

# Swiss Re's performance and strategy

Bernstein's 13<sup>th</sup> Strategic Decisions Conference

John R. Dacey, Group Chief Strategy Officer, 22 September 2016

# Today's agenda

Recent achievements

Business Units' priorities and importance of large transactions

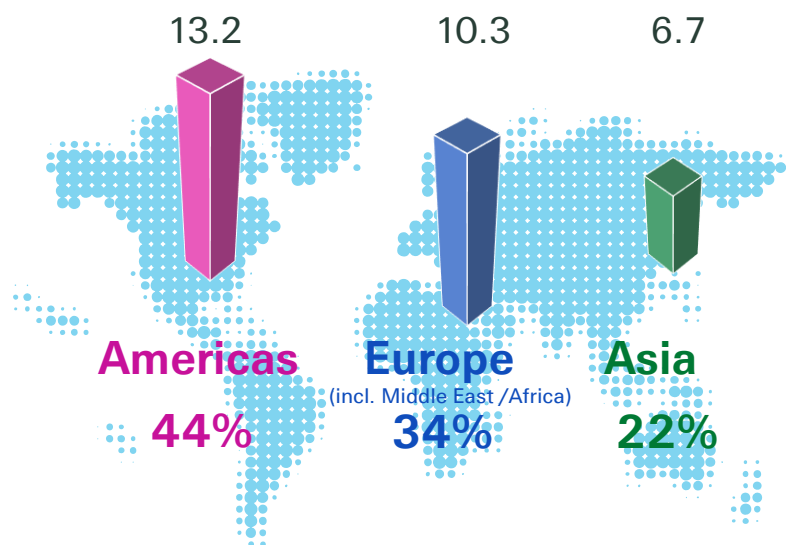
Technology trends in the insurance industry

Outlook

# Swiss Re is well diversified across geographic regions and business segments

## Net premiums earned<sup>1</sup>

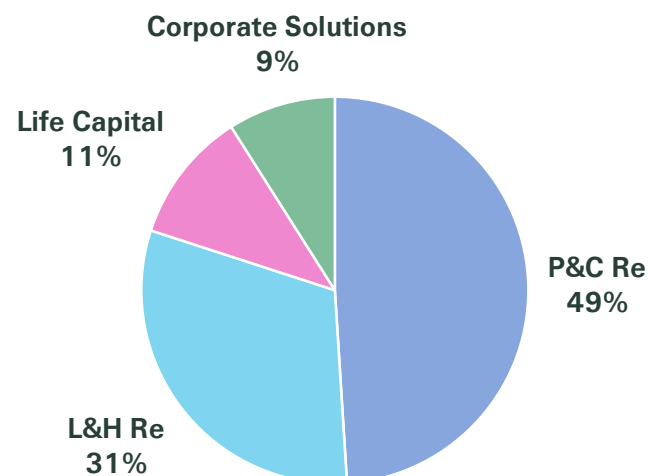
by region (in USD bn, 2015)



of which  
HGMs incl. PI<sup>2</sup>: ~3%      ~ 5%      ~ 17%      ≈25%

## Economic Net Worth<sup>3</sup>

by business segment (in %, as at YE 2015)



Swiss Re benefits from geographic as well as business mix diversification and has the ability to reallocate capital to achieve profitable growth

<sup>1</sup> USD 30.2bn as at 31 Dec 2015; includes fee income from policyholders; does not reflect the exposure to HGMs through Principal Investments (PI)

<sup>2</sup> Based on additional pro rata net premiums from PI including FWD Group (14.9%), New China Life (4.9%) and SulAmérica (14.9%)

<sup>3</sup> Share of Swiss Re Group's Economic Net Worth deployed across Business Units (excl. Group Items), 31 December 2015

# Solid results in the first half of 2016 demonstrate Swiss Re's resilience to the market environment

Solid Group ROE in current market

10.9% ROE

Reduction in flow business & growth in large transactions

Risk-adjusted price quality  
maintained at 102%

Strong investment performance from Asset Management

3.7% ROI

Further enhancement of flexible capital structure

USD 2bn of innovative  
capital market issuances

Significant distribution of capital to shareholders

CHF 2.1bn repatriated

Swiss Re is well positioned to successfully manage the current market conditions

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# Macroeconomic conditions and industry trends remain challenging

## Macroeconomic environment



- Low growth, low interest rates
- Financial market volatility
- High Growth Markets volatility

