4 279	4 293
Less reinsurance recoverable	- 450	- 478
Net	3 829	3 815
Claims incurred	- 293	- 292
Less paid	- 314	- 746
Effect of foreign currency translation	593	90
Effect of acquisition		94
Net	3 815	2 961
Plus reinsurance recoverable	478	319
Balance as of 31 December	4 293	3 280

The routine reassessment has demonstrated that reserves established in prior years continue to be sufficient. This, in combination with an active commutation strategy, allowed for an overall release of provisions relating to long latent injury claims during 2000 of roughly 8%. In both 1999 and 2000, the Group was successful in achieving some major commutations which have significantly reduced future exposure to these types of claims. When commutation payments are made, the traditional "survival ratio" is artificially reduced by premature payments which should not imply a reduction in reserve adequacy.

The Swiss Re Group continues to make provisions at the undiscounted value of potential ultimate claims payments and claims settlement charges, less amounts paid to date.

Provisions for long latent injury claims outstanding on 31 December 2000 reflect the estimated future trend of claims payments and claims settlement charges. Due to the inherent uncertainties and assumptions on which these estimates are based, however, we cannot exclude the need to make further additions to these provisions in the future.

8. Reinsurance

Premiums, claims and claim adjustment expenses are reported net of retrocession in the Group's income statement. Gross, retroceded and net amounts for these items were as follows:

Non-Life Business Group

CHF millions	1999			2000		
	Gross	Retro	Net	Gross	Retro	Net
Premiums written	10 192	- 820	9 372	12 944	- 895	12 049
Change unearned premiums	- 426	- 30	- 456	- 537	18	- 519
Claims paid	- 7 393	882	- 6 511	- 9 995	1 168	- 8 827
Claims and claim adjustment expenses	- 2 851	599	- 2 252	- 246	- 379	- 625
Change equalisation reserves	783		783	- 691		- 691
Acquisition costs	- 2 252	190	- 2 062	- 2 810	157	- 2 653

Life & Health Business Group

CHF millions	1999			2000		
	Gross	Retro	Net	Gross	Retro	Net
Premiums written	7 978	- 667	7 311	9 147	- 817	8 330
Claims paid	- 5 201	586	- 4 615	- 5 905	627	- 5 278
Change life and health benefits	- 1 537	33	- 1 504	- 1 988	- 182	- 2 170
Acquisition costs	- 1 920	188	- 1 732	- 2 167	255	- 1 912

Financial Services Business Group

CHF millions	1999			2000		
	Gross	Retro	Net	Gross	Retro	Net
Premiums written	2 491	- 419	2 072	3 966	- 1 011	2 955
Change unearned premiums	- 264	16	- 248	- 1 308	574	- 734
Claims paid	- 871	- 257	- 1 128	- 1 422	- 72	- 1 494
Claims and claim adjustment expenses	- 423	194	- 229	- 469	- 217	- 686
Change equalisation reserves	- 25		- 25	140		140
Acquisition costs	- 297	118	- 179	- 442	124	- 318

Unpaid claims and claim adjustment expenses, liabilities for life and health policy benefits and unearned premiums are reported net of retrocession in the Group's balance sheet. Gross, retroceded and net amounts for these items were as follows:

Non-Life Business Group

CHF millions			1999			2000
	Gross	Retro	Net	Gross	Retro	Net
Provisions for un-earned premiums	3 146	- 136	3 010	3 704	- 180	3 524
Unpaid claims and claim adjustment expenses	36 375	- 3 214	33 161	39 543	- 3 531	36 012
Provisions for profit commissions	624	- 2	622	742		742
Equalisation reserves	2 409		2 409	2 869		2 869

Life & Health Business Group

CHF millions			1999			2000
	Gross	Retro	Net	Gross	Retro	Net
Provisions for un-earned premiums	183	- 1	182	227	- 2	225
Unpaid claims and claim adjustment expenses	8 862	- 976	7 886	9 444	- 1 225	8 219
Life and health policy benefits	23 014	- 2 249	20 765	29 024	- 1 206	27 818
Provisions for profit commissions	218	- 3	215	271	- 2	269
Separate account liabilities			1 688			1 964

Financial Services Business Group

CHF millions			1999			2000
	Gross	Retro	Net	Gross	Retro	Net
Provisions for un-earned premiums	922	- 37	885	2 200	- 598	1 602
Unpaid claims and claim adjustment expenses	6 269	- 556	5 713	7 594	- 498	7 096
Life and health policy benefits	265		265	276		276
Provisions for profit commissions	19		19	79		79
Equalisation reserves	157		157	150		150

9. Personnel expenses

CHF millions	1999	2000
Wages and salaries	1 219	1 395
Employee benefits	192	233

10. Shareholders' equity

All of the Group's reinsurance companies prepare statutory financial statements based on local laws and regulations, which in some jurisdictions impose complex regulatory requirements. Most jurisdictions require reinsurers to maintain a minimum amount of capital in excess of a statutory definition of net assets or maintain certain minimum capital and surplus levels. In addition, some jurisdictions place certain restrictions on amounts that may be loaned or transferred to the parent company. The Group's ability to pay dividends may be restricted by these requirements.

In 1999, the Board of Directors announced a share repurchase programme. In the period to end of March 2000, 72 650 shares with a total value of CHF 195.3 million had been repurchased. These shares were approved for cancellation by the shareholders in June 2000.

On 26 May 1997, the Group issued 5 000 000 call options. The options were exercisable up to and including 5 May 1999. They were exercisable at a minimum number of 100 options, with 50 options entitling the holder to receive one Swiss Re share for a purchase price of CHF 1 900.

Share data

CHF millions	1999	2000
Basic earnings per share		
Income available to common shares	2 446	2 966
Weighted average common shares outstanding	14 307 811	14 275 717
Net income per share in CHF	171	208
Effect of dilutive securities		
Change in average number of shares due to:		
Employee options	21 547	31 768
Diluted earnings per share		
Income available to common shares assuming debt conversion and exercise of options	2 446	2 966
Weighted average common shares outstanding	14 329 358	14 307 485
Net income per share in CHF	171	207

Included in treasury shares are 126 032 and 196 805 authorised and issued shares as of 31 December 1999 and 2000, respectively, which are kept in escrow for satisfying obligations arising from employee options.

The effects of debt conversion have not been included in the 1999 and 2000 earnings per share, as the effect of converting to 169 408 and 77 186 shares, respectively, was anti-dilutive.

Own shares

The following own shares of Swiss Re Zurich, are held by the Swiss Re Group:

	Number of registered shares	CHF millions
Own shares held on 1 January 1999 at cost	808 092	1 127
Purchases in 1999	54 682	177
Sales in 1999	- 282 278	- 819
Realised gains		520
Own shares held on 31 December 1999 at cost	580 496	1 005
Own shares held on 31 December 1999 at market value	580 496	1 497
Own shares held on 1 January 2000 at cost	580 496	1 005
Purchases in 2000	150 915	444
Sales in 2000	- 583 807	- 1 396
Capital reduction from share repurchase	- 72 650	- 195
Realised gains		391
Own shares held on 31 December 2000 at cost	74 954	249
Own shares held on 31 December 2000 at market value	74 954	293

11. Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which the Group operates. The components of the income tax charge were:

CHF millions	1999	2000
Current taxes	832	364
Deferred taxes	- 49	325
Income tax expense	783	689

The components of deferred income taxes were as follows:

CHF millions	1999	2000
Deferred tax assets		
Technical provisions	1 107	1 526
Unrealised losses on investments	248	432
Benefit on loss carryforwards	391	567
Other	608	964
Gross deferred tax asset	2 354	3 489
Valuation allowance	- 440	- 277
Total deferred tax asset	1 914	3 212
Deferred tax liabilities		
Present value of future profits	634	772
Deferred acquisition costs	404	846
Technical provisions	1 022	675
Bond amortisation	203	691
Unrealised gains on investments	2 633	1 968
Other	1 241	1 702
Total deferred tax liability	6 137	6 654
Deferred income taxes	4 223	3 442

As of 31 December 2000, the Group had CHF 1 476 million of foreign net operating tax loss carryforwards, expiring as follows: CHF 7 million in 2001, CHF 7 million in 2004, CHF 12 million in 2005 and CHF 1 450 million after 2005. The Group also has capital loss carryforwards of CHF 125 million expiring as follows: CHF 4 million in 2003, CHF 10 million in 2004, CHF 104 million in 2005 and CHF 7 million after 2005.

