

# Swiss Re – Leading Global Re/Insurer

Guido Fürer, Group Chief Investment Officer  
Baader Helvea Swiss Equities Conference, 15 January 2021

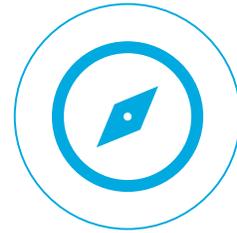
# Today's focus areas



Overview and  
COVID-19 impact



Business  
Update



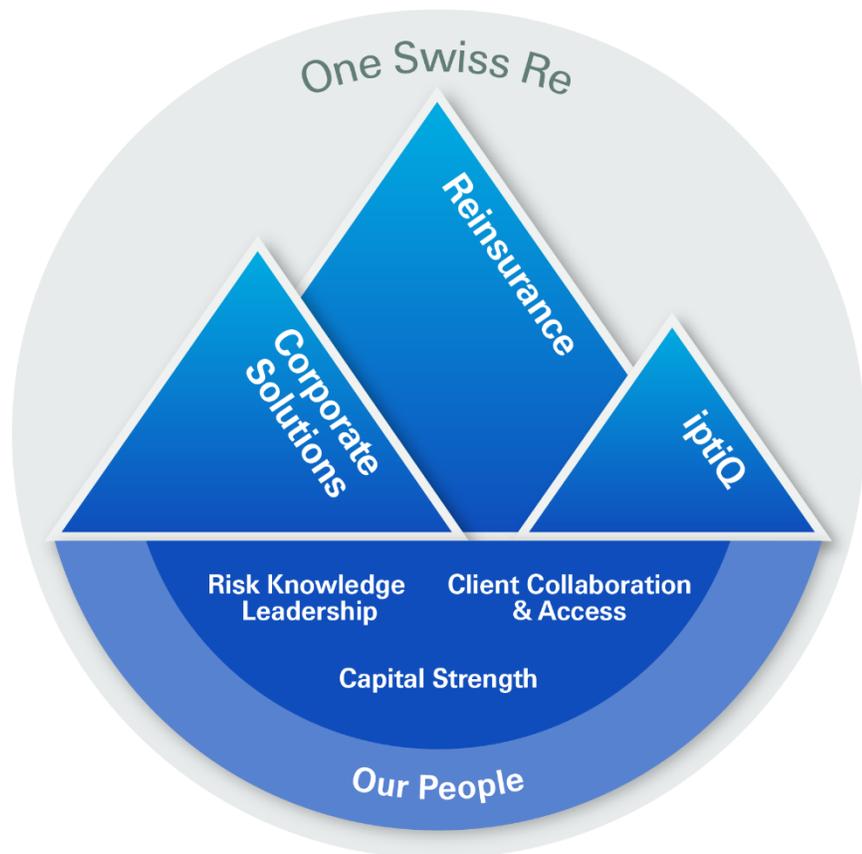
Capital  
Management



Sustainability



# We aim to operate as 'One Swiss Re'



## Reinsurance

A leading global reinsurer



## Corporate Solutions

A specialised risk partner with direct access to corporate customers



## iptiQ

A globally leading digital B2B2C insurance platform

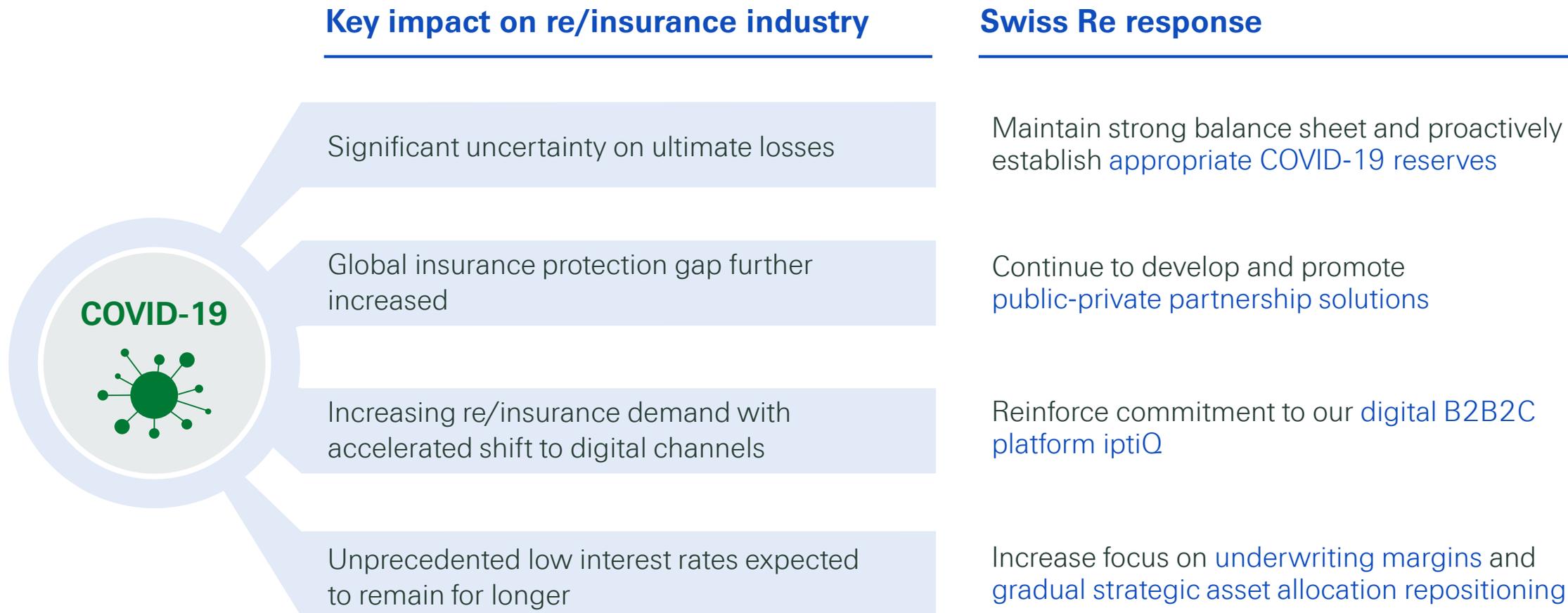