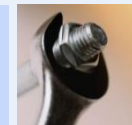
## Political / Regulatory environment



- Political instability
- Re-nationalisation
- Regulatory changes



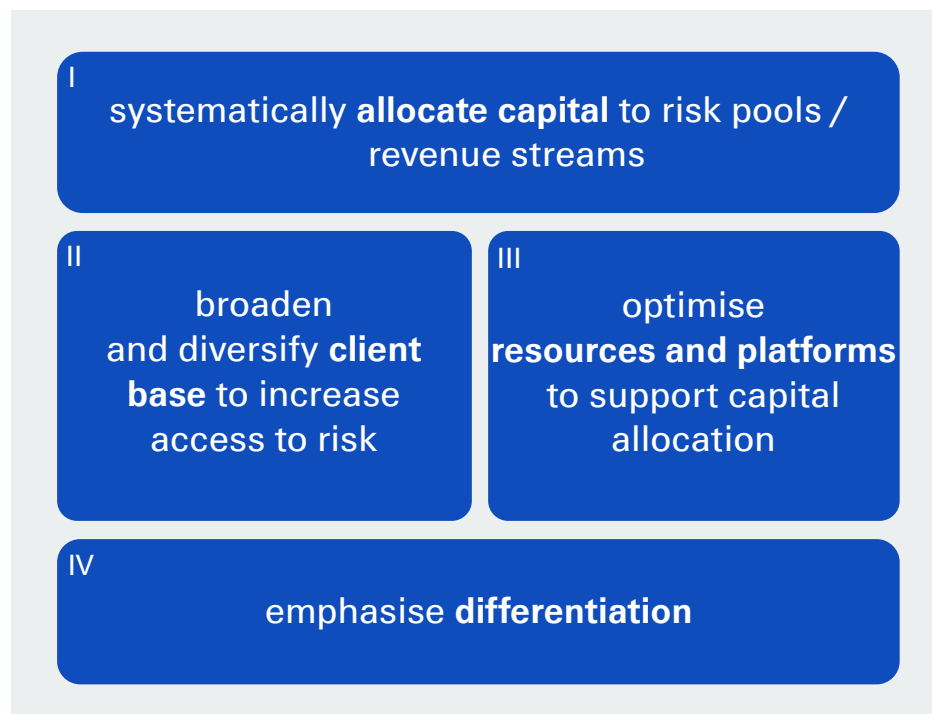
## Industry environment



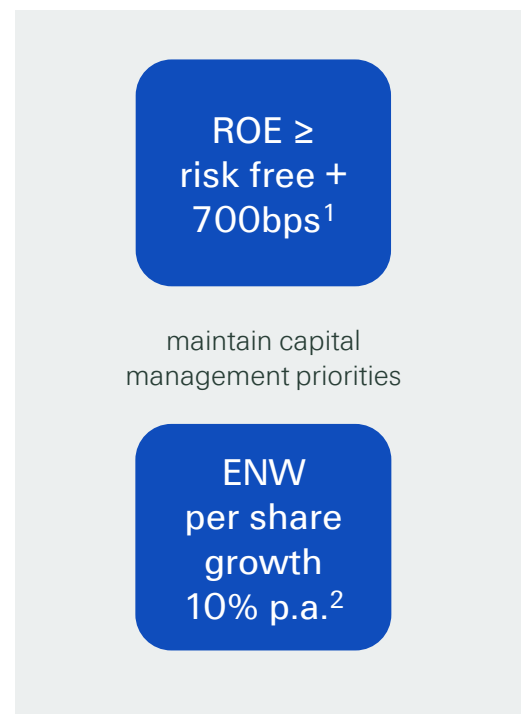
- Higher risk retention by our clients
- Soft market
- Technological innovation

# Our strategic framework will enable us to achieve our new financial targets...

## Areas of strategic action



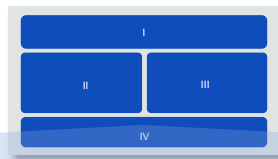
## Group financial targets



<sup>1</sup> 700bps above risk free (10-year US Gov Bonds); Swiss Re management to monitor a basket of rates reflecting Swiss Re's business mix; over the cycle

<sup>2</sup> Year-end ENW + dividends from current year divided by previous year end ENW; all per share; over the cycle

## ...and drive our Business Units' 2016 priorities



### Reinsurance

- Portfolio steering, large transactions and underwriting discipline
- Expansion of client base and geographic reach
- Active management of in-force blocks
- Differentiated economics through unique client access and offering

### Corporate Solutions

- Focus on underwriting discipline
- Develop Primary Lead capabilities
- Further broaden the footprint
- Offer bespoke structures and innovative solutions

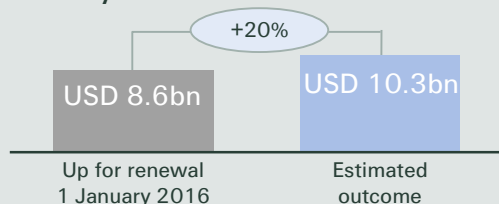
### Life Capital

- Successfully integrate Guardian business and seek further attractive closed book opportunities
- Accelerate growth in open books
- Continue to explore ways to access L&H risk pools