Income taxes paid in 2000 were CHF 627 million, and in 1999 CHF 635 million.

12. Compensation and remuneration of directors and executive officers

The Group paid an aggregate of CHF 26.4 million in 1999 and CHF 31.8 million in 2000 to the members of the Executive Board and to the members of the Board of Directors (28 persons in total) for services in all capacities, of which CHF 12.4 million in 1999 and CHF 18.5 million in 2000 represented bonuses taken in restricted shares. In addition, the Group contributed or accrued CHF 1.8 million in 1999 and CHF 2.4 million in 2000 for pension, retirement or similar benefits for the Executive Board members in the year ended 31 December.

Pension plans and post-retirement benefits

13. Benefit plans

The Group sponsors various funded defined benefit pension plans covering its worldwide operations. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

The Group also provides certain health-care and life insurance benefits for retired employees and their dependents. Employees become eligible for these benefits when they become eligible for pension benefits.

CHF millions	1999	2000	1999	2000
	Pension benefits		Other benefits	
Benefit obligation as of 1 January	2 414	2 660	329	378
Service cost	112	114	29	34
Interest cost	119	133	15	20
Amendments		42	- 43	
Actuarial loss (gain)	- 17	- 73	42	- 20
Benefits paid	- 68	- 81	- 7	- 8
Acquisitions		27		6
Foreign currency translation adjustments	100	- 40	13	15
Benefit obligation as of 31 December	2 660	2 782	378	425
Fair value of plan assets as of 1 January	2 865	3 424		
Actual return on plan assets	433	184		
Company contributions	58	44	7	8
Benefits paid	- 68	- 81	- 7	- 8
Acquisitions		25		
Curtailment/settlement		- 74		
Foreign currency translation adjustments	136	- 48		
Fair value of plan assets as of 31 December	3 424	3 474		
Reconciliation of balance sheet				
Funded status	764	692	- 378	- 425
Unrecognised loss (gain)	- 431	- 415	101	78
Unrecognised prior service cost	21	58	- 43	- 25
Unrecognised transition obligation (asset)	- 138	- 112		
Net amount recognised	216	223	- 320	- 372

CHF millions	1999	2000	1999	2000
	Pension benefits		Other benefits	
Amounts recognised in the balance sheet consist of				
Prepaid benefit cost	412	428		
Accrued benefit liability	- 196	- 205	- 320	- 372
Net amount recognised	216	223	- 320	- 372
Components of net periodic benefit cost				
Service cost				
(net of participant contributions)	112	114	29	34
Interest cost	119	133	15	20
Expected return on assets	- 164	- 187		
Amortisation of:				
Net (gain) loss	- 2	- 8	2	4
Prior service cost	2	5		- 2
Transition obligation (asset)	- 25	- 25		
Subtotal	42	32	46	56
Effect of settlement, curtailment and termination		4		
Net periodic benefit cost	42	36	46	56
Weighted average assumptions at year-end				
Discount rate	5.1%	5.1%	5.0%	5.0%
Expected return on plan assets	5.7%	6.0%		
Rate of compensation increase	3.4%	3.5%		
Medical trend - initial rate			7.8%	7.8%
Medical trend - ultimate rate			4.6%	4.6%

Assumed health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one percentage point change in assumed health-care cost trend rates would have the following effects for 2000:

CHF millions	1 percentage point increase	1 percentage point decrease
Effect on total of services and interest cost components	12	9
Effect on post-retirement benefit obligation	78	60

14. Stock compensation plans

As of 31 December 1999 and 2000, the Group had two and one, respectively, stock-based compensation plans, which are described below.

Fixed option plan

Under the fixed option plan, the Group may grant options for a certain number of Swiss Re shares to members of the Executive Board and certain members of management each year. Under the plan, the exercise price of each option equals the market price of the shares on the date of the grant. Options issued vest at the end of the fourth year and have a maximum life of ten years.

A summary of the activity of the Group's fixed stock option plan is as follows:

	Weighted average exercise price in CHF	1999 Shares	Weighted average exercise price in CHF	2000 Shares
Outstanding, 1 January	2 033	79 587	2 518	126 032
Options granted	3 250	50 365	2 594	80 778
Options exercised			1 567	- 8 660
Options forfeited	2 090	- 3 920	3 092	- 1 345
Outstanding, 31 December	2 518	126 032	2 587	196 805
Exercisable, 31 December				11 250
Weighted average fair value of options granted during the year	641		550	

The following table summarises the status of fixed stock options outstanding as of 31 December 2000.

Range of exercise price in CHF	Number of options	Weighted average remaining contrac- tual life in years	Weighted average exercise price in CHF
1 206 - 1 487	40 200	2.3	1 453
2 080 - 3 040	107 653	8.7	2 704
3 254 - 4 000	48 952	8.2	3 260
1 206 - 4 000	196 805	7.3	2 587

The fair value of each option grant is estimated on the date of the grant using a binomial option-pricing model with the following weighted average assumptions used for grants in 1999 and 2000, respectively: dividend yield of 1.9% and 2.5%; expected volatility of 22% and 22%; risk-free interest rate of 2.3% and 3.8%; expected life of 5.5 years and 5.5 years.

From annual option plans 1995 - 1999, an aggregate of 40 030 options to purchase the same number of shares were held by members of the Executive Board, as of 31 December 2000. Options vest after four years.

The Group does not recognise compensation expense for these options. If compensation expense for the options had been recognised, the Group's net income and earnings per share would approximate the pro forma amounts in the following table:

CHF millions	1999	2000
Net income	2 414	2 922
Earnings per common share in CHF:		
Basic	169	205
Diluted	169	204

Employee stock purchase plan (discount plan)

Under the terms of the discount plan for 1999, eligible employees of Swiss Re Zurich could choose to purchase shares at a discount of CHF 1 000 per share, or receive a cash equivalent of 90% of Swiss Re Zurich's contribution. Swiss Re Zurich purchases these shares on the open market. The required service for eligibility is one calendar year. The number of shares that an employee can purchase are 15 shares for senior managers, 10 shares for managers and 5 shares for other staff. This plan was discontinued after 1999.

Under the plan, Swiss Re Zurich sold 6 525 shares to employees with an associated cost of CHF 7 million in 1999. This cost is included in other operating costs and expenses.

15. Commitments and contingent liabilities

Other commitments

As of 31 December 1999 and 2000, the Group had outstanding guarantees of CHF 2 455 million and CHF 2 815 million, respectively.

As a participant in limited investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnership for periods of up to 10 years. The total commitments remaining uncalled as of 31 December 1999 and 2000 were CHF 964 million and CHF 1 074 million, respectively.

As part of its regular business, the Group makes capital (equity, debt) available to clients, contingent on the occurrence of a defined event. These commitments expire as follows:

As of 31 December 2000	CHF millions
2001	249
2002	81
2004	55
2005	984
Total	1 369

The Group had four and five guarantees as of 31 December 1999 and 2000, respectively, which primarily indemnify the purchasers of former Group entities for possible run-off losses or claims for pending litigation. The Group enters into guarantees with regulators, purchasers of former group entities and others in the ordinary course of business.

As part of its normal business operations, the Group enters into a number of agreements for the leasing of premises. Such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

As of 31 December 2000	CHF millions
2001	44
2002	41
2003	38
2004	37
2005	35
After 2005	210
Total	405

The corresponding lease expenses incurred in 1999 and 2000 were CHF 44 million and CHF 41 million, respectively.

In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these or any other legal matters will not have a material adverse effect on the Group's business, consolidated financial position or results of operations.

16. Assets under management

The Group acts as manager for certain pooled funds that operate similar to mutual funds. As of 31 December 1999 and 2000, net third party assets under management at market value were CHF 3 720 million and CHF 6 017 million, respectively. The Group also manages an investment portfolio belonging to a group of companies in which the Group has an investment that is accounted for using the equity method. The market value of the portfolio, which is not recorded in the Group's balance sheet, amounted to CHF 864 million and CHF 784 million as of 31 December 1999 and 2000, respectively.

