MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Swiss Re's Aa3 IFS and senior unsecured debt ratings with stable outlook

6 May 2020

London, May 6, 2020 – Moody's Investors Service, ("Moody's") has affirmed the Aa3 insurance financial strength (IFS) and senior unsecured debt ratings of Swiss Reinsurance Company Ltd (SRZ). In the same action, Moody's has affirmed the Aa3 IFS and A2(hyb) subordinated debt ratings of Swiss Re Corporate Solutions Ltd (SRCS), and the Aa3 IFS ratings of Swiss Re Life & Health America Inc. (SRLHA) and Swiss Reinsurance America Corporation (SRAC). The outlook is stable.

SRZ is the lead reinsurer of Swiss Re Ltd. ("Swiss Re", or "the Group"), one of the leading global reinsurance groups.

Please click on this link https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1000002784 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

The affirmation of the Aa3 IFS rating of SRZ, Swiss Re's lead reinsurance entity, reflects its excellent market position and extensive diversification by geography and line of business, very strong capital adequacy and good reserve adequacy. Swiss Re's financial profile is further strengthened by its conservative investment portfolio and very good financial flexibility, albeit earnings coverage has come under some pressure given the Group's weakened profitability. The Group's profitability has deteriorated over the past three years as a result of underwriting losses on its property and casualty (P&C) businesses, in part due to catastrophe losses but also adverse reserve development associated with its large market share in commercial casualty (re)insurance. The affirmation also takes into consideration Moody's expectation that Swiss Re's credit profile, given its current risk exposures, will be able to withstand the negative financial effects of the coronavirus pandemic, and potential underwriting losses will not drive a net loss for the year under a range of moderate stress scenarios.

The coronavirus-related economic downturn is creating a severe and extensive credit shock across many sectors, regions and markets. The reinsurance industry is exposed to this shock from both potential underwriting claims as well as asset volatility. We regard the coronavirus pandemic a social risk under our ESG framework, given the substantial implications for public health and safety.

For the Group's Life (re)insurance focused businesses, the coronavirus pandemic results in increased mortality risk, with significantly higher death rates in older age groups, and thus the potential for elevated mortality claims against life (re)insurers. The largest concentration of reinsured mortality risks is in the United States and – to a lesser extent – the United Kingdom, Canada and Australia, whereas in other regions reinsurance coverage is more widely used against longevity and morbidity risks. Moody's expects the mortality rate within insured populations to be lower than for the general population due to a mix of factors, including the generally younger age of insureds, socio-economic characteristics, and the effectiveness of medical underwriting in moderating the number of insureds with significant underlying health conditions, who tend to be more susceptible to coronavirus.

Swiss Re has a leading position in the global market for life reinsurance and therefore carries significant mortality risk. At year-end 2019, Life and Health insurance (including the Group's Life Capital division) accounted for about 39% of its total premium earned and fee income and about 27% of the Group's undiversified economic capital requirement on the Swiss Solvency Test (SST) basis. Its 1-in-200 year modeled pandemic loss - which contemplates a significantly more severe pandemic than coronavirus - amounted to $3.1 billion.

Moody's has applied various scenarios to the Group's global life reinsurance inforce, with our base scenarios ranging between a 2% infection rate at the low end to a 10% infection rate at the upper-end, with an average fatality rate of 1% across the population. Moody's expects Swiss Re to remain resilient across our coronavirus-related range of base mortality scenarios. However, in more severe stress scenarios, of higher infection and mortality rates, which are considered a remote possibility based on the current trajectory of the pandemic and the current success of containment measures, the Group's credit profile could come under pressure.

On the P&C side, reinsurers are also significantly exposed to coronavirus related risks, the most important of which are event cancellation, business interruption, trade credit and mortgage insurance, which in the short-term could be partially offset by lower claims from lines of business dependent on usage, such as motor insurance. More specifically for business interruption insurance, while there is some disparity in policy wording amongst insurers, these claims are generally triggered by property damage and Moody's generally believes this risk to be manageable, assuming policymakers do not force retrospective changes to policy wording to include previously excluded business interruption losses. Swiss Re has a very well diversified book of business and while the earnings of its P&C reinsurance business will suffer from coronavirus related claims, we do not expect these claims to cause the P&C Re division to report an overall loss for the year under our range of base scenarios for P&C claims.

For Q1 2020, the Group recorded a $476 million pre-tax charge for coronavirus-related claims against its P&C businesses, event cancellation covers accounting for the majority of this amount. The Group estimates its total event cancellation exposure as being in the mid-to-high triple digit millions range.