## Group foundation

A balanced approach to accountability, shared values and strengths



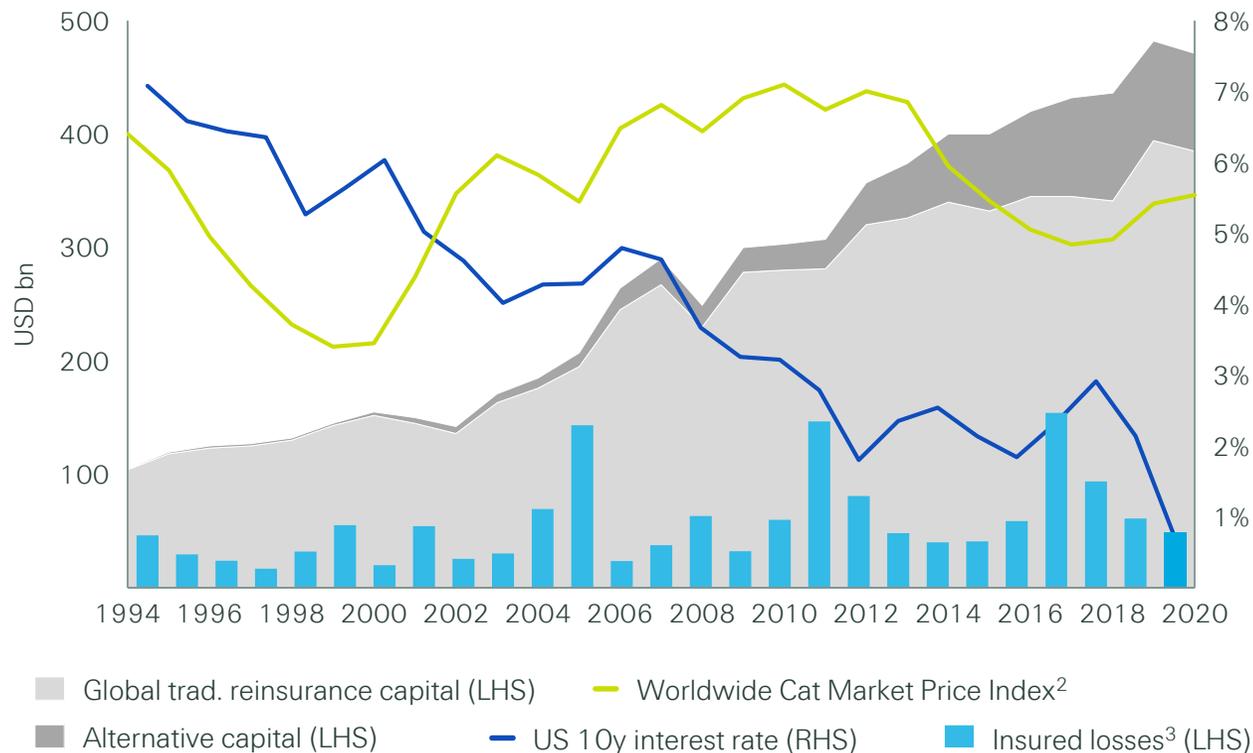
# COVID-19 crisis significantly impacts the risk landscape





# In the current market environment, underwriting excellence is key to success

## Reinsurance industry development and interest rate evolution<sup>1</sup>



### Current environment

- Ongoing COVID-19 pandemic
- Increase in secondary perils related to climate change
- Growth of capital expected to continue
- Interest rates to remain very low

### Industry change due to

- Growing protection gap
- Technology advancement and digitisation
- More cost-conscious buyers