17. Information on business segments

The Group provides reinsurance and financial services throughout the world. Swiss Re Group has three business groups, which are determined by the organisational structure. These are Non-Life Business Group, which includes property-casualty reinsurance; Life & Health Business Group, which includes life, health and disability reinsurance; Financial Services Business Group, which includes Swiss Re Investors, Capital Partners and New Markets. The Corporate Centre provides direction and Group-wide support to the business groups.

The main expenses excluded from the measurement of segments are goodwill amortisation, interest expenses, indirect taxes and foreign exchange gains/losses.

Investment income and assets are allocated to business groups based on the investment income and assets of the legal entities that are operated by these business groups. Where one entity is controlled by two or more business groups, the investment income and assets are hypothecated to these business groups using technical liabilities and other information as a key for the allocation.

1999 CHF millions	Non-Life	Life & Health	Financial Services	Corporate Centre	Reconcili- ation	Consoli- dated
Revenues						
Premiums earned	8 916	7 311	1 824			18 051
Net investment income	1 564	1 839	422		21	3 846
Net realised investment gains	1 904	655	659		370	3 588
Other revenues			97		149	246
Expenses						
Claims and claim adjustment ex- penses; life and health benefits	- 7 980	- 6 119	- 1 382		- 52	-15 533
Acquisition costs	- 2 062	- 1 732	- 179			- 3 973
Amortisation of goodwill					- 211	- 211
Other operating costs and expenses	- 829	- 449	- 708	- 293	- 506	- 2 785
Operating income/expense	1 513	1 505	733	- 293	- 229	3 229

2000 CHF millions	Non-Life	Life & Health	Financial Services	Corporate Centre	Reconcili- ation	Consoli- dated
Revenues						
Premiums earned	11 530	8 330	2 221			22 081
Net investment income	1 722	2 530	458		92	4 802
Net realised investment gains	2 459	453	738		625	4 275
Other revenues			217		178	395
Expenses						
Claims and claim adjustment ex- penses; life and health benefits	- 10 143	- 7 448	- 2 040			- 19 631
Acquisition costs	- 2 653	- 1 912	- 318			- 4 883
Amortisation of goodwill					- 310	- 310
Other operating costs and expenses	- 751	- 506	- 845	- 321	- 651	- 3 074
Operating income/expense	2 164	1 447	431	- 321	- 66	3 655

a) Non-Life Business Group – Line of business

1999 CHF millions	Property	Liability	Motor	Accident, health	Other lines	Non-Life Business Group
Revenues						
Premiums earned	2 869	2 220	1 860	511	1 456	8 916
Expenses						
Claims and claim adjustment expenses	- 2 609	- 1 875	- 1 973	- 327	- 1 196	- 7 980
Acquisition costs	- 800	- 357	- 430	- 121	- 354	- 2 062
Other operating costs and expenses	- 332	- 168	- 94	- 37	- 198	- 829
Underwriting result	- 872	- 180	- 637	26	- 292	- 1 955
Claims ratio in %	91	84	106	64	82	90
Expense ratio in %	39	24	28	31	38	32
Combined ratio in %	130	108	134	95	120	122

2000 CHF millions	Property	Liability	Motor	Accident, health	Other lines	Non-Life Business Group
Revenues						
Premiums earned	3 850	2 326	2 520	889	1 945	11 530
Expenses						
Claims and claim adjustment expenses	- 3 827	- 1 822	- 2 384	- 718	- 1 392	- 10 143
Acquisition costs	- 913	- 485	- 478	- 230	- 547	- 2 653
Other operating costs and expenses	- 219	- 154	- 120	- 72	- 186	- 751
Underwriting result	- 1 109	- 135	- 462	- 131	- 180	- 2 017
Claims ratio in %	99	78	94	81	71	88
Expense ratio in %	30	28	24	34	38	29
Combined ratio in %	129	106	118	115	109	117

b) Life & Health Business Group

CHF millions	1999	2000
Revenues		
Premiums earned	7 311	8 330
Net investment income	1 839	2 530
Net realised investment gains	655	453
Expenses		
Claims and claim adjustment expenses; life and health benefits	- 6 119	- 7 448
Acquisition costs	- 1 732	- 1 912
Other operating costs and expenses	- 449	- 506
Operating income/expense	1 505	1 447

c) Financial Services Business Group

CHF millions	1999	2000
Revenues		
Premiums earned	1 824	2 221
Net investment income	422	458
Net realised investment gains	659	738
Other revenues	97	217
Expenses		
Claims and claim adjustment expenses	- 1 382	- 2 040
Acquisition cost	- 179	- 318
Other operating costs and expenses	- 708	- 845
Operating income/expense	733	431

d) Geographic gross premiums written

CHF millions	1999	2000
United States	6 450	8 354
United Kingdom	2 541	3 801
Germany	1 747	1 866
The Netherlands	1 400	1 447
Italy	1 068	1 139
Canada	847	781
Switzerland	814	1 570
Other	5 794	7 099
Total	20 661	26 057

e) Gross premiums written by line of business

CHF millions	1999	2000
Property	3 904	4 838
Liability	2 909	3 578
Motor	2 063	2 661
Accident/health	644	1 046
Marine	601	800
Aviation	289	429
Credit/surety	1 489	2 519
Engineering/other lines	753	1 008
Subtotal non-life	12 652	16 879
Life	8 009	9 178
Total gross premiums written	20 661	26 057

	Affiliation in % as of 31.12.2000	Method of consolidation
18. Subsidiaries and equity investees		
Europe		
Switzerland		
European Reinsurance Company of Zurich	100	f
Schweiz Allgemeine Versicherungsgesellschaft	100	f
Swiss Re Investors Zurich	100	f
Swiss Re Partnership Holding AG	100	f
Xenum Finance AG	42.5	e
Germany		
Bavarian Reinsurance Company Limited	100	f
Bayerische Rück-Holding Aktiengesellschaft	100	f
United Kingdom		
European Credit and Guarantee Insurance PCC Limited	100	f
Fox-Pitt, Kelton Group Limited	66.6	f
Palatine Insurance Company Limited	100	f
SR International Business Insurance Company Ltd.	100	f
Swiss Re Asset Management Ltd.	100	f
Swiss Re Capital Markets Limited	100	f
Swiss Re GB Limited	100	f
Swiss Re Life & Health Limited	100	f
Swiss Re New Markets Ltd.	100	f
Swiss Re (UK) House Ltd.	100	f
Swiss Reinsurance Company UK Limited	100	f
The Mercantile & General Reinsurance Company	100	f
Ireland		
Swiss Re International Treasury Ltd.	100	f
Bavarian Reinsurance Ireland Ltd.	100	f
Italy		
Swiss Re Italia S.p.A.	100	f
Luxembourg		
Rück Treasury & Management (Luxembourg) S.A.	100	f
Swiss Re Treasury (Luxembourg) S.A.	100	f
Netherlands		
Holland Re Holding B.V. with 2 subsidiaries	100	f
NCM Holding N.V. with 11 subsidiaries	90	f
Norway		
Bayerische Rück Norge AS	100	f

Method of consolidation:

f full

e equity

¹ voting share 24.74%

	Affiliation in % as of 31.12.2000	Method of consolidation
North America		
Barbados		
Atlantic International Reinsurance Company Ltd.	100	f
European Atlantic Reassurance Company Ltd.	100	f
European Finance Reinsurance Company Ltd.	100	f
European International Holding Company Ltd.	100	f
European International Reinsurance Company Ltd.	100	f
Stockwood Reinsurance Company Ltd.	100	f
Bermuda		
Englewood Reinsurance Company Ltd.	100	f
Harrington International Insurance Ltd.	71.43	f
Life Re International, Ltd.	100	f
Partner Reinsurance Company ¹	24.51	e
SwissRe Finance (Bermuda) Ltd.	100	f
SwissRe Investments (Bermuda) Ltd.	100	f
Canada		
Swiss Reinsurance Company Canada	100	f
Swiss Re Holdings (Canada) Inc.	100	f
Swiss Re Life & Health Canada	100	f
Grand Cayman		
Harrington Holdings Ltd.	71.43	f
US		
Facility Insurance Holding Corporation	100	f
Allied Life Financial Corporation	100	f
Assure America, Inc.	100	f
International Risk Management Group Ltd. with 28 subsidiaries	100	f
Life Re Capital Trust I	100	f
Life Re Capital Trust II	100	f
Life Reassurance Corporation of America	100	f
LSL Financial Corporation	100	f
Midland Life Insurance Company	100	f
Reassure America Life Insurance Company	100	f
Texas Re Life Insurance Company	100	f
NAS Management Inc.	100	f
North American Capacity Insurance Company	100	f
North American Elite Insurance Company	100	f
North American Specialty Insurance Company	100	f
Swiss Reinsurance America Corporation	100	f
Swiss Re America Holding Corporation	100	f
Swiss Re Atrium Corporation	100	f
Swiss Re Capital Markets Corporation	100	f
Swiss Re Financial Products Corporation	100	f
Swiss Re Investors America	100	f
Swiss Re Life & Health America Inc.	100	f
Swiss Re Management Corporation	100	f

