



## New Swiss Re *sigma* study: M&A activity in life insurance expected to rise in coming years

**Contact:**

Rainer Helfenstein, Zurich  
Telephone + 41 43 285 5977

Milka Kirova, New York  
Telephone +1 212 317 5639

Clarence Wong, Hong Kong  
Telephone +852 2582 5644

Media Relations, Zurich  
Telephone +41 43 285 7171

Swiss Reinsurance Company  
Mythenquai 50/60  
P.O. Box  
CH-8022 Zurich

Telephone +41 43 285 2121  
Fax +41 43 285 2999  
www.swissre.com

**Zurich, 5 January 2006 – Consolidation in the global life insurance market is set to accelerate in the coming years. Underlying this trend is an increase in the capital available to life insurers. Cost-cutting and thriving equity markets have strengthened life insurers' balance sheets.**

Changes in life insurers' capital base, industry deregulation, globalisation, demutualization and expansion of bancassurance have shaped the corporate landscape in the past decade. These factors are likely to persist into the future. According to Swiss Re's new *sigma* study, "Getting together: globals take the lead in life insurance M&A", mergers and acquisitions in life insurance are going to increase sharply in the coming years. As Thomas Hess, Swiss Re's chief economist, comments: "Life insurers have strengthened their balance sheets and boosted their capital. This will spur consolidation in life insurance. However, M&A activity is unlikely to return in the near future to the levels seen in the late 1990s."

### **Factors promoting renewed M&A activity**

Companies in the US and Europe have strengthened their capital bases in the past two years through cost-cutting, reducing bonuses, and gains made on equity portfolios. This leaves more capital available for acquisitions and will therefore spur M&A activity in the coming years. Another factor favouring M&A is the current market structure: The global life insurance market is still highly fragmented compared to other industries. In major markets such as the US, life companies have ample potential for consolidating further. For life insurers, a primary motive for M&A is that large companies can better spread their fixed costs. In addition, large companies may be able to tap more resources for product innovation and for optimising capital costs, eg by transferring blocks of business to the capital market.

### **Global life insurance groups will drive consolidation**

Global life insurance groups have been a major force in the consolidation process. They increased their global market share from 19.8% in 1998 to 28.2% in 2004, largely through M&A. Global insurance groups will continue to gain market share at the expense of small and medium-sized players.

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## Notes for editors

### Swiss Re

Swiss Re is one of the world's leading reinsurers and the world's largest life and health reinsurer. The company operates through more than 70 offices in over 30 countries. Swiss Re has been in the reinsurance business since its foundation in Zurich, Switzerland, in 1863. Swiss Re offers a wide variety of products to manage capital and risk. Traditional reinsurance products, including a broad range of property and casualty as well as life and health covers and related services, are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated "AA" by Standard & Poor's, "Aa2" by Moody's and "A+" by A.M. Best.

#### How to obtain a copy of this *sigma* study:

The English, German, French, Italian and Spanish versions of the *sigma* study No 1/2006, "Getting together: globals take the lead in life insurance M&A", are available electronically on Swiss Re's website:

[www.swissre.com/sigma](http://www.swissre.com/sigma)

Printed editions of *sigma* No 1/2006 can now be ordered: English and German versions are now available, those in French, Italian, Spanish, Chinese and Japanese will be available soon. Please send your orders, complete with your full postal address, to:

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