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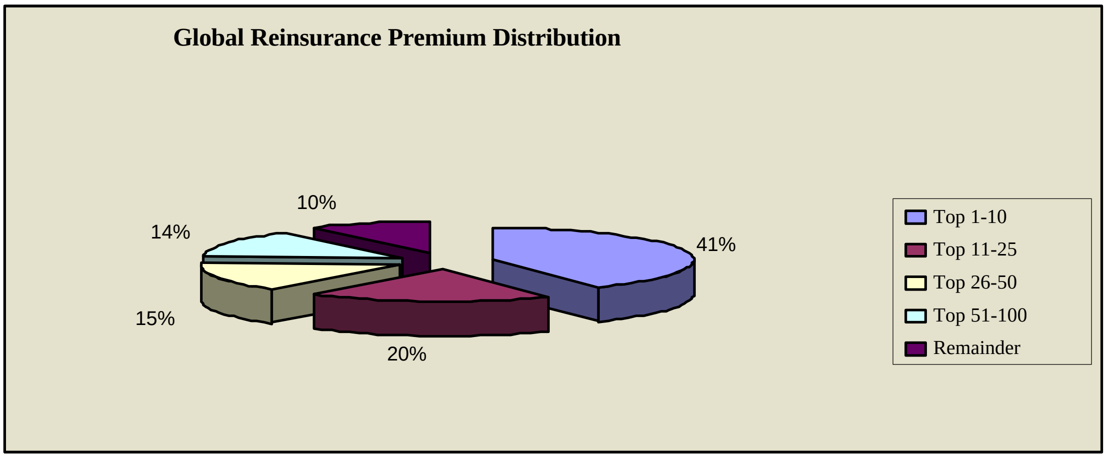
Global Reinsurance Highlights 1999
Gearing up for 2001

Report by Standard & Poor

In 1999, severe property loses hit the property/ casualty industry, which as much as $ 27 Billion of insured losses globally, resulting in the worst underwriting performance for the reinsurance industry since 1992. Couple with amore Challenging global investment climate than witnessed in the past five years, reinsurers lost capital in 1999. Nevertheless the silver lining for reinsurers is the prospect for reinsurers for rate improvement that could begin the long-sought market turn as early as 2001. Consolidations within the primary insurance industry and a low rate of inflation have limited demand for reinsurance, worsening the shift in the balance of power among the players. Of course the reinsurers have respond with mergers, and large combinations are inevitable. Another factor contributing to consolidation is the convergence of financial institutions as reinsurers emphasizing providing multiple solutions and centers of excellence to meet the growing needs of the primary insurers. The downside of the industrys focus on size is profitability, which generally suffers in the aftermath of an acquisition. Underwriting which seems to have taken a back seat to the search for growth, is a factor that management can control. in 1999, discipline was notably absent
As competitive pressures to retain clients led to an increased use of proportional covers, causing reinsurers to under perform the primary insurance industry for the first time in a decade. Excess of loss covers demonstrate a superior ability of to align the interests of the primary insurers with that of the reinsurers, and the shift back to the proportional covers is yet an another example of soft market conditions.

Despite ongoing consolidation, concentration at the individual company level has remained static with the largest 25 reinsurers accounting for 60% of global reinsurance premiums.
The largest 10 reinsurers saw a modest 5% decline in net premium written compared with five years ago, and the next 40 Reinsurers added 21% to their NPW in the same period, the growth in the second tier of reinsurers is not unexpected given consolidation among the primary industry and the need to compete with the large first tier reinsurers.



Because market pricing remained soft in 1999.which tends to demonstrate a lack of underwriting discipline, poor operating performance crossed all boundaries affecting old and new, large and small reinsurers.