	Affiliation in % as of 31.12. 2000	Method of consolidation
Swiss Re New Markets Corporation	100	f
Underwriters Re	100	f
Washington International Insurance Company	100	f
<hr/>		
Latin America		
Mexico		
Swiss Re México, S.A.	94.78	f
<hr/>		
Australia		
Swiss Re Australia Ltd.	100	f
Swiss Re Life & Health Australia Limited	100	f
The Mercantile and General Reinsurance Company of Australia Limited	100	f
Swiss Re Investors Australia Pty Ltd.	100	f
<hr/>		
Africa		
South Africa		
Swiss Re Southern Africa Limited	100	f
Swiss Re Life & Health Southern Africa Limited	100	f
Swiss Re Investors Southern Africa	100	f
<hr/>		
Asia		
Hong Kong		
Swiss Re Investors Asia Limited	100	f

Method of consolidation:

f full
e equity

19. Change in accounting basis

The Group has changed its accounting policies and presentation to conform to more widely accepted international practice. Therefore certain accounting policies changed from one acceptable method to another under the Swiss ARR basis. The nature and impact of these changes are set out below.

Reconciliation of previously published 1999 figures to new basis Swiss GAAP

CHF millions	Net income	Net equity
As previously published	2 789	17 778
Goodwill	- 211	4 121
Acquired present value of future profits (PVFP)	- 242	2 678
Investment valuation changes	367	1 307
Non-life reserves and loss adjustment expense (LAE)	110	- 1 613
Life reserves and deferred acquisition costs	- 287	1 020
Exchange rate impacts	- 215	118
Deferred tax	82	- 935
Other	53	358
New basis Swiss GAAP	2 446	24 832

The main differences between the accounting standards used by the Swiss Re Group in the 1999 Annual Report as previously published and those now adopted are set out below.

Goodwill

For new basis Swiss GAAP, the excess of the cost of the acquired businesses over the fair value of the net assets acquired is recorded as goodwill and amortised over periods of between 5 and 20 years. Under the old basis, goodwill arising on the acquisition of consolidated entities was offset through retained earnings.

Acquired present value of future profits

PVFP represents the discounted value of estimated future gross profits on in-force life business acquired. The asset is amortised over the expected revenue recognition period of the underlying acquired business. Under the old basis, elements of PVFP were implicitly included in goodwill.

Investment valuation changes

Land and buildings leased to unrelated third parties are recorded at depreciated cost, net of any impairment charges and classified as investment property. Real estate investments held for resale are accounted for at the lower of carrying value or market and are not depreciated. Under the old basis, investments in land and buildings were recorded at market value with realised gains and losses from sales as well as valuation adjustments included in the income statement.

Under the new basis, minority (typically less than 20% interests) shareholdings are accounted for as "Available for sale" securities, and are recorded at fair value. Unrealised gains and losses are recorded in equity and other than temporary declines in value below cost are recorded in income. Other minority shareholdings were accounted for at the lower of cost or market under the old basis.

Notes

Non-life reserves and loss adjustment expense (LAE)

Contracts that do not meet the risk transfer requirements defined as transferring a significant possibility of a significant loss to the reinsurer are accounted for as deposit arrangements. Assets and liabilities transferred for such transactions are recorded as assets and liabilities in the balance sheet, with a service fee recognised in revenues. Under the old basis, such transactions were recorded as reinsurance, with all transferred assets and claims provisions recorded in the balance sheet, and as premium revenues and claims expenses, respectively, in the income statement.

For new basis Swiss GAAP, unpaid non-life claims provisions may only be discounted if the payment pattern and ultimate cost are fixed and determinable on an individual basis. Under the old basis, claims provisions for finite risk reinsurance and acquired blocks of retroactive reinsurance business were discounted if this was required for statutory reporting of the Group company.

Included with provisions for unpaid claims are provisions for estimated future costs associated with the settling of incurred claims. The change in the provision is recorded as part of claims expenses in the income statement. For the old basis, the recording of such items was in accordance with statutory practice of the respective Group company.

Life reserves and deferred acquisition costs

Liabilities for life and health policy benefits are generally calculated using the net level premium method, based on assumptions which are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. Under the old basis, liabilities for policy benefits were based on the statutory requirements for each Group company.

Exchange rate impacts

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange on the balance sheet date. Revenues and expenses are translated at average exchange rates. Unrealised gains or losses resulting from translation of functional currencies to the reporting currency are included in the currency translation account in equity. Under the old basis, all items in the balance sheet and income statement denominated in a foreign currency were translated at the year-end rate of exchange. The difference resulting from the revaluation of opening balances was recorded in retained earnings.

Deferred tax

This is the impact of deferred taxes on the differences described above.

Report of the Group auditors

To the General Meeting of
Swiss Reinsurance Company
Zurich

As auditors of the Group, we have audited the consolidated financial statements (income statement, balance sheet, statement of shareholders' equity, statement of comprehensive income, statement of cash flow and notes / pages 39 to 44 and 46 to 84) of Swiss Re Group for the year ended 31 December 2000.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting and Reporting Recommendations (ARR) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Michael P. Nelligan Rudolf A. Bless

Zurich, 24 April 2001



*“Access to sufficient water
of good quality is a basic human need.”*

Annual report Swiss Reinsurance Company

Reinsurance and holding company

Swiss Reinsurance Company performs a dual role within the Swiss Re Group as both a reinsurance and a holding company. The assessment of the market position, profitability and financial strength of our world-wide organisation must focus primarily on the consolidated financial statements.

The following commentary on the 2000 financial year of the parent company therefore complements the review of the financial year of the Swiss Re Group and is intentionally kept short.

Profit for the financial year

After-tax profit for the financial year amounted to CHF 1 146 million, following CHF 1 759 million in 1999.

This decline in profit is attributable to the technical result, which fell considerably from CHF -487 million in the previous year to CHF -1 321 million. In contrast, the non-technical result rose from CHF 2 436 million in 1999 to CHF 2 646 million.

Reinsurance result

In the year under report, a strong growth in premium volume was recorded, as net premiums written increased by 16% to CHF 8 525 million. This was accompanied by lower administrative expenses and only modestly higher overall operating expenses. The technical result is marked by a considerable increase in claims incurred of CHF 1 354 million, which is partly related to Group internal retrocessions and a contribution of CHF 371 million to the provision for catastrophe claims (release of CHF 833 million in 1999).

Investment income and investments

The investment result rose by CHF 149 million to CHF 3 673 million. As a result of capital market trends, which continued favourably, realised gains on the sale of investments once again increased significantly and reached CHF 4 183 million. These were accompanied by valuation adjustments of CHF 2 044 million, which consisted predominantly of precautionary valuation adjustments to the securities portfolio as well as the write-off of goodwill resulting from acquisitions in recent years.

The balance sheet amount of investments increased by CHF 1.0 billion to CHF 37.8 billion. Most notably, participation assets increased due to capital contributions to existing subsidiaries.

Access to sufficient water of good quality is a basic human need. Today, over one-fifth of the world's population still does not have access to safe drinking water and natural water resources are continually being polluted. Unless properly managed, water scarcity will also curb additional food production. Since Switzerland is so fortunate as to be located in the "water tower" of Europe, it is our task to back others in their efforts to deploy their water resources wisely. My institute and I are accepting the challenge to become a global player in helping to achieve fair partnerships for water.

