

Acquisition of M&G Re, 1996 financial year and outlook for the 1997 business year

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At the end of August this year, Swiss Re agreed to acquire Mercantile & General Re (M&G Re). As is customary for such transactions in the insurance industry, the acquisition was subject to regulatory approval in various countries. All approvals have been granted, and the acquisition of the company is now complete.

M&G Re is a reinsurance company based in London. Its expected premium volume for 1996 is currently GBP 1.4 billion (CHF 3.0 billion), compared with GBP 1.3 billion in 1995. The company writes almost 80% of its business in the life and health reinsurance sector.

Swiss Re paid GBP 1.7 billion (CHF 3.2 billion) for the company, which at current exchange rates would be equivalent to CHF 3.6 billion. The acquisition marks an important step for Swiss Re in life and health reinsurance business. In view of an ageing global population and the inadequate provisions provided by state social insurance schemes, this sector will be an important market in the future. The move has made Swiss Re the leading reinsurer in this business.

1996 financial year

Overall, we anticipate that the results after tax will increase by significantly more than 20% compared with last year, excluding the acquisition of M&G Re. Due to the nature of reinsurance business, it is still very difficult to make any precise forecasts as to the expected operating result.

We anticipate a slight decrease in premium development measured in original currencies. In comparison to the previous year, however, various major currencies have gained against the Swiss franc; we therefore expect a premium volume of CHF 13 billion, representing an increase of 2%. Large fluctuations in exchange rates in the remainder of the year could, however, still have a strong influence on this result.

We expect the underwriting result for the current business year to improve slightly on 1995. Once again, this year has been characterised by the absence of major natural catastrophes and large individual claims. Assuming this remains the case until the end of the year, we will be able to strengthen the provision for catastrophe and major losses substantially.

The investment portfolio has once again performed well. The return on investment for 1996 had already exceeded that of the 1995 business year (CHF 2605 million) by the end of October.

Outlook 1997

In view of developments in the reinsurance market, the acquisition of M&G Re, Swiss Re's market position, and the measures which we have implemented to increase earnings, we are confident for 1997, although performance depends largely on major claims experience and developments in the financial markets.

We expect the new Group company M&G Re to make a positive contribution to achieving the targeted returns of the Swiss Re Group.

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