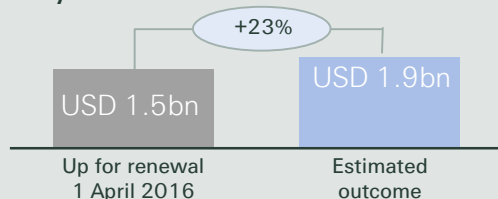


# P&C Reinsurance maintains attractive portfolio: flow business decreased; focus on transactions

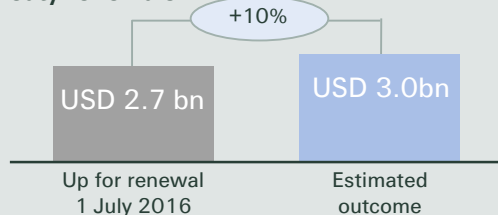
January 2016 treaty renewals<sup>1</sup>



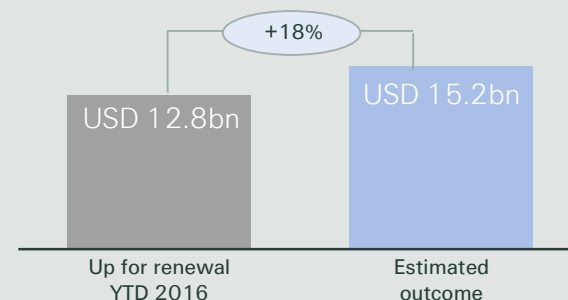
April 2016 treaty renewals<sup>1</sup>



July 2016 treaty renewals



YTD 2016 renewals (January – July)  
Treaty portfolio volume



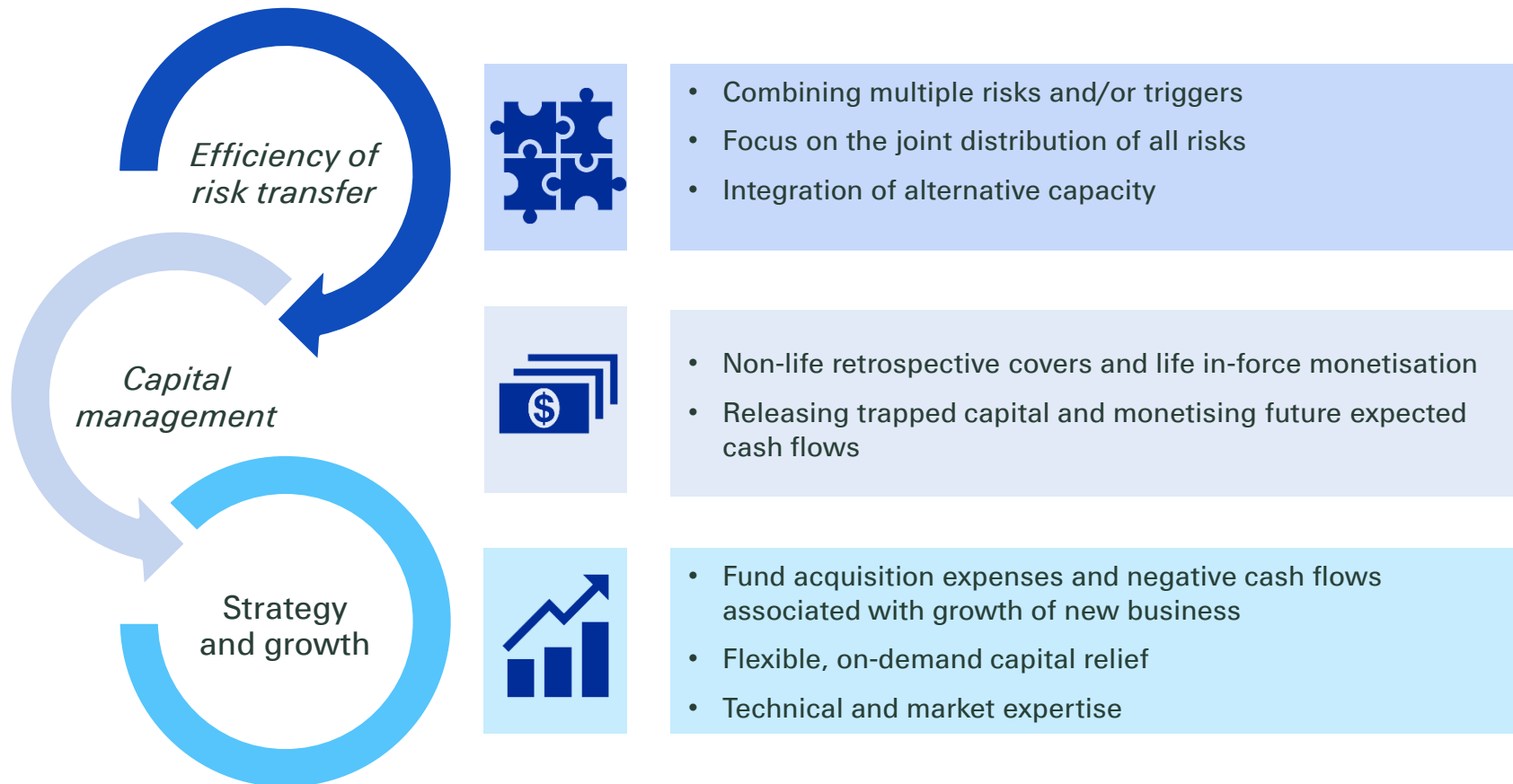
YTD risk adjusted price quality<sup>2</sup> remains at 102%