Alexander J. B. Zehnder
Director of Swiss Federal
Institute for Environmental
Science and Technology, Zurich

Technical provisions

The technical provisions continued to rise and amounted to CHF 23 486 million on the balance sheet date. The increase of CHF 1 707 million reflects the higher business volume and the loss burden incurred during the financial year. Furthermore, reserves were strengthened by a contribution to the provision for catastrophe claims in the amount of CHF 371 million; as of the balance sheet date, this provision amounted to CHF 1 696 million.

Subordinated liabilities

As of 31 December 2000, the company held four different perpetual subordinated liabilities totalling CHF 1 942 million. These liabilities combine elements of debt and equity, and may be included in solvency calculations.

Shareholders' equity

Shareholders' equity at year-end 1999 amounted to CHF 6 470 million. Movements during the year include the dividend payment of CHF 712 million as well as the consideration of the capital reduction from shares repurchased to a total value of CHF 195 million. Furthermore, a special allocation of CHF 130 million mainly related to a Group internal merger was considered. With the inclusion of the profit for the financial year 2000, shareholders' equity equalled CHF 6 839 million at year-end 2000.

At the General Meeting on 30 June 2000, a capital reduction in the amount of the 72 650 shares repurchased was approved, thus reducing the nominal share capital of the company to CHF 146 583 010, consisting of 14 658 301 registered shares with a par value of CHF 10.

Income statement Swiss Reinsurance Company

For the years ended 31 December

CHF millions	Notes	1999 Net	2000 Net
Technical account			
Premiums earned	1	7 060	7 680
Claims incurred	2	- 5 818	- 7 172
Change in the provisions for life reinsurance	3	- 53	112
Profit commissions	4	- 174	- 248
Operating expenses	5	- 2 416	- 2 692
Allocated investment return		914	999
Technical result		- 487	- 1 321
Non-technical account			
Investment income	6	5 774	6 353
Investment charges	7	- 2 250	- 2 680
Allocated investment return		- 914	- 999
Interest charges		- 188	- 195
Other income		214	353
Other charges		- 200	- 186
Non-technical result		2 436	2 646
Extraordinary income and charges			
Extraordinary income		450	-
Extraordinary charges		- 450	-
Extraordinary result		0	-
Total result			
Profit before tax		1 949	1 325
Tax		- 190	- 179
Profit for the financial year		1 759	1 146

The accompanying notes are an integral part of the financial statements.

Balance sheet Swiss Reinsurance Company

As of 31 December

Assets

CHF millions	1999	2000
Investments		
Land and buildings	1 843	2 022
Investments in subsidiaries and affiliated companies	11 903	15 403
Loans to subsidiaries and affiliated companies	4 010	1 923
Shares	6 713	6 961
Fixed income securities and registered debt instruments	6 821	6 523
Mortgages and loans	552	580
Time deposits	1 138	300
Deposits with ceding companies	3 794	4 064
Total investments	36 774	37 776
Debtors		
Debtors from reinsurance operations	1 309	2 481
Other debtors	389	256
Total debtors	1 698	2 737
Other assets and accruals		
Cash at bank and in hand	214	287
Intangible assets	–	60
Fixed and other assets	126	140
Accrued interest and rent	160	152
Other accruals	98	74
Total other assets and accruals	598	713
Total assets	39 070	41 226

Balance sheet Swiss Reinsurance Company

As of 31 December

Liabilities and shareholders' equity

CHF millions	Notes	1999	2000
Technical provisions	8	21 779	23 486
Provisions for other risks and charges		4 405	4 117
Deposits retained from ceded reinsurance business		68	226
Other liabilities and accruals	9	4 350	4 616
Subordinated liabilities		1 998	1 942
Shareholders' equity	10		
Share capital		147	147
Legal reserve		650	650
Reserve for own shares		1 005	249
Other reserves		2 897	4 638
Disposable profit		1 771	1 155
Retained earnings brought forward	9		
Profit for the financial year	1 146		
Total shareholders' equity		6 470	6 839
Total liabilities and shareholders' equity		39 070	41 226

The accompanying notes are an integral part of the financial statements.

Notes Swiss Reinsurance Company

Valuation principles

Basis of presentation	<p>The income statement and the balance sheet are presented in a format which follows the Accounting and Reporting Recommendations issued by the Swiss Foundation for Accounting and Reporting. The financial statements and the notes are prepared in accordance with the regulations of the Swiss Company Law.</p>
Time period	<p>The 2000 financial year comprises the accounting period from 1 January to 31 December 2000. However, due to local convention, reinsurance business from Japan included in the accounts is for the period from 1 April 2000 to 31 March 2001.</p>
Valuation methods: Income statement	<p>The <i>allocated investment return</i> includes the actual investment income which can be directly attributed to the reinsurance business. In addition, it contains the investment return generated on the investments covering the technical provisions. The interest rate reflects the currency-weighted five-year average yield on five-year government bonds.</p> <p>The overall <i>management charges</i> are allocated to the reinsurance business and the investment business on an imputed basis. Self-charged rent on properties used for own purposes is included in these expenses as well as in <i>income from land and buildings</i>.</p> <p>The <i>taxes</i> relate to the financial year and include taxes on income and capital as well as indirect taxes. The taxes attributable to foreign branches are included on the basis of local financial statements.</p>
Balance sheet/Assets	<p>The following assets are stated at cost, less necessary and legally permissible depreciation:</p> <ul style="list-style-type: none">– <i>Land and buildings (purchase or construction cost)</i>– <i>Investments in subsidiaries and affiliated companies</i>– <i>Shares</i>– <i>Fixed income securities and registered debt instruments</i>– <i>Derivative financial instruments (without hedging intent)</i> <p>These assets are not subject to revaluation. Discounted securities are valued at their amortised cost. Derivative financial instruments used for hedging purposes are valued on the basis of the underlying business. The valuation rules prescribed by the Swiss insurance supervisory authority are observed.</p> <p>With the exception of property, <i>fixed assets</i> are stated at cost, less individually scheduled straight-line depreciation over their useful lives. Items of minor value are not capitalised. The same principles apply to the capitalisation of <i>intangible assets</i> which refer entirely to software development expenses.</p> <p>The following items are stated at nominal value in the balance sheet, after deduction of known credit risks if applicable:</p> <ul style="list-style-type: none">– <i>Loans to subsidiaries and affiliated companies</i>– <i>Mortgages and loans</i>– <i>Time deposits</i>– <i>Deposits with ceding companies</i>– <i>Debtors</i>– <i>Cash at bank and in hand</i>

Balance sheet/ Liabilities

The *technical provisions* are valued in accordance with the following principles:

Premiums written relating to future periods are stated as *provisions for unearned premiums* and are normally calculated by statistical methods.

The technical provisions for life reinsurance business are determined on the basis of actuarially calculated present values taking experience into account. They also include the provisions for unearned premiums of life reinsurance and the deduction of deferred charges.

Provisions for claims outstanding are based on information provided by clients and own estimates of expected claims experience which are drawn from empirical statistics. These include provisions for claims incurred but not reported. Unpaid insurance obligations are set aside at the full expected amount of future payment.

Provisions for profit commissions are based on contractual agreements with clients and depend on the results of reinsurance treaties.

At the direction of the Swiss insurance supervisory authority, a *provision for catastrophe claims* is established.

Provisions for other risks and charges are formed according to business principles and are based on estimated needs. *Provisions for taxation* contain prospective taxes on the basis of the financial year just ended.

Deposits retained from ceded reinsurance business as well as *subordinated and other liabilities* are stated at redemption value. Exceptions are the derivative financial instruments included under the item *Other creditors*: these are valued using the same principles applied for the derivative financial instruments included under investments.

Foreign currency translation

All items in the balance sheet and the income statement denominated in foreign currencies were uniformly translated into Swiss francs at the currency exchange rates applicable on the balance sheet date. Differences arising from the recalculation of the opening balance sheet are booked via a corresponding provision and have no impact on the income statement.

Valuation differences from foreign exchange transactions versus the actually realised transaction rates are recognised in the income statement.