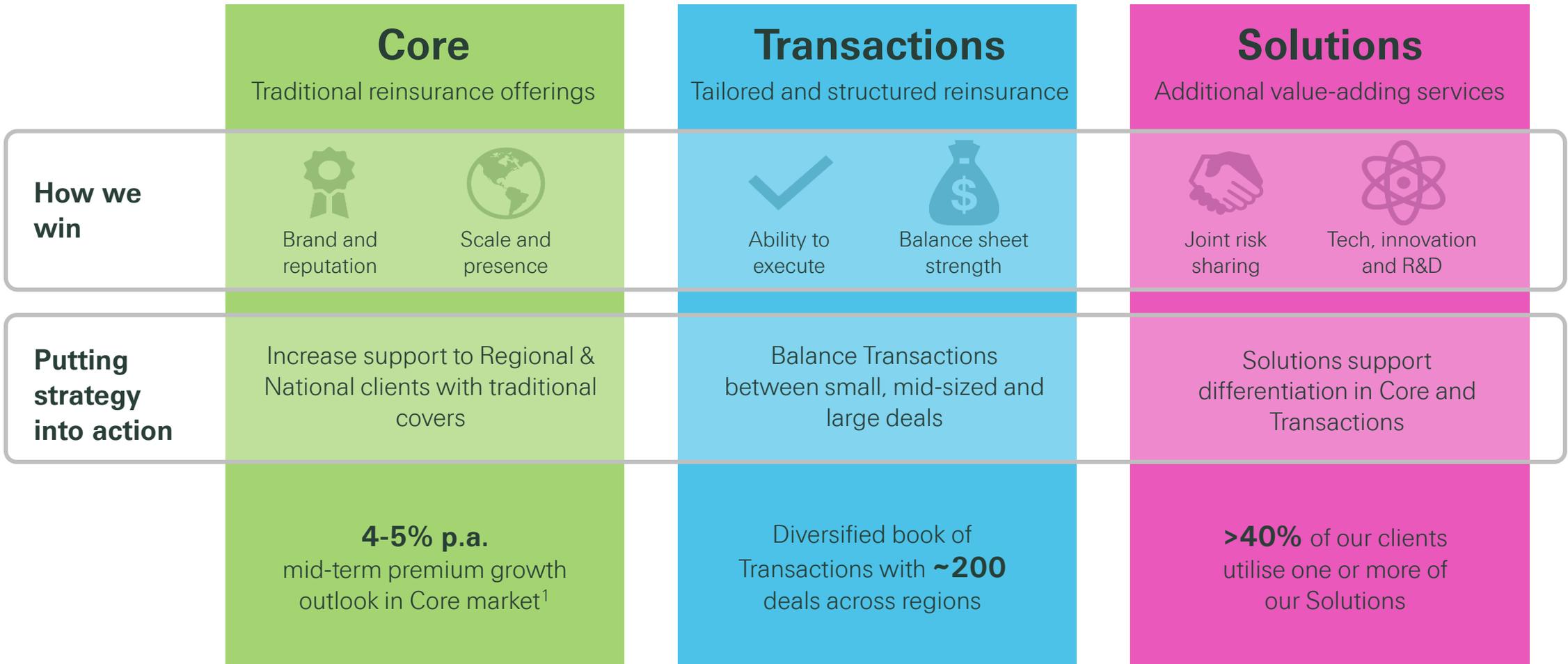
### Future outperformance requires

- Increasing scale and efficiency
- Leveraging technology
- Pushing innovation and services for clients to the edge
- Underwriting and capital allocation discipline

Re/insurers must navigate the current market environment carefully, with increased focus on underwriting margins



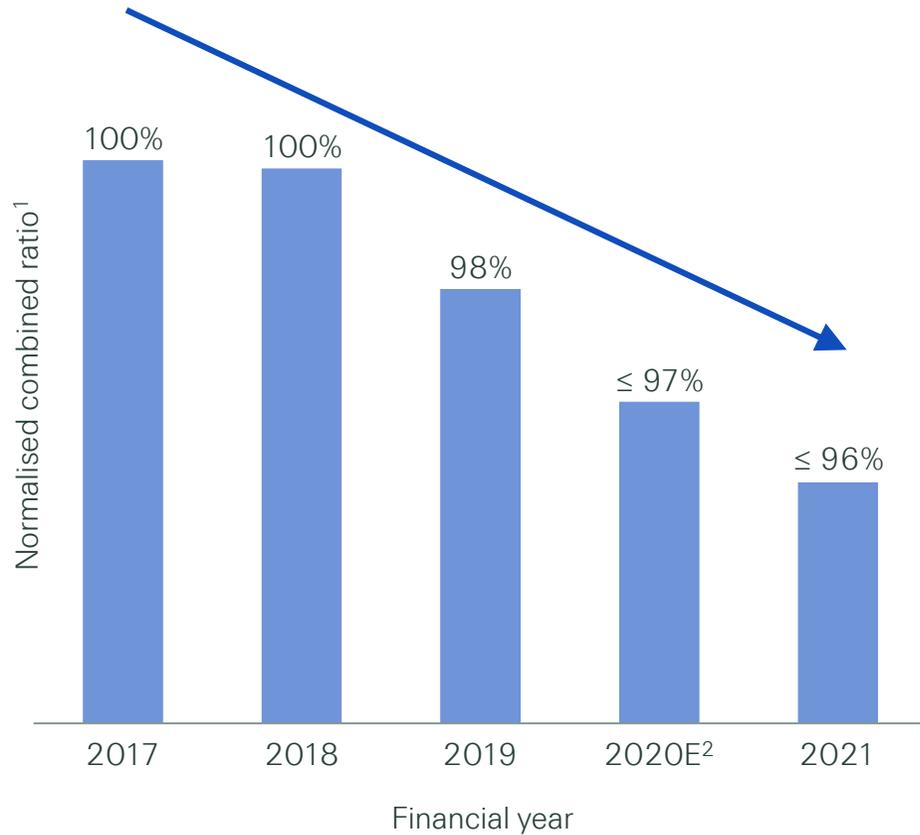
# Differentiation drives our Reinsurance business and enables growth in Core, Transactions and Solutions