In the last 10 years, the largest Reinsurers showed an ability to better select risk; although the soft market has indicated that risk selection becomes especially difficult if prices are inadequate across

board. The largest 10 reinsurers produced a combined ratio of 115.60% in 1999. 10 points worse than their five years average of 10%.
The global reinsurance industry saw return on revenue ROR decline to 1999 and that might provide one explanation for why reinsurance stocks remain depressed. Standard & poor Views ROR, which includes investment income before capital gains, as the best indicator of sustainable profit for property /casualty reinsurers as it is relatively unaffected by financial leverage and short-term capital gains that can distort return on equity. Looking back over the last 12 years, ROR and the combined ratio clearly define the industry cycle. The industry tends to perform above the mean for four years and then below mean performance for five years before repeating the cycle. if this cycle repeats itself in the next few years.

For many property /casualty Reinsurers, is shaping up as a bust despite the absence of significant Y2K or unusual catastrophic losses. The winter storm in Europe, the loss spiral of unicopvers workers compensation lines, and soaring prescription drug prices have all contributed to a strengthening of resolve to focus on underwriting and,, in many cases a willingness to exit unprofitable lines. Reserves represent a wild card for the industry with some Reinsurers finding that claims inflation picked u and that the strengthening of reserves for the 1997-1999 books was necessary. As Equitas and a few other Reinsurers have reported, even the older asbestos liabilities are showing some signs of inflation. The smart money is for additional reserve strengthening to occur in 2000 as Reinsurers take advantage of weak year-to-date results and try to set up 2001 for a comeback.

Despite the cycle indicated by operating performance, several factors are arguing for a change. Supply, as indicated by industry capital shrank in 1999 following the shuttering of several operations and the losses incurred by money companies. Although not a sufficient reduction in supply by itself, many of the largest Reinsurers will further reduce capacity by limiting their appetite for risk at current pricing. Employers Re announced its withdrawal from the property facultative market, Swiss Re announced its triple 20% including the reduction in property cat. Writings and others have quietly reduced capacity at current pricing levels.
Property losses and poorly priced risk also led to a complete withdrawal of capacity from ReAC, New cap Re, GIO Insurance Ltd., Sphere Drake, CTR, and Risk Capital Re.

These actions are a necessary precursor for a market turn: but, maintaining this discipline will be difficult as many underwriters are seeing, premium rate increases for the first time. Inflation has begun to filter into the economy. With many primary companies discovering some ability to raise rates, which although at a lag, will eventually filter down to Reinsurers with a more flexible approach to risk will inevitably pick up some of the business, primary companies will be forced to accept reduced financial strength backing those Reinsurers or pay up for access to top tier credit.

Standard & Poor Top 25 Global Reinsurers in 1999
Ranked by Net Reinsurance Premium

In US$ 000,000s

Company	Rating	N.P.W.	Combined Ratio	Adjusted Shareholders Fund
1. Munich Re Group	AAA	13,556	118.9	21,367
2. Swiss Re Group	AAA	12,838	116	11,111
3. Berkshire Hathaway Group	AAA	9,452	116.3	47,502
4. Employer Re Group	AAA	6,921	114	5,575
5. Gerling Global Re	AAA	3,937	112.4	1,429
6. Lloyds	A+	3,799	N.A.	9,072
7. Generali Group	AA	3,533	108.7	19,176
8. Allianz Group	AAA	3,299	107.4	45,727
9. Scor Group	AA-	2,720	109.7	1,242

10.	Hannover Re Group	AA+	2,564	95.9	1,241
11.	Zurich Group	AA+	1,878	87.3	23,783
12.	Transatlantic Group	AA	1,498	105.2	1,642
13.	AXA Re Group	AA	1,411	121	1,272
14.	Partner Re	AA	1,326	109.8	1,840
15.	CNA Re	A	1,275	116.4	8,679
16.	Everest Re	AA-	1,095	103.5	1,327
17.	St. Paul Re	AA	1,056	100.4	6,448
18.	Xl Capital Re	AA	970	101.6	5,577
19.	Toa Re Group	AA-	965	N.A.	2,570
20.	Korean Re	BBB-	837	98.6	290
21.	Tokyo Marine & Fire	AAA	831	N.A.	28,214
22.	Oversea Partners Ltd.	N.R.	819	108.9	2,547
23.	CCR Group	Api	793	121.2	1,018
24.	Hartford Re	AA	702	108.3	6,897
25.	QBE Insurance Group	A+	587	104.9	382