- Treaty premium volume increased by 18% YTD driven by large and tailored transactions, which are up by 76%, while flow business decreased by 7%
- Price levels continued to erode in property although to a lesser extent than previously. Reduced Nat Cat capacity in specific segments, incl. US hurricane. Stabilisation in casualty rates driven by large and tailored transactions

<sup>1</sup> January & April 2016 numbers have been restated with current fx rates

<sup>2</sup> Swiss Re's risk adjusted price quality provides an economic view on price quality, ie includes rate and exposure changes, claims inflation and interest rates

# The use of reinsurance is shifting toward serving a broader set of goals

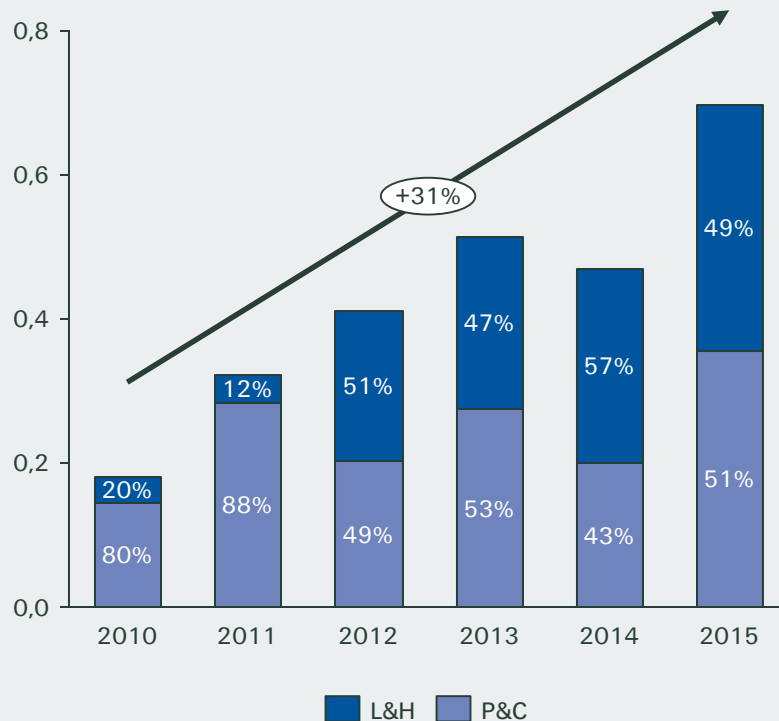


Key success factors include a clear objective, capacity, deep engagement and transparent communication

# Transactions have become increasingly important and have contributed significantly to economic profits of Reinsurance

## Development of transactions<sup>1</sup>

EVM underwriting profit in USD bn  
All figures as priced



- EVM underwriting profit from transactions substantially increased over the past 5 years in Reinsurance
- Increasing solvency and capital standards support transactions, especially L&H Reinsurance deals
- In 2015 around 35% of total EVM underwriting profits were generated by transactions

<sup>1</sup> Data before external retro and other items, FX not restated; Transactions include structured deals and large transactions