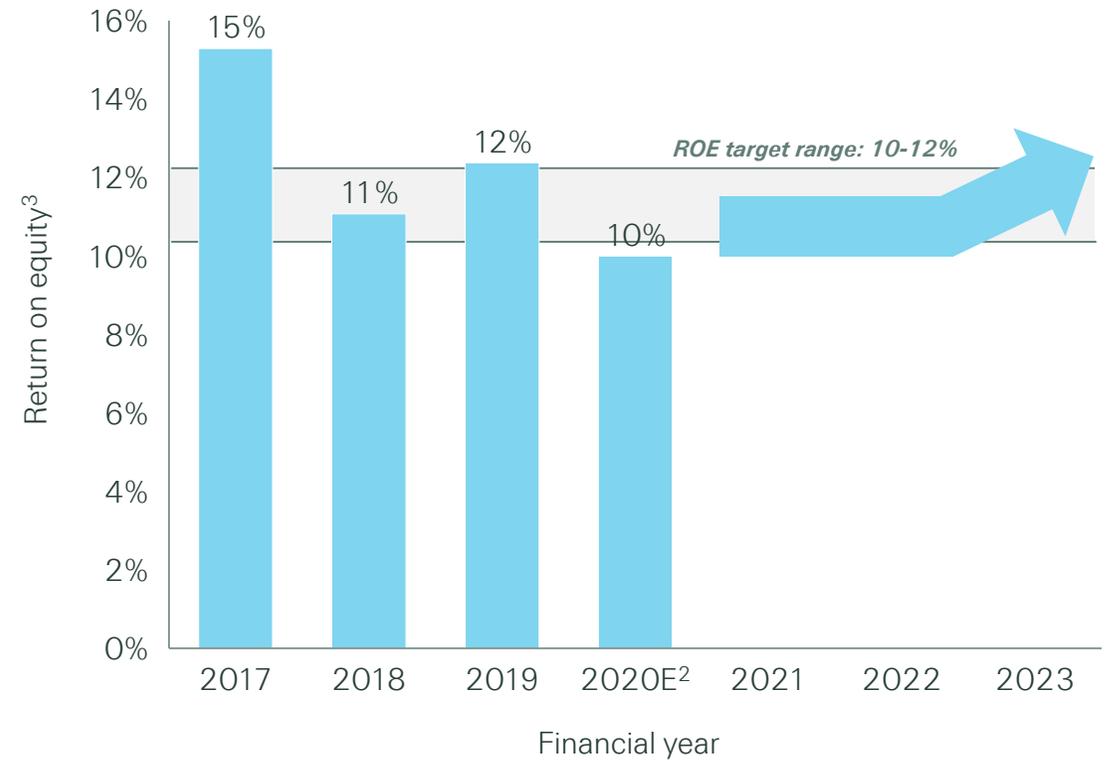


# We have a positive financial outlook for both P&C Re and L&H Re

## P&C Re: combined ratio improvement expected to continue



## L&H Re: expected ROE uplift from 2023 onwards



<sup>1</sup> Assuming an average large nat cat loss burden and excluding (i) prior-year reserve development and (ii) the COVID-19 impact