The currency exchange rates applicable for key currencies are shown on page 53.

Notes Swiss Reinsurance Company

Additional information on the financial statements

CHF millions	1999		2000			
	Gross	Retro	Net	Gross	Retro	Net
Technical account						
Premiums written	7 882	- 525	7 357	9 462	- 937	8 525
Change in the provision for unearned premiums	- 294	- 3	- 297	- 844	- 1	- 845
1. Premiums earned	7 588	- 528	7 060	8 618	- 938	7 680
Claims paid	- 5 025	385	- 4 640	- 5 916	222	- 5 694
Change in the provision for claims outstanding	- 1 299	121	- 1 178	- 1 589	111	- 1 478
2. Claims incurred	- 6 324	506	- 5 818	- 7 505	333	- 7 172
3. Change in the provision for life reinsurance	- 56	3	- 53	- 113	225	112
4. Profit commissions	- 231	57	- 174	- 308	60	- 248
Commissions	- 1 527	92	- 1 435	- 1 875	145	- 1 730
Administrative expenses			- 981			- 962
5. Operating expenses			- 2 416			- 2 692

CHF millions	1999	2000
Investment result		
Income from land and buildings	139	146
Dividend and interest from subsidiaries and affiliated companies	1 954	1 140
Dividend income	214	191
Income from fixed income securities, loans and mortgages	490	465
Income from time deposits	35	44
Income from deposits with ceding companies	155	184
Realised gains on sale of investments	2 787	4 183
6. Investment income	5 774	6 353
Investment management charges	- 121	- 105
Valuation adjustments on investments	- 1 738	- 2 044
Realised losses on sale of investments	- 391	- 531
7. Investment charges	- 2 250	- 2 680
Investment result	3 524	3 673

CHF millions			1999			2000
	Gross	Retro	Net	Gross	Retro	Net
8. Technical provisions						
Provisions for unearned premiums	1 557	- 18	1 539	2 363	- 18	2 345
Provisions for life reinsurance	2 294	12	2 306	2 355	- 211	2 144
Provisions for claims outstanding	16 759	- 250	16 509	17 533	- 350	17 183
Provisions for profit commissions	104	- 4	100	123	- 5	118
Provision for catastrophe claims	1 325	-	1 325	1 696	-	1 696
Total technical provisions	22 039	- 260	21 779	24 070	- 584	23 486

CHF millions			1999			2000
9. Other liabilities and accruals						
Creditors arising out of reinsurance operations			1 763			1 769
Amounts owed to banks			29			75
Debentures			500			500
Loans			908			959
Other creditors			961			1 146
Accruals			189			167
Total other liabilities and accruals			4 350			4 616

CHF millions			1999			2000
10. Shareholders' equity						
Change in shareholders' equity						
Shareholders' equity on 31 December (previous year)			5 398			6 470
Dividend paid for the previous year			- 687			- 712
Share buyback/ capital reduction			-			- 195
Special allocations			-			130
Profit for the financial year			1 759			1 146
Shareholders' equity on 31 December before allocation of profit			6 470			6 839
Dividend payment			- 712			- 713 ¹
Shareholders' equity on 31 December after allocation of profit			5 758			6 126
Source of shareholders' equity (after allocation of profit)						
From nominal capital			147			147
From share premium, less share buyback/ capital reduction			1 934			1 753
From profit allocation			3 493			3 927
From other allocations			184			299
Shareholders' equity on 31 December after allocation of profit			5 758			6 126

¹ Board of Directors' proposal to the General Meeting of 31 May 2001

Notes Swiss Reinsurance Company

Additional information

Contingent liabilities Contingent liabilities, mainly towards Group companies, amounted on 31 December 2000 to CHF 1 672 million (1999: CHF 2 149 million). In addition, there were 17 unlimited guarantees and other contingent liabilities; 14 of these are for obligations towards Group companies. No payments are expected under these guarantees.

Security deposits To secure the technical provisions on the 2000 balance sheet date, securities in the amount of CHF 1 987 million were deposited in favour of ceding companies (1999: CHF 2 132 million). In addition, a mortgage of CHF 7 million exists on a real estate property with a book value of CHF 16 million.

Fire insurance value of tangible assets The insurance value of tangible assets, comprising the real estate portfolio and other tangible assets, amounted on 31 December 2000 to CHF 2 605 million (1999: CHF 2 325 million).

Obligations towards employee pension funds The current account obligations towards employee pension funds amounted to CHF 61 million on the 2000 balance sheet date (1999: CHF 151 million).

Bonds and debentures The company has the following outstanding bonds and debentures:
3³/₄% interest, CHF 500 million, 2 July 1997–2007
3³/₄% interest, CHF 600 million, perpetual from 15 June 1999 but no less than 12 years; this bond is included in the item Subordinated liabilities.

Investments in subsidiaries Details on the Swiss Re Group's subsidiaries are to be found on pages 80 ff.

Own shares Swiss Re Group Own shares held by the Swiss Re Group are stated on page 68.

CHF millions	1999	2000
Deposits with ceding companies	1 504	1 716
Debtors	599	1 432
Deposits retained from ceded reinsurance business	–	162
Other liabilities	631	791

Provisions for other risks and charges This item contains provisions for taxation in the amount of CHF 221 million (1999: CHF 229 million) and other provisions totalling CHF 3 896 million (1999: CHF 4 176 million). Other provisions notably include a provision deriving from the restructuring of participations and a provision for currency fluctuations.

Other liabilities and accruals Other liabilities and accruals are long-term liabilities in the amount of CHF 1 177 million (1999: CHF 1 408 million) and short-term liabilities amounting to CHF 3 439 million (1999: CHF 2 942 million).

Netting of income and charges In the 1999 income statement, income and charges in the equal amount of CHF 3 500 million were netted. These positions resulted from a Group internal restructuring of participations and had no impact on the profit.

Major shareholders	Based on the information at our disposal, Credit Suisse Group owned 977 441 registered shares of Swiss Reinsurance Company on 20 April 2001, representing 6.67% of the total share capital.
Personnel information	In Switzerland, Swiss Reinsurance Company employed a staff of 2 841 on the balance sheet date (1999: 2 870). Personnel expenses for the 2000 financial year amounted to CHF 687 million (1999: CHF 648 million).
Actuarial audit	The independent actuary, Paul Embrechts, Oberrohrdorf, has confirmed in his report that the balance sheet provisions for the life reinsurance business stated at year-end 2000 have been calculated in accordance with European Union guidelines.

Proposal for allocation of profit

The General Meeting to be held in Zurich on 31 May 2001 has at its disposal the following balance sheet profit (cf. income statement and balance sheet, pages 89 to 91):

in CHF	1999	2000
Retained earnings brought forward from previous year	12 130 609	9 303 357
Profit for the financial year	1 758 930 798	1 146 087 021
Disposable profit	1 771 061 407	1 155 390 378

	Number of registered shares	Nominal capital in CHF
Share structure		
For the financial year 2000		
- eligible for dividend	14 253 041	142 530 410
- not eligible for dividend	405 260	4 052 600
Total shares issued	14 658 301	146 583 010

The Board of Directors proposes to the General Meeting to allocate this profit as follows:

in CHF	1999	2000
Dividend	711 758 050	712 652 050
Allocation to reserves	1 050 000 000	430 000 000
Balance carried forward	9 303 357	12 738 328
Disposable profit	1 771 061 407	1 155 390 378

Dividend

If the proposal of the Board of Directors is accepted, a dividend of CHF 50 per share will be paid.

After deduction of the Federal Withholding Tax of 35%, the dividend will be paid from 6 June 2001 by means of dividend order to shareholders recorded in the share register or to their deposit banks.

Zurich, 24 April 2001

Report of the statutory auditors

To the General Meeting of
Swiss Reinsurance Company
Zurich

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes/pages 89 to 98) of Swiss Reinsurance Company for the year ended 31 December 2000.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's Articles of Association.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Michael P. Nelligan Rudolf A. Bless

Zurich, 24 April 2001



“We must learn to share scarce resources.”