# Today's agenda

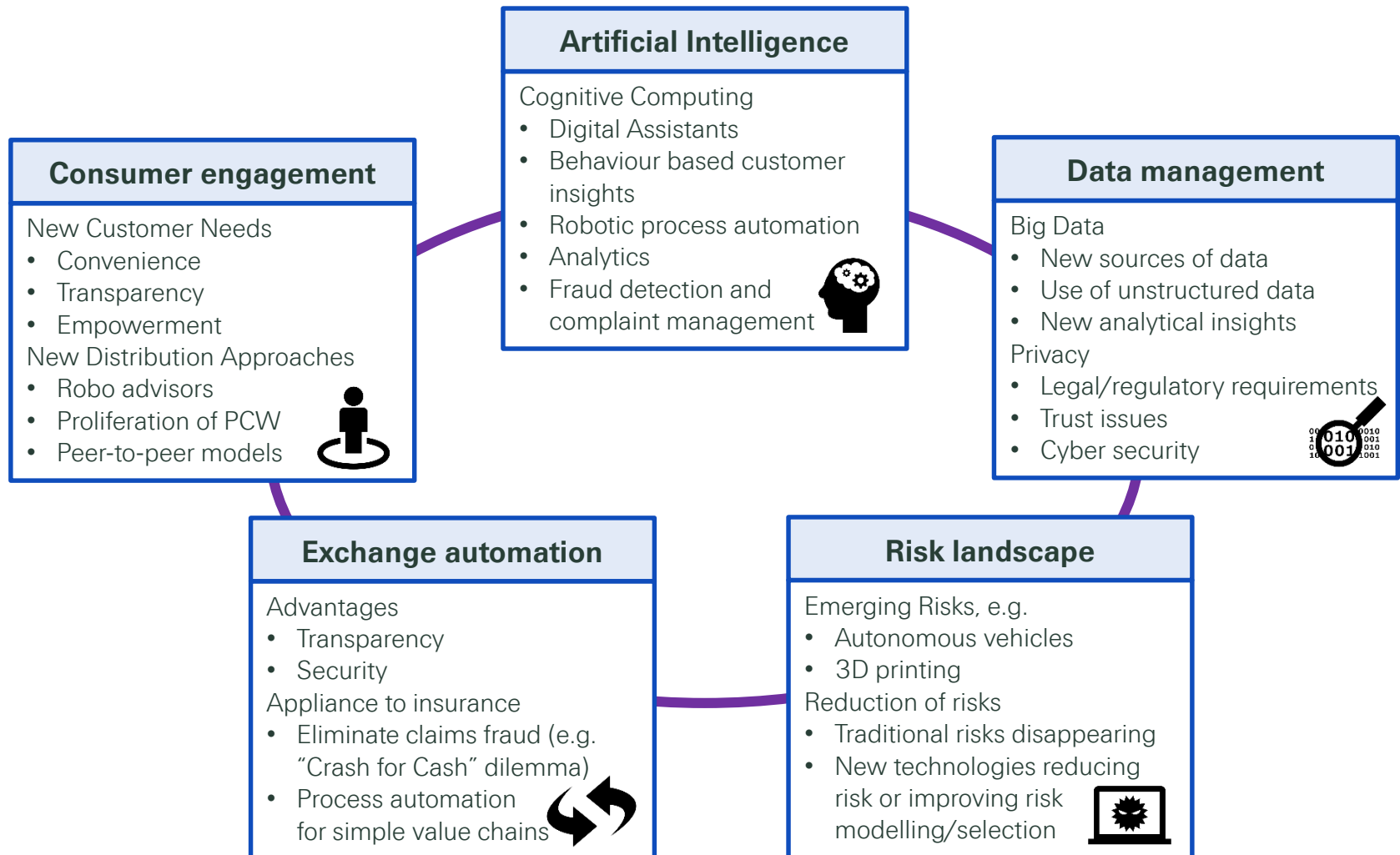
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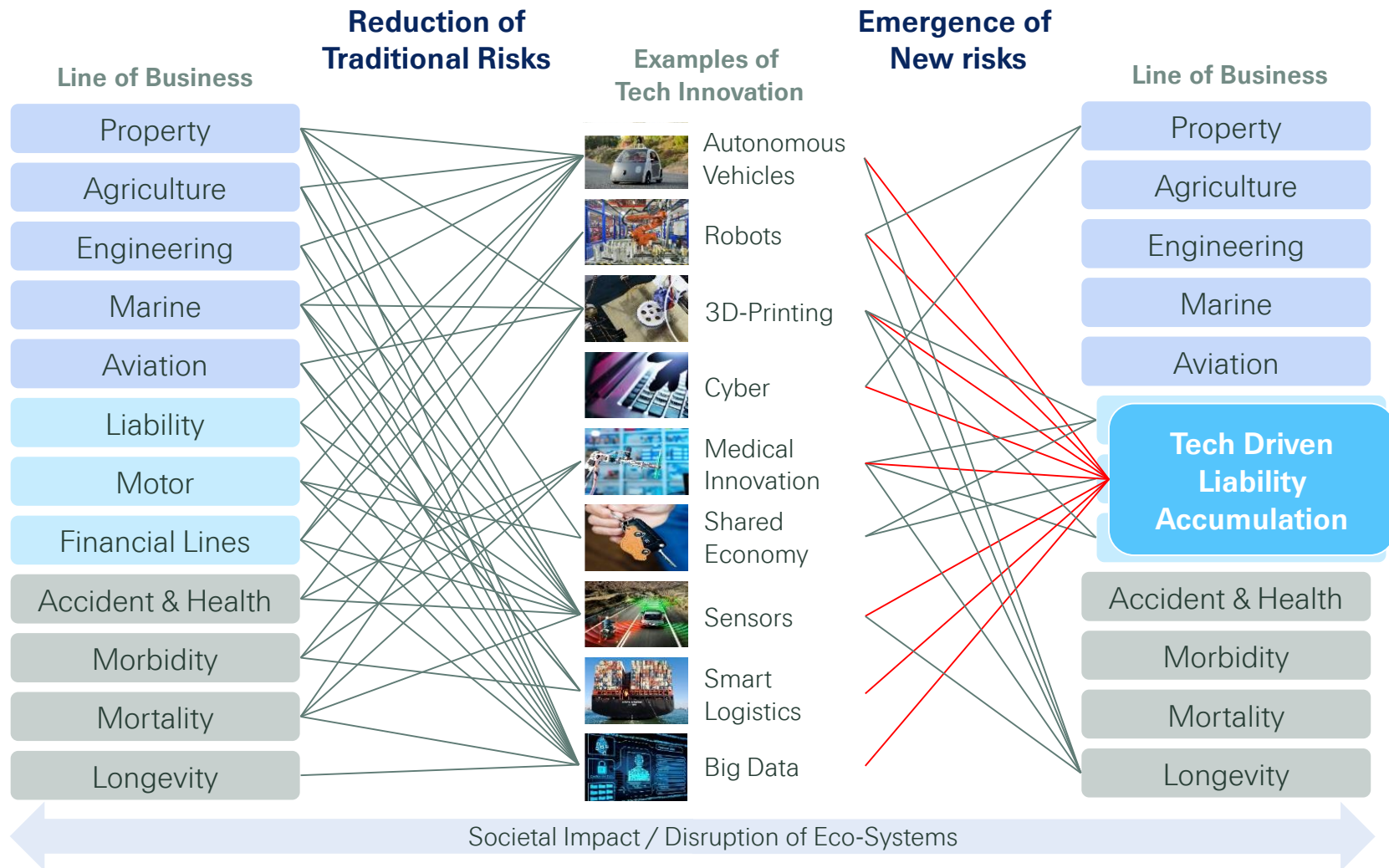
Technology trends in the insurance industry