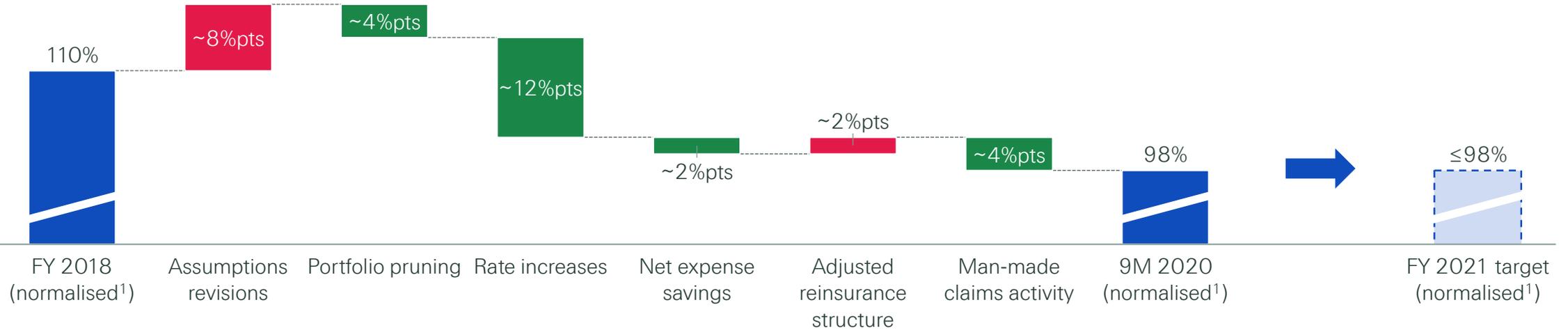
<sup>2</sup> Based on 9M 2020

<sup>3</sup> Excluding COVID-19 impact



# The implementation of our management actions in Corporate Solutions is ahead of plan

## Normalised combined ratio development



### Actions taken

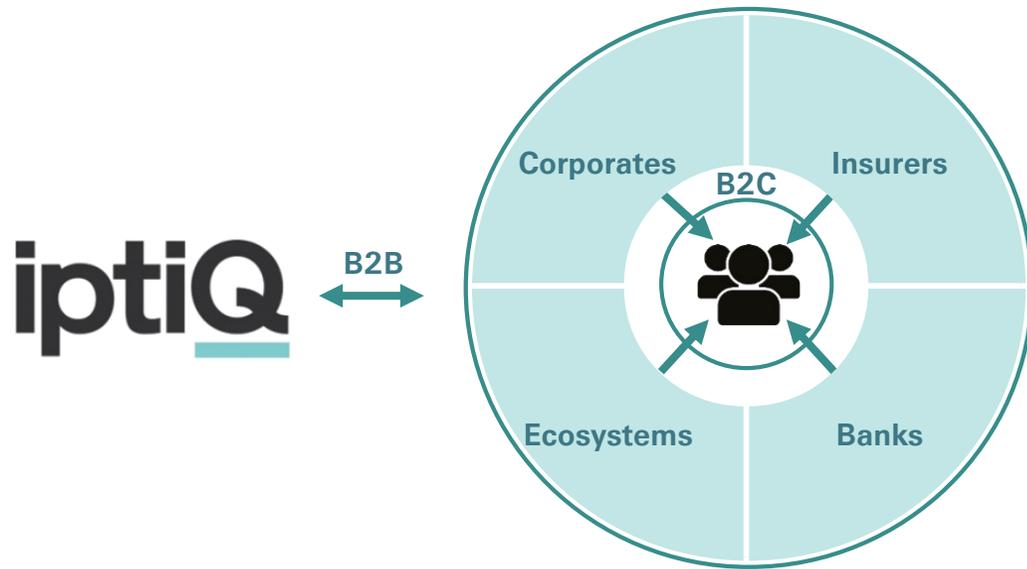
Increased initial loss picks to address loss inflation trends	~85% of pruning to be executed by end of 2020, P&L impact partially delayed	Strong risk-adjusted price quality increases gradually earning through	On track to achieve targeted savings in 2020	Significantly reduced net retentions	Impact from large man-made claims lower than expected in 9M 2020	Further underlying portfolio improvements driven by higher rates and pruning actions, to be offset by: <ul style="list-style-type: none"> <li>– Man-made claims activity back at expectation</li> <li>– Impact of economic downturn on credit &amp; surety</li> <li>– Strategic investment in growth</li> <li>– Additional reinsurance protection</li> </ul>
---	---	--	--	--------------------------------------	--	--



# iptiQ – a global B2B2C digital insurance platform aimed at both digital and traditional affinity distribution partners

## B2B2C model

## Global expansion accelerating



- iptiQ will become a standalone division, reporting directly to the Group CEO
- Successful launch of iptiQ P&C in Europe with 6 distribution partners already live
- COVID-19 accelerates shift to digital sales distribution channels, providing further long-term growth opportunities

**>500k** customers with **40** partners in **5** markets

We are further expanding our B2B2C offering while increasing scale of our existing partnerships



# Asset Management demonstrated success on key metrics for 9M 2020

## 3.4%

ROI

ROI remains solid, with investment portfolio providing **consistent returns**

## USD 27m

impairments

**Negligible net exposure to sensitive sectors** such as airlines, gaming or leisure

## <50%

exposure to fallen angels vs market

**Proactive portfolio management** including targeted reductions to vulnerable sectors as well as timely equity and credit hedging programme

## 0.3%

ESG outperformance<sup>1</sup>

**Pioneering ESG approach** contributed to enhanced performance

## 2.4%

Running yield

Running yield impacted by **historically low reinvestment yields** as well as impact of **de-risking actions**

Performance supported by our high-quality portfolio, consistent ESG approach and proactive steering mechanisms



# Swiss Re's high-quality investment portfolio has performed consistently amid market volatility and the low interest rate environment