Without water there would be no life. And good fresh water is becoming scarce on our planet. How can we share this precious resource in a sustainable way without resorting to violence? The River Nile, for example, lies at the centre of a complex system of waterways, economic and political aspirations, various development programmes, basic human needs and sophisticated management methods. The conflict and risk potential is huge, but so is the potential for fruitful cooperation. The Nile is becoming a supreme paradigm of how (or whether) man is able to deal with this new type of complex problem. My challenge is to contribute to in-depth

understanding of such situations and to the development of conflict-solving strategies for the equitable and sustainable use of scarce resources.

Kurt R. Spillmann
Director of Centre for Security
Studies and Conflict Research,
Zurich

Glossary

Accumulation	Concentration of risks which may be affected by the same claim event or concentration of shares in the same risk or same event through reinsurance treaties.
Admin Re	Admin Re is the acceptance of closed blocks of in-force life and health insurance business either through acquisition or reinsurance including assuming the responsibility to administer the underlying policies.
Capacity	<p>The maximum amount of insurance coverage that a company may sell. Companies make judgements about how much insurance coverage they can prudently provide. One factor in determining capacity is state government regulations that define minimum statutory surplus requirements. Capacity also refers to the amount of insurance coverage</p> <ol style="list-style-type: none">1) to a particular policyholder or2) in the marketplace in general.
Claim	<p>Payment incurred under the terms of a (re)insurance contract for the claim event.</p> <p><i>Claims handling:</i> The work in connection with the investigation, settlement and payment of claims from the time of their occurrence until settlement.</p> <p><i>Claims incurred and claim adjustment expenses:</i> All claims payments plus the adjustment in the outstanding claims provision of a business year and claim adjustment expenses.</p> <p><i>Unpaid claims and claim adjustment expenses:</i> Provision for claims and claim adjustment expenses which have been incurred but not yet finally settled.</p>
Claims ratio	Sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses, in relation to net earned premiums. This ratio enables the assessment of business performance in non-life reinsurance.
Combined ratio	Sum of the claims ratio and the expense ratio. This ratio enables the assessment of business performance in non-life reinsurance before inclusion of investment return.
Commission	Remuneration paid by the insurer to its agents, brokers or intermediaries, or by the reinsurer to the insurer, for its costs in connection with the acquisition and administration of insurance business.
Cover	Insurance and reinsurance protection based on contractual agreement.
Earned premiums	The premiums attributable to the financial year, including unearned premiums of the previous year and minus unearned premiums for the following years.
Expense ratio	Sum of acquisition costs and other operating costs and expenses in relation to net premiums earned. This ratio enables the assessment of business performance in non-life reinsurance.

Life insurance

Insurance providing payment of a sum of money upon death of the insured, or in the case of endowment insurance, upon survival of a specified period.

Annuity insurance: life insurance in which the benefits consist of a regular income payment for a specified period of time.

Life or endowment insurance: life insurance in which the benefits take the form of a contractually determined amount payable upon death or on survival to a specified age.

Non-life insurance

All classes of insurance business with the exception of life.

Accident insurance: Insurance of individuals or of groups against economic risks in the event of death or temporary or permanent disability by accident.

Aviation insurance: Insurance of accident and liability risks, as well as hull damage, in connection with the operation of aircraft.

Burglary, fidelity guarantee and allied lines insurance: Insurance against burglary, breaking and entering, robbery, embezzlement; also includes water damage, glass breakage, damage to and loss of jewellery or damage or losses in connection with the keeping of animals.

Business interruption/loss of profits/business income protection insurance: Insurance against the financial effects of an insured loss on a company's income. The insurance covers overhead costs and lost profit.

Credit insurance: Insurance against financial losses sustained through the failure for commercial reasons of policyholders' customers to pay for goods or services supplied to them.

Disability insurance: Insurance against the incapacity to exercise a profession as a result of sickness or other infirmity.

Employers' liability insurance: Insurance by employers covering employees for injuries arising out of their employment.

Engineering insurance: Insurance of construction and erection objects during the construction or erection period and the insurance of machinery in operating plants.

Fire insurance: Insurance against fire, lightning, explosion or damage caused by falling aircraft; it can also embrace insurance against windstorm, earthquake, flood, and other natural hazards or political risks.

General third party liability insurance: Insurance of industrial, commercial, employers', product, professional or private liability to third parties.

Hail crop insurance: Insurance of crops in open fields, or of greenhouses and their contents against hail, storm and other natural hazards.

Health insurance: Insurance against sickness as a result of accident or illness.

Marine insurance: Insurance against damage or loss of ships and cargoes: also includes offshore drilling platforms.

Mortgage guarantee insurance: Insurance protection of the mortgagee against loss of capital and interest.

Motor insurance: Insurance against accident and liability as well as against accidental collision damage in connection with motor vehicles.

Nuclear energy insurance: Insurance against property damage, liability and accident in connection with the operation of nuclear energy installations.

Product liability insurance: Insurance of the liability of the manufacturer or supplier of goods for damage caused by their products.

Professional and directors' and officers' liability: Insurance of liabilities arising from the performance of professional or official company duties.

Property insurance: Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.

Surety insurance: Sureties and guarantees issued to third parties for the fulfilment of contractual liabilities.

Operating revenues

Premiums earned plus net investment income plus other revenues.

Portfolio

The totality of risks assumed by an insurer or reinsurer; also the totality of investments of a company.

Premiums

The cost of insurance coverage, often described as "written" or "earned". Written premiums refer to premiums for all policies sold during a specific accounting period. Earned premiums refer to premiums an insurance company has recorded as revenues during a specific accounting period. For example, a one-year policy sold on 1 January would produce just three months' worth of "earned premium" in the first quarter of the year.

Reinsurance

Insurance for insurance companies which spreads the risk of the direct insurer, making the risk of its portfolio more homogeneous.

Facultative reinsurance: Reinsurance of the insurer's risks on an individual basis.

Financial reinsurance: Form of reinsurance treaty with specific consideration of accounting features of the insurer.

Non-proportional reinsurance: Form of reinsurance in which the reinsurer assumes – against payment of a specially calculated premium – the part of the insurer's claims that exceed a certain amount.

Proportional reinsurance: Form of reinsurance in which the premiums and claims of the insurer are shared proportionally by the insurer and reinsurer.

Quota-share reinsurance: Form of proportional reinsurance in which a defined percentage of all risks held by the insurer in a specific line is reinsured.

Surplus reinsurance: Form of proportional reinsurance in which risks are reinsured over a specified amount.

Treaty reinsurance: Participation of the reinsurer in certain sections of the insurer's business as agreed by treaty.

Retrocession

Amount of the risk accepted in reinsurance that is passed on by the reinsurer to other reinsurance companies.

Risk

The probability of loss due to an insured object, hazard or interest. Risk involves the possibility of an event occurring causing a loss or an event occurring causing a loss that was larger than previously estimated.

Risk category: Grouping together of risks with similar hazard characteristics.

Risk management: Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.

Risk of change: Fluctuation of actual from statistically anticipated claims experience as a result of technical, social, commercial or political changes.

Underwriting result

Premiums earned less insurance losses and loss adjustment expenses and underwriting expenses (determined on a GAAP or statutory basis). Also referred to as GAAP underwriting result or statutory underwriting result.