Outlook

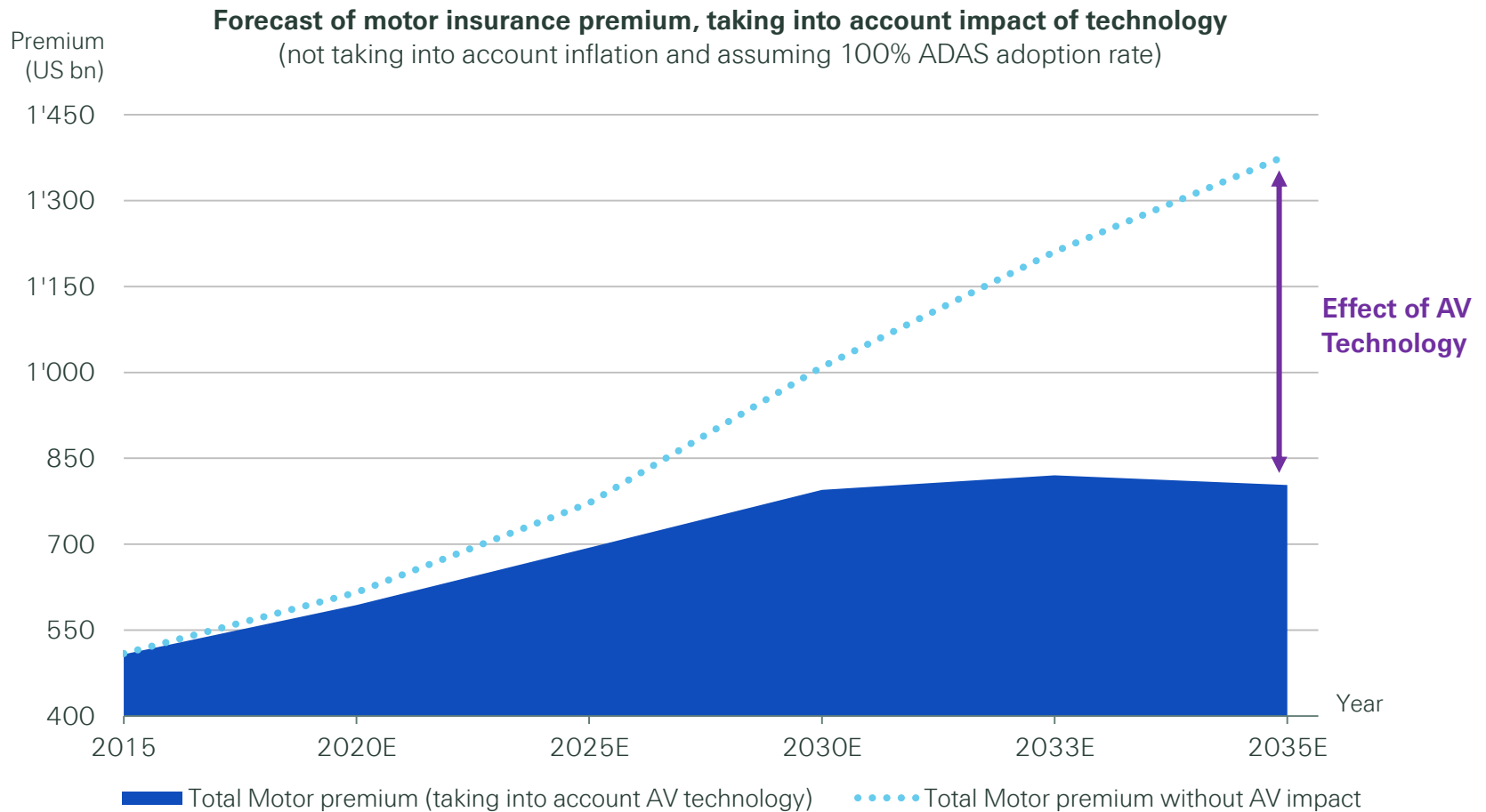
# Key technology topics are impacting the insurance industry