## Key performance indicators over 5 years

Return on investment (ROI)<sup>1</sup>

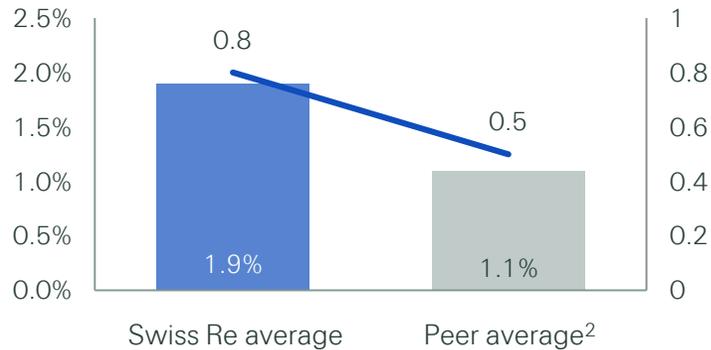
**3.6%**

Swiss Re average

**3.0%**

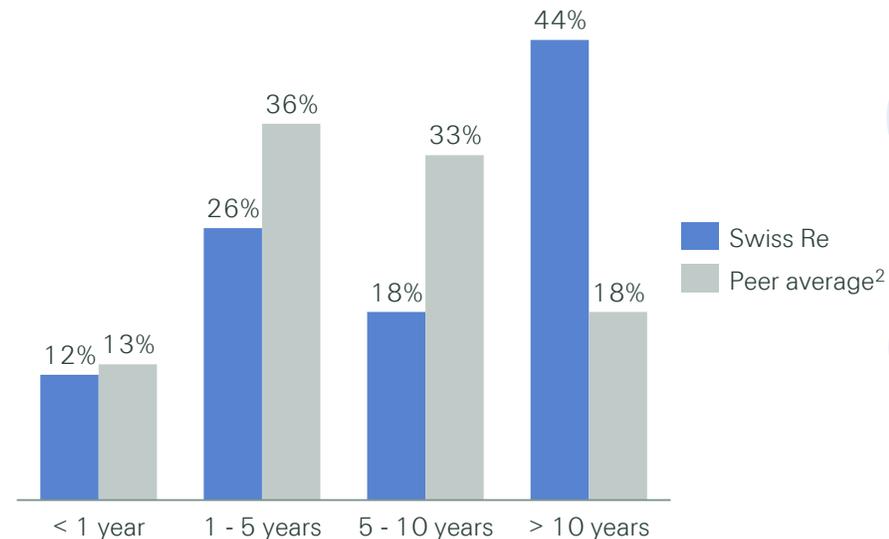
Peer average<sup>2</sup>

Excess return (LHS) and Sharpe ratio (RHS)<sup>1</sup>



## Fixed income maturities and unrealised gains

Duration split of fixed income maturities



**72%**

unrealised gains with maturity > 10 years  
End 9M 2020

USD  
**6.7bn**

net unrealised gains  
End 9M 2020

- Outperformed peers over the last 5 years on both ROI and excess return (with higher Sharpe ratio)
- Fixed income impairment rate (average 1 bp over last 5 years) lower than historical A-rated corporate bond defaults (14bps)

- Long-maturity fixed income portfolio extends annual maturities well into the future
- Significant unrealised gains position on long-maturity fixed income supports our running yield's persistency

<sup>1</sup> Average ROI, excess return and Sharpe ratio calculated over the period 2016 to 9M 2020; excess return is portfolio total return above performance of a risk-free benchmark, aligned with liability duration (excluding FX)

<sup>2</sup> Peer group includes Hannover Re, Munich Re and SCOR



# Pioneering ESG approach delivers better risk-adjusted returns while providing downside protection

## ESG investments outperform during key periods of high volatility

Cumulative excess return of ESG-based indices vs traditional indices



## Swiss Re's YTD ESG outperformance

Equity<sup>1</sup>  
**+1.1%**  
 during 9M 2020

Credit<sup>2</sup>  
**+0.2%**  
 during 9M 2020

Sharpe ratios since benchmark transition <sup>3</sup>	Equity <sup>1</sup>	Credit <sup>2</sup>
<b>A) ESG-based indices</b>	0.43	0.20
<b>B) Traditional indices</b>	0.38	0.18
<b>Difference A) - B)</b>	<b>0.05 (+12%)</b>	<b>0.02 (+10%)</b>

<sup>1</sup> ESG index 'MSCI ACWI ESG Leaders' vs traditional index 'MSCI ACWI Index'

<sup>2</sup> ESG index 'Bloomberg Barclays MSCI US Corp Sustainability BB and Better Int.' vs traditional index 'US Corp Int.'

<sup>3</sup> Data based on annualised Sharpe ratios over risk-free benchmark; Swiss Re transitioned to ESG benchmarks in 2017; June 2017 - September 2020



# Strong value drivers will help us thrive in uncertain markets

## Investment outlook



Economic recovery underway, while **high uncertainty persists**



Monetary and fiscal **policies remain very accommodative**



**Constructive outlook for financial markets** amid strong central bank backstop



**COVID-19 accelerating key trends** including digitisation, deglobalisation, ESG



Increased need to focus on **quality and differentiation** across regions, sectors, companies

- ✓ **Portfolio quality and positioning:**  
we continue to deliver stable returns amid a low-yield and highly volatile market environment
- ✓ **Constructive investment outlook:**  
we are cautiously optimistic and poised to take advantage of attractive opportunities
- ✓ **Enabled by differentiated value drivers:**  
our approach to thematic investing and smart analytics helps capture outperformance while mitigating downside risk