European Review

In 1999, operating results were down substantially because of a combination of the high frequency of catastrophes, with eight estimated insured losses of $1Billion or greated and very low reinsurers posted an average combined ratio of 131% in 1999 up from 107% in 1999.

Although retrocession premiums began to improve in 1999, standard & poors believes the effect on profits will be deferred. Recovery in reinsurance earnings will be limited because of the following factors:

- Proportional reinsurance rates reflect underlying insurance rates. In some markets, insurers will be able to obtain premium increased as a result of natural catastrophe claims however, continued competition in many markets will temper the level and speed of insurance premium increases.
- The recovery of reinsurance premiums will be hampered by the many multiyear reinsurance contracts with fixed premium terms, which do not expire until the end 2000.
- Reinsurance capacity, including for large property risks and high concentrations, such as energy risks, remain plentiful. Capital remains strong across the industry, although several companies will seek to replenish capital lost in 1999.

Rates increases at Jan. 1, 2000. Renewal will be tempered by the availability of Alternative risk financing mechanisms.

1999 Top 10 European Reinsurance Companies
Ranked By Net Reinsurance Premium Written

In US$ 000,000s

Rating	Company	NRW	Combined Ratio	Adjusted share holders Fund
AAA	Munich Re	9,677	120.6%	6,809
AAA	Swiss Re	4,598	119.9%	4,426
A+	Lloyds	3,799	N.A.	9,072
AAA	Allianz	3,299	107.4%	45,727
AA+	Hannover Re	2,212	111.4%	1,923
AAA	Kolnische Re	2,157	115.3%	1,615
AA-	Gerling Global	2,126	117.4%	946
AA	Assicurazioni Generali	1,906	N.A.	N.A.
AAA	ERC Frankona	1,655	107.1%	1,319
AAA	Bayerische Re	1,212	106.1%	2,137

U.S. Review

Years of soft market conditions, exacerbated by excess capacity and growing competition, have weakened the profit potential of all Reinsurers. When this accompanied by the increasing loss expectations for more current accidents years. These foreshadow shrinking capital levels and signal partial capacity withdrawal.

The U.S. Reinsurance industrys statutory surplus decreased 3.7% in 1999 to $ 54.2 Billion, capitalization remain very strong for Reinsurers

U.S. Reinsurance Market has gross premium of $ 27.5 Billion or 24.4% worldwide premium of which the largest 10 Reinsurers generate 83%.

The combinations of weak pricing in the 1997-1999 period and less rigorous reserve levels will continue to depress earnings at levels that cant be completely offset by the purported price increase for risks written in 2000.

Standard & Poor expects further combined ratio deterioration, and net investment income stagnation could lead to rating downgrade as the level of adequacy declines.

1999 Top 10 U.S. Reinsurance Companies

Ranked By Net Reinsurance Premium Written

In US$ 000,000s

Rating	Company	NRW	Combined Ratio	Adjusted share holders Fund
AAA	American Re	2,821	115%	2,146
AAA	General Re	2,574	117.4%	4,642
AAA	Employer Re	1,888	116.2%	4,269
AA	Transatlantic Re	1,322	106.4%	1,442
AA-	Everest Re	1,108	103.3%	1,147
A+	GE Reinsurance	1,081	116.3%	754
AAA	Swiss Re America	1,046	109.5%	1,243
AA	Zurich Re	967	107.6%	906
AAA	National Indemnity	882	122.9%	27,564
AA-	Gerling Global	878	105.2%	562