# High complexity of innovation from technology is changing the re/insurance risk landscape



# Automated vehicles will slow but not prevent growth



Source: Swiss Re, *The Future of Motor Insurance* (2015)

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Recent achievements

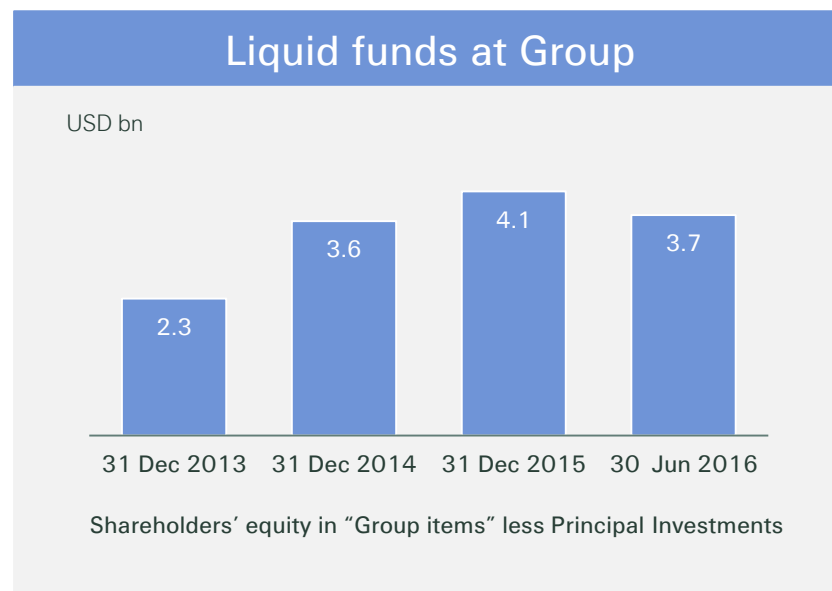
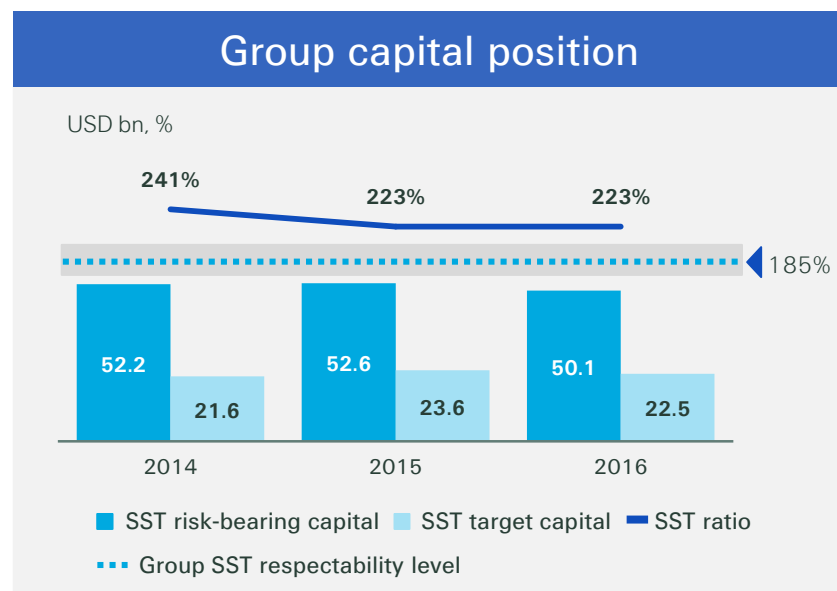
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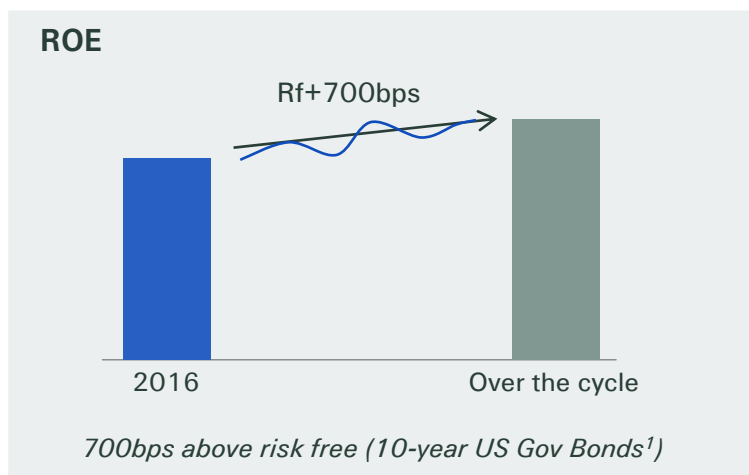
# Strong capital and liquidity positions enable the Group to execute a systematic capital allocation