Financial years 1997–2000

Based on new accounting principles (1997–1999 restated)

CHF millions	1997	1998	1999	2000
Income statement				
Revenues				
Premiums earned	15 862	16 727	18 051	22 081
Net investment income	2 995	3 131	3 846	4 802
Net realised investment gains	1 281	2 509	3 588	4 275
Other revenues	143	286	246	395
Total revenues	20 281	22 653	25 731	31 553
Expenses				
Claims and claim adjustment expenses	- 8 057	- 8 514	- 9 333	- 12 153
Life and health benefits	- 4 185	- 4 881	- 6 200	- 7 478
Acquisition costs	- 3 767	- 3 661	- 3 973	- 4 883
Amortisation of goodwill	- 75	- 91	- 211	- 310
Other operating costs and expenses	- 1 940	- 2 698	- 2 785	- 3 074
Total expenses	- 18 024	- 19 845	- 22 502	- 27 898
Income before income tax expense	2 257	2 808	3 229	3 655
Income tax expense	- 480	- 647	- 783	- 689
Net income on ordinary activities	1 777	2 161	2 446	2 966
Extraordinary income	-	-	450	-
Extraordinary charges	-	-	- 450	-
Net income	1 777	2 161	2 446	2 966
Balance sheet				
Investments	62 725	69 589	85 684	89 584
Other assets	28 657	38 748	44 516	53 056
Total assets	91 382	108 337	130 200	142 640
Unpaid claims and claim adjustment expenses	41 876	45 866	54 072	59 600
Liabilities for life and health policy benefits	9 963	15 143	23 279	29 300
Unearned premiums	3 691	3 174	4 251	6 131
Other current liabilities	13 757	19 142	18 819	19 764
Long-term debt	3 921	5 049	4 947	5 058
Total liabilities	73 208	88 374	105 368	119 853
Shareholders' equity	18 174	19 963	24 832	22 787
Return on equity in %	n/a	n/a	10.9	11.9
Earnings per share in CHF	118	147	171	208

Swiss Re securities

Key share data		1997	1998	1999	2000	2001 ²
Number of shares issued (par value CHF 10):		15 043 301	14 730 951	14 730 951	14 658 301	14 658 301
of which reserved for corporate purposes		423 140	423 140	423 140	414 678	405 260
Number of shares entitled to dividend		14 620 161	14 307 811	14 307 811	14 243 623	14 253 041
Dividend paid per share	CHF	30	44	48	50	50 ⁴
Net income per share ¹	CHF	118	147	171	208	
Equity per share ¹	CHF	1 243	1 395	1 736	1 601	
Price per share:						
year-end	CHF	2 732	3 581	3 271	3 885	3 361
year high	CHF	2 745	4 145	3 848	3 925	4 003
year low	CHF	1 346	2 026	2 720	2 551	2 876
Average daily trading volume	CHF millions	131.0	168.0	128.5	132.8	164.6
Stockmarket capitalisation ³	CHF millions	39 942	51 236	46 801	55 336	47 904

¹ per share entitled to dividend

³ based on shares entitled to dividend

² all data as of 20 April 2001

⁴ subject to approval by the General Meeting, not including capital repayment of CHF 8

Shareholder structure	Shareholders	%	Shares	%
Number of registered shares as of 31 December 2000:				
1 - 100	44 392	88.55	997 193	7.00
101 - 1 000	5 074	10.12	1 456 385	10.22
1 001 - 5 000	495	0.99	1 019 346	7.16
5 001 - 10 000	72	0.14	501 110	3.52
over 10 000	99	0.20	6 061 227	42.55
total	50 132	100.00	10 035 261	70.45
Number of unregistered shares			4 208 362	29.55
Number of shares entitled to dividend			14 243 623	100.00

Stock exchange listing

The shares of Swiss Re are listed on the Swiss Exchange as security number 124.558. In addition, on 1 February 1996, an American Depositary Receipts Program (ADR level I, over-the-counter) was launched together with Morgan Guaranty Trust Company of New York. One ADR corresponds to 1/20 of a Swiss Re share. It is intended that after the proposed 20-for-1 share split one ADR will correspond to one Swiss Re share.

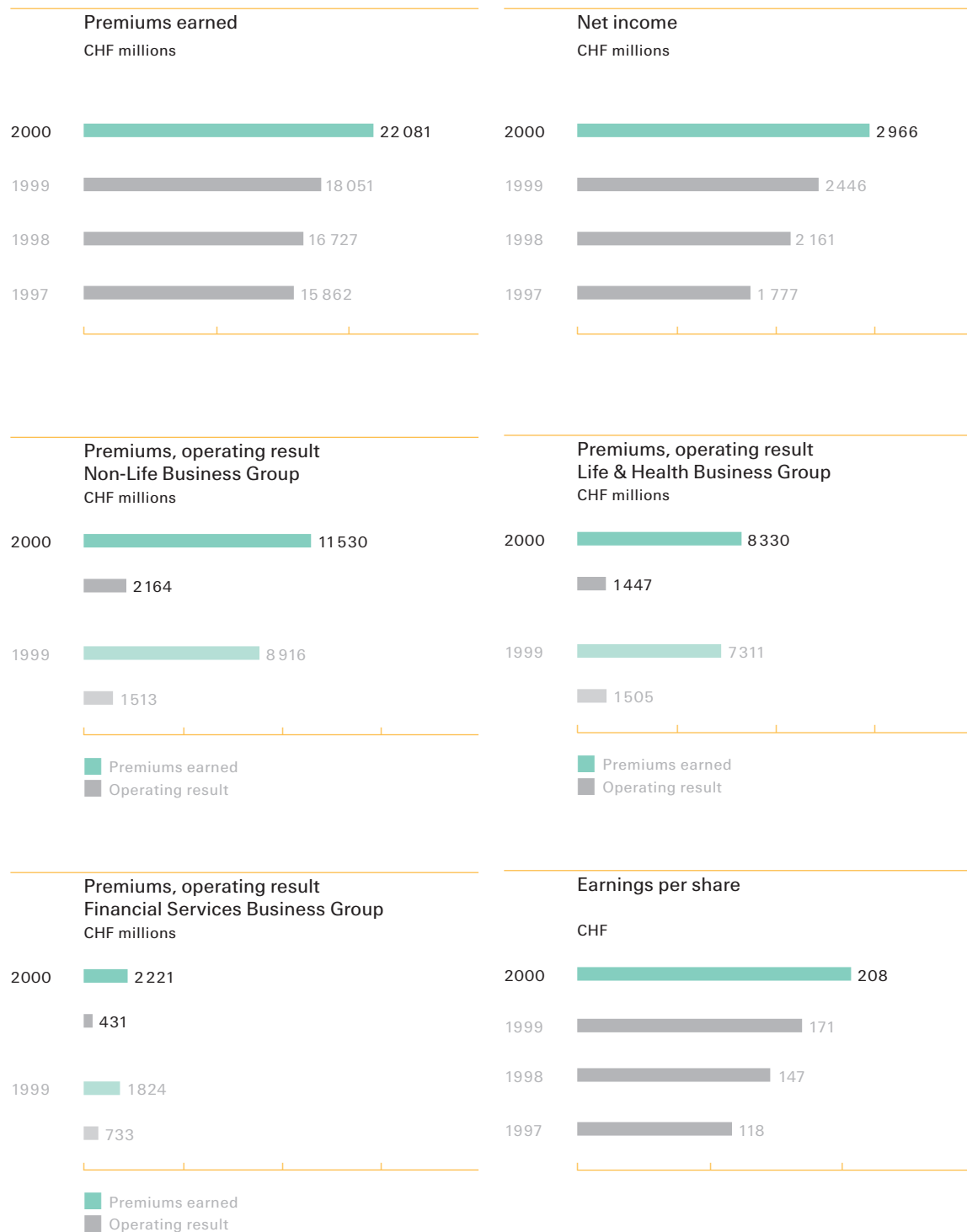
Outstanding bonds

Instruments	Maturity	Issued in	Currency	Nominal in millions	Interest rate	Price 31.12.2000
Exchangeable bond (ING)	2003	1998	NLG	925	1.25%	110.25
Exchangeable bond (TRIPLES)	2004	1999	USD	530	2.25%	102.12
Straight bond	2007	1997	CHF	500	3.75%	101.20
Subordinated perpetual bond (SUPERBs)	Perpetual	1999	CHF	600	3.75%*	94.00

* until 2011

Ticker symbols	Bloomberg	Telekurs	Reuters
Share	RUKN SW	RUKN	RUKZn.S
ADR, Level 1	SWCEY US	SWCEY	
Bonds	SCHREI 1-3		

Chart analysis



Cautionary statement regarding forward-looking statements

Certain statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in Swiss Re's core markets, (ii) performance of financial markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) interest rate levels, (vi) currency exchange rates, (vii) increasing levels of competition, (viii) changes in laws and regulations, (ix) changes in the policies of central banks and/or foreign governments, and (x) general competitive factors, in each case on a global, regional and/or national basis.

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Important dates

31 May 2001
137th Ordinary General Meeting

6 June 2001
Payment of dividend

7 September 2001
Interim Report

6 May 2002
138th Ordinary General Meeting

French, German, Italian and Spanish translations of this report are also available.

The *Annual Report 2000 summary* is available in: English, French, German, Italian, Portuguese and Spanish.

