News release

3 May 2001 CET Good Swiss Re results set scene for African growth

Swiss Re Southern Africa Limited, local subsidiary of the global reinsurance group, today (Thursday May 3) published improved results for 2000 and revealed that this solid foundation will provide the basis for imminent African expansion.

Net premium income rose to R573 million (up from R485 million in 1999). Gross premium income before retrocession was up 8% to R796 million.

An underwriting profit of R55 million before management expenses was achieved against an underwriting loss of R136 million a year earlier.

A minimal underwriting loss of R2 million was recorded overall, a notable improvement on the overall underwriting loss of R169 million in 1999.

A key factor in the turnaround, according to the reinsurer's annual report, was reduced claims (net of retrocession)– from R549 million in 1999 to R419 million in 2000.

In the report, managing director Alexander Weissleder announces plans to open representative offices in Abidjan, Ivory Coast, to serve West Africa and in Nairobi, Kenya, to serve East Africa. Reinsurance into Central Africa will continue to be handled by the existing branch in Harare, Zimbabwe.

Last year was the 50th anniversary of the founding of Swiss Re in southern Africa.

The annual report pledges further African growth. It notes: "Our knowledge of African markets and Africa's special challenges creates the ideal foundation for significant expansion across a continent of huge potential.

"Swiss Re's goal is to achieve unchallenged status as the leading reinsurer in Africa and thereby facilitate renewal and development by helping to manage and minimise the risks that attend all great enterprises.

"We plan to widen our activities yet tighten our relationship with our African clients. Fulfillment of our African vision will require greater effort, greater innovation. We must deliver high quality, highly relevant solutions all of the time."

Currently, approximately one quarter of the company's premium income is generated outside South Africa.

Reinsurance is the exceptional cover taken out by direct insurers to assure their own viability in the event of catastrophe. Reinsurance rates paid by insurance companies affect individual policyholders as they influence the insurer's cost of doing business and have to be recouped in the retail market.

Rates are expected to firm in view of the uncertain environment within Africa and some significant global losses, including the costs of severe winter storms in Europe.

The much stronger showing of Swiss Re in southern Africa is largely ascribed to a change in underwriting policy.

Alexander Weissleder observes: "The improvement in our financial performance was made possible by the application of more stringent underwriting criteria… This policy mirrors that adopted by overseas reinsurers - which have increasingly demanded higher rates for South African business.

"The positive impact of Swiss Re's more selective underwriting policy was most evident in the significant decline in claims even though the external environment remained relatively unchanged."

Selectivity has a price. The annual report acknowledges a fall in net premiums from both the marine and motor portfolios.

Preparation ahead of African expansion provides a sub-text to the report.

Gross management expenses rose to R104 million (from R59 million) largely because of large provisions for doubtful debts accumulated in the '90s (R19 million) while an R11 million provision is made against the Zimbabwean branch. Provision of R4 million for future claims handling expenditure has also been made.

Expenses include one-off investments related to new systems and reorganisation of internal structures.

E-business solutions are coming into play. Current focus is on back-office efficiency and streamlined systems. Client access to the system will be provided in due course.

Benefits from these initiatives should be felt in the current year.

Alexander Weissleder points out: “Barring excessively large claims, we are confident we will reap further rewards in the 2001 financial year from the strategic restructuring of the company. Towards the end of 2000 we conducted a comprehensive review to assess the profitability of our portfolio from an underwriting perspective. We expect this critical re-evaluation to yield a positive contribution to the 2001 financial results.”

Swiss Re Southern Africa Limited is a member of the global Swiss Reinsurance Group (which has an ‘AAA’ rating from Standard & Poor’s, ‘Aaa’ rating by Moodys, ‘A++’ (superior) from A. M. Best and shareholder funds of more than 12 billion Swiss francs). Annual premium income of Swiss Re Southern Africa Limited and Swiss Re Life & Health Southern Africa Limited tops R1.5 billion. The third operation, Swiss Re Investors Southern Africa Limited has R4,7 billion assets under management.

You may download Swiss Re Southern Africa's Annual Report 2000 **here**.

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