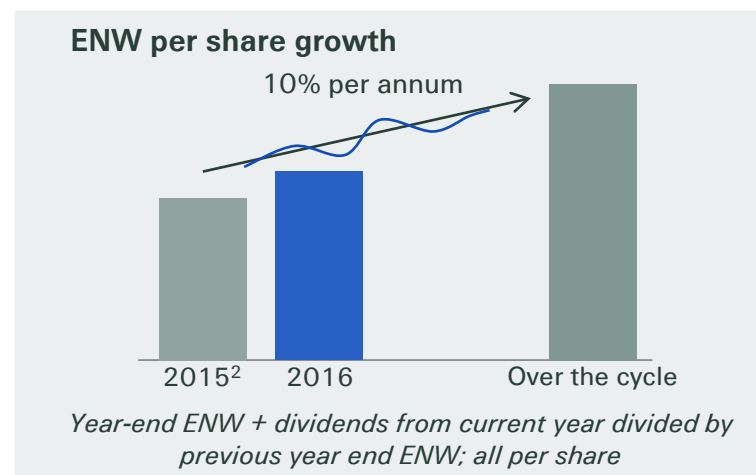
- Very strong Group capital position across multiple metrics
- Group SST 2016 ratio of 223%, comfortably above the Group's 185% respectability level – equivalent Solvency II ratio is estimated to be 312%
- Strong liquidity position well in excess of subsidiary requirements post an extreme loss event
- Maintaining free capital at Group level results in valuable long-term financial flexibility

# We are well positioned to continue to deliver on our Group financial targets

## Profitability: ROE $\geq$ risk free + 700bps



## Growth: ENW per share 10% p.a.



### Capital management priorities:

- Ensure superior capitalisation at all times and maximise financial flexibility
- Grow the regular dividend with long-term earnings, and at a minimum maintain it
- Deploy capital for business growth where it meets our strategy and profitability requirements
- Repatriate further excess capital to shareholders

<sup>1</sup> Management to monitor a basket of rates reflecting Swiss Re's business mix

<sup>2</sup> 2015 ENW including 2016 opening balance sheet adjustments due to change in EVM methodology

## Q&A



# Corporate calendar & contacts

## Corporate calendar

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### 2016

3 November	<b>Third Quarter 2016 Results</b>	Conference call
2 December	<b>Investors' Day</b>	Zurich

### 2017

23 February	<b>Annual Results 2016</b>	Conference call
16 March	<b>Publication of Annual Report 2016 and EVM 2016</b>	
21 April	<b>153<sup>rd</sup> Annual General Meeting</b>	Zurich

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- 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 Swiss Re’s investment assets;
- changes in Swiss Re’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise 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;
- the possibility that Swiss Re’s hedging arrangements may not 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 Swiss Re’s ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, 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;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
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- 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 or other issues experienced in connection with any such transactions;
- changing levels of competition; and
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