

Swiss Re buys Barclays life insurance unit

The world's largest reinsurer, Swiss Re, says it will acquire the life insurance unit of Barclays for £753 million (SFr1.55 billion) to boost its business in Britain.

Swiss Re, which is based in Zurich, also saw second-quarter net profit shrink to SFr0.6 billion from SFr1.19 billion largely as a result of the credit crunch in the United States.

Commenting on the result, Swiss Re chief executive Jacques Aigrain said despite the continuing financial market turbulence "we are strongly capitalised and our investment portfolio remains sound".

In a statement, he said that the difficult market conditions also created new opportunities for the company.

"Swiss Re has to execution capability and capital strength to seize these opportunities," he added.

Swiss Re is to buy about 760,000 life insurance and pension policies as well as annuity contracts from Barclays, representing £6.8 billion in invested assets.

No material impact

Barclays said it expected a post-tax gain of about £330 million on the sales. The transaction is not expected to have a material impact on the company's earnings per share.

"The acquisition and the price paid fits into the strategy and is good news," said Fabrizio Croce, an analyst at Landsbanki Kepler.

Swiss Re also said it made a loss on structured credit default swaps (CDS) of SFr362 million in the second quarter.

Unlike many other reinsurers - which reinsure risk for other insurance companies - Swiss Re has been hit hard by the credit crisis. It has notched up total writedowns of about SFr2.7 billion in its financial services unit.

Swiss Re, which had previously expected a further SFr350 million CDS writedown in the second quarter, said it expected 2008 and probably 2009 to be challenging years for the whole insurance industry.

"Uncertainties"

"There are still uncertainties over its CDS exposure," commented Vontobel analyst Viktor Dammann. "The profit forecasts could still be cut."

The group had been expected to report a net profit of SFr795 million in the second quarter, according to a Reuters poll of analysts.

Swiss Re's main rival, Munich Re of Germany, expects to miss its full-year earnings target due to financial market turmoil, and sees more writedowns on its equity holdings in the third quarter.

Source: swissinfo with agencies