# Our Group targets and capital management priorities remain unchanged

## Group financial targets

Over-the-cycle targets

**Rf + 700  
bps**

Return on equity<sup>1</sup>

**10%**

ENW per share growth<sup>2</sup>

## Capital management priorities

Priority I

Ensure superior capitalisation at all times and maximise financial flexibility

Priority II

Grow the regular dividend with long-term earnings, and at a minimum maintain it

Capital management priorities

Repatriate further excess capital to shareholders

Deploy capital for business growth where it meets our strategy and profitability targets

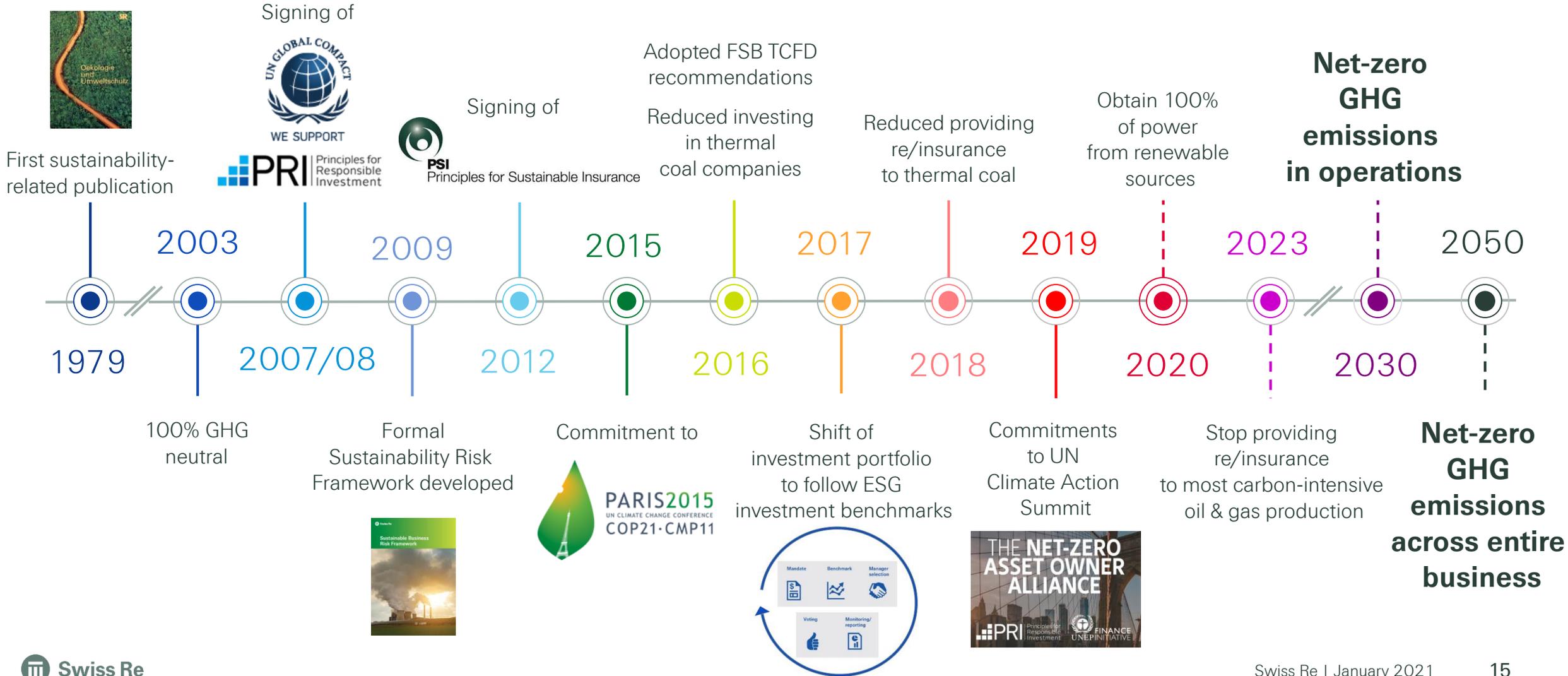
Priority IV

Priority III





# Swiss Re has a long tradition in sustainability



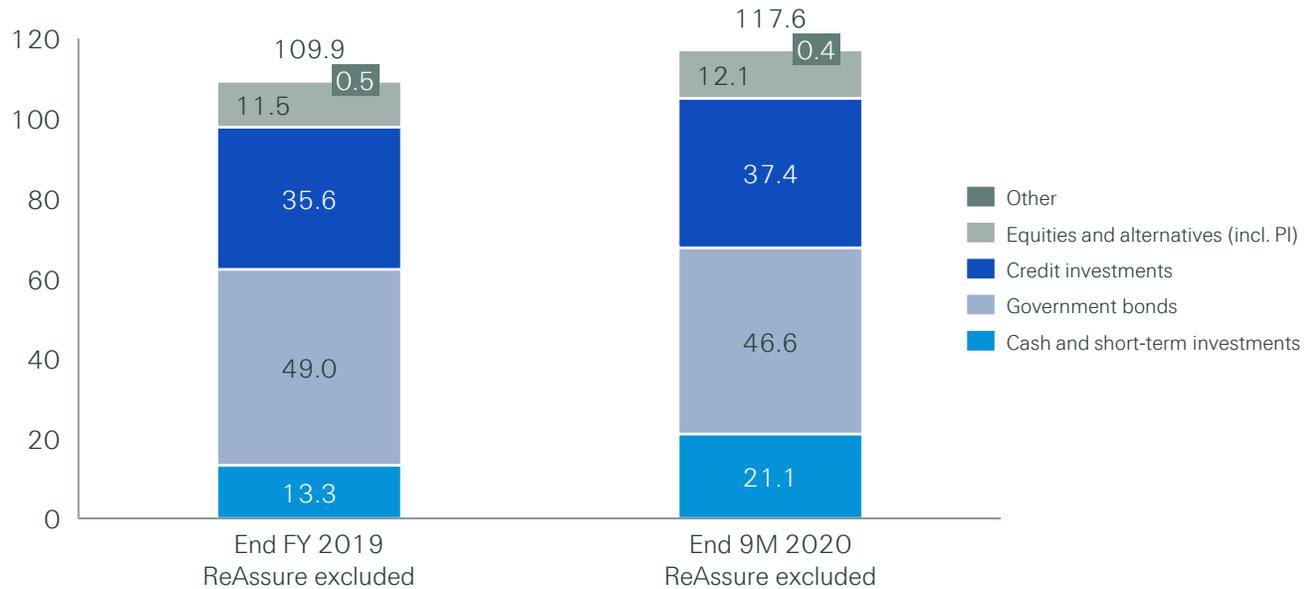
# Appendix



# Investment portfolio positioned for opportunistic deployment within a fast-developing risk environment

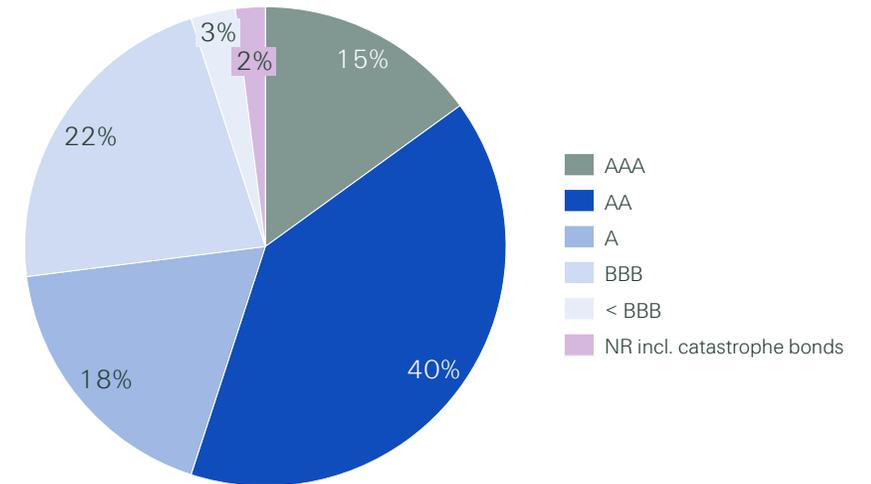
## Investment portfolio positioning

USD bn



## Fixed income portfolio rating split

End 9M 2020



- Defensive portfolio positioning through COVID-19 resulted in larger cash and short-term position, enabling deployment into yield enhancement opportunities across asset classes and regions
- Credit/equity overlay hedges implemented during the first half of 2020 partially maintained in anticipation of future volatility

- 95% of the fixed income portfolio is investment grade
- Stable rating mix maintained throughout the crisis
- Downgrades mitigated through targeted reductions

# Corporate calendar and contacts

## Corporate calendar

---

### 2021

19 February

**Annual Results 2020**

Conference call

18 March

**Publication of Annual Report 2020**

16 April

**157<sup>th</sup> Annual General Meeting**

Zurich

## Investor Relations contacts

---

### Hotline

+41 43 285 44 44

### E-mail

Investor\_Relations@swissre.com

Thomas Bohun

+41 43 285 81 18

Daniel Bischof

+41 43 285 46 35

Deborah Gillott

+41 43 285 25 15

Olivia Brindle

+41 43 285 64 37

Marcel Fuchs

+41 43 285 36 11

# Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase”, “may fluctuate” and similar expressions, or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group’s actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclical nature of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group’s investment assets;
- changes in the Group’s investment result as a result of changes in the Group’s investment policy or the changed composition of the Group’s investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- the Group’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group’s financial strength or otherwise;
- any inability to realize amounts on sales of securities on the Group’s balance sheet equivalent to their values recorded for accounting purposes;
- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group’s ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realize tax loss carryforwards, the ability to realize deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on business models;
- failure of the Group’s hedging arrangements to be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting the Group’s ability to achieve improved ratings;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- extraordinary events affecting the Group’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs, lower-than expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cybersecurity risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.