

Hannover Re Second-Quarter Net Rises 12% on Unit Sale (Update3)

By Aaron Kirchfeld and Oliver Suess

Aug. 3, 2007 (Bloomberg) -- Hannover Re, the world's fourth- biggest reinsurer, said second-quarter profit rose 12 percent, helped by gains from the sale of a unit to Australia's QBE Insurance Group Ltd.

Net income rose to 169.4 million euros (\$232 million), or 1.41 euros a share, from 150.8 million euros, or 1.25 euros, a year earlier, the Hanover, Germany-based company said in a statement today. That compares with the 168 million-euro median estimate of 12 analysts surveyed by Bloomberg.

Chief Executive Officer Wilhelm Zeller scaled back the company's primary insurance operations with the June sale of Praetorian Financial Group Inc., which boosted earnings by 17.7 million euros in the quarter. He is stepping up sales of life and health reinsurance to limit the profit swings resulting from natural disasters.

"The second-quarter figures are good," said Stefan Scharff, an analyst at SRC Research in Darmstadt, Germany, who recommends investors buy the stock. "They'll beat their full-year target if no large hurricanes hit."

The reinsurer confirmed full-year net income will rise to at least 700 million euros from last year's 514.4 million euros, helped by a one-time gain of about 180 million euros because of German corporate tax changes, spokesman Stefan Schulz said in an interview. Even without the tax gain, profit will increase as much as 10 percent, he added.

Return on Equity

The company has a "good platform" to achieve its profit goals for the full financial year, Zeller said. Hannover Re expects a return on equity of at least 15 percent this year, after growth at the life and health reinsurance unit helped lift the measure of profitability to 20 percent in the first half.

Hannover Re shares fell 32 cents, or 1 percent, to 32.45 euros in Frankfurt. The shares have fallen 7.5 percent since the beginning of the year, valuing the reinsurer at 3.9 billion euros. That compares with a 2.9 percent decrease in Swiss Reinsurance Co., the world's biggest reinsurer.

Reinsurers, which help primary insurers such as Allianz SE shoulder risks for clients, last year had their smallest losses from natural disasters since 2000 as no major hurricane made landfall in the U.S. This year's hurricane season, which began in June and ends in November, hasn't seen any major storms so far.

July Renewals

Net premium income in property and casualty reinsurance, Hannover Re's biggest division, was unchanged at 1.24 billion euros. Net income at the unit rose 14 percent to 139.4 million euros.