Moody's expects the impact of financial markets volatility to be limited because the Group's investment portfolio is conservatively positioned with only modest exposure to equities and lower rated debt. The Group reported net mark-to-market losses of approximately $300 million for the first quarter of 2020, with the gross impact reduced by approximately $650 million as a result of equity and credit hedges the Group had in place to reduce its exposure to financial markets volatility related to the pandemic. Notwithstanding the group's high-quality investment portfolio, and effective equity and credit hedging strategy, the economic and financial effects of coronavirus exposes Swiss Re to elevated levels of asset risk in a severe stress scenario.

On 30 April 2020, Swiss Re reported first-quarter earnings with a net loss for the quarter of $225 million, reflecting the aforementioned P&C claims and mark-to-market losses related to coronavirus and higher than expected natural catastrophe losses. The Group stated that its SST coverage ratio remained comfortably above 200%. Moody's said that it expects the Group to record additional coronavirus-related claims over the course of 2020, including on credit and surety lines, business interruption and events cancellation as well as on its life reinsurance business.

STABLE OUTLOOK

The stable outlook for the Group's rated entities reflects Moody's expectation that Swiss Re's credit profile will withstand the negative effects of the coronavirus pandemic, including its SST capital coverage not declining below 200% for a prolonged period. In addition, Moody's expects that the Group's underlying profitability will benefit from rising prices for P&C reinsurance and the Group's restructuring of its loss-making SRCS division. As noted below, the inability of the Group to improve its profitability – absent the expected impacts of coronavirus – over the next 12 to 18 months could result in negative rating action.

KEY SUBSIDIARY RATINGS

Moody's said that the Group's main rated subsidiaries, Swiss Reinsurance America Corporation (SRAC, Aa3 stable), Swiss Re Life & Health America Inc. (SRLHA, Aa3 stable) and Swiss Re Corporate Solutions Ltd (SRCS, Aa3 stable) benefit from significant implicit and explicit support from the Group that supports their ratings being aligned with SRZ.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Moody's said that given the significant uncertainty around the ultimate industry losses related to coronavirus, there would be limited upward pressure on SRZ and the Group's ratings over the next 12 to 18 months. However, over the longer term, the following factors could contribute to positive pressure on the rating: (i) increased diversification of earnings streams resulting in lower potential earnings volatility, (ii) sustained strong core earnings with return on capital above 10% over the underwriting cycle, while maintaining very strong capital adequacy, (iii) financial and total leverage consistently below 20%, with earnings coverage over 10x through the cycle, and (iv) material improvement in the business environment, including P&C reinsurance pricing and interest rates.

Conversely, Moody's said that the following factors could place downward pressure on SRZ and the Group's ratings: (i) higher than expected life or non-life reinsurance claims related to coronavirus that erode capital; (ii) return on capital remaining below 6% - absent the expected coronavirus-related impacts – over the next 12 to 18 months; (iii) meaningful and sustained adverse reserve development; (iv) increase in the Group's risk appetite, including for higher net catastrophe exposure or asset risk; (v) reduction in shareholders' equity of greater than 10% over a rolling 12 month period due to weak underwriting results or excess return of capital to investors.

The principal methodology used in rating Swiss Re Corporate Solutions Ltd, Swiss Re International SE and Westport Insurance Corporation was Property and Casualty Insurers Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1187352. The principal methodology used in rating Swiss Reinsurance Company Ltd, ELM B.V., Swiss Re Financial Products Corporation, Swiss Re Life & Health America Inc., Swiss Re Solutions Holding Corporation, Swiss Re Treasury (US) Corporation, Swiss Reinsurance America Corporation, Swiss Re Asia Pte. Ltd., Swiss Re Europe SA and Swiss Re Finance (Luxembourg) S.A. was Reinsurers Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1187551. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1000002784 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

• Endorsement

• Releasing Office

• Rating Solicitation

• Issuer Participation

• Participation: Access to Management

• Participation: Access to Internal Documents

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

The person who approved Swiss Re Corporate Solutions Ltd, Swiss Re International SE, Westport Insurance Corporation, Swiss Reinsurance Company Ltd, ELM B.V., Swiss Re Asia Pte. Ltd., Swiss Re Europe SA and Swiss Re Finance (Luxembourg) S.A. credit ratings is Simon Harris, MD-Gbl Financial Institutions, Financial Institutions Group, JOURNALISTS : 44 20 7772 5456, Client Service : 44 20 7772 5454. The person who approved Swiss Re Financial Products Corporation, Swiss Re Life & Health America Inc., Swiss Re Solutions Holding Corporation, Swiss Re Treasury (US) Corporation and Swiss Reinsurance America Corporation credit ratings is Marc R. Pinto, CFA, MD-Financial Institutions, Financial Institutions Group, JOURNALISTS : 1 212 553 0376, Client Service : 1 212 553 1653.

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