Best's Credit Rating Effective Date
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Analytical Contacts

Valeria Ermakova
Associate Director-Analytics
Valeria.Ermakova@ambest.com
+44 207 626 0269

Ghislain Le Cam, CFA
Director-Analytics
Ghislain.LeCam@ambest.com
+44 207 397 0268

Information

Best's Credit Rating Methodology

Understanding Best's Credit Ratings

Market Segment Outlooks

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Swiss Re Ltd

AMB #: 058595
Associated Ultimate Parent: AMB # 058838 - Swiss Re Ltd

Best's Credit Ratings – for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A+	aa
Superior	Superior
Outlook: **Stable**	Outlook: **Negative**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Strongest**
Operating Performance	**Strong**
Business Profile	**Very Favorable**
Enterprise Risk Management	**Very Strong**

Rating Unit - Members

Rating Unit: Swiss Re Ltd | AMB #: 058595

AMB #	Rating Unit Members	AMB #	Rating Unit Members
010783	First Specialty Ins Corp	007283	Swiss Re Life & Health America
011135	North American Capacity Ins Co	093824	Swiss Re Portfolio Partners
010617	North American Elite Ins Co	003263	Swiss Reinsurance America Corp
001866	North American Specialty Ins	085009	Swiss Reinsurance Company Ltd
085830	Swiss Re Asia Pte. Ltd.	002695	Washington International Ins
091982	Swiss Re Corporate Solutions	000347	Westport Insurance Corp
086847	Swiss Re Europe S.A.	093825	iptiQ Life S.A.
087600	Swiss Re International SE		

Rating Rationale – for the Rating Unit Members

The Issuer Credit Ratings and Financial Strength Ratings of the member operating companies of the rating unit are determined in accordance with Best's building block rating methodology as applied to the consolidated group's financial statements, and the supporting analytics and results are described in the following sections of this report.

Balance Sheet Strength: Strongest

- Balance sheet strength is underpinned by the strongest level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), a conservative asset allocation and low dependency on retrocession.
- Balance sheet demonstrates resilience to natural catastrophe stress scenarios, reflecting the group's large capital base and diversified sources of earnings, as well as its good catastrophe exposure management.
- Excellent financial flexibility, underpinned by effective leverage management and use of hybrid debt, which reduce the potential for liquidity strain in a stressed situation.
- Other balance sheet strength factors, including liquidity and asset/liability management, are supportive of the strongest assessment.
- Adverse prior-year development reported on US casualty reserves over the past two years is a partially offsetting balance sheet strength factor.

Operating Performance: Strong

- Long-term track record of strong operating performance, supported by profitable underwriting and investment activities over the business cycle. Average non-life combined ratio of 96.5% and return on equity of 7.8% over the past ten years (2010-2019), as calculated by AM Best.
- Property and casualty underwriting results are subject to volatility and have been below AM Best's expectations in recent years. This is due to the group's exposure to a high incidence of natural catastrophe and man-made losses as well as underperformance in its US casualty book.
- Life and health operations demonstrated overall profitability in recent years, as evidenced by a return on equity between 10% and 15% since 2015.
- The group continues to implement corrective actions to improve the performance of certain sub-segments of its portfolio, such as US casualty business and Corporate Solutions business unit.
- Good investment results supported by a relatively stable running yield arising from the group's low-risk asset holdings.

Business Profile: Very Favorable

- Leading position in the global reinsurance market, supported by strong brand and highly experienced management team.
- The group's strong brand and excellent geographical diversification partly insulate it from the impact of intense competition in the international reinsurance market and position it well to benefit from the hardening market conditions.
- Profile is further enhanced by offerings in direct commercial non-life insurance and direct life and health insurance.
- Moderate product risk across the portfolio, which includes high-risk lines such as catastrophe and long-term casualty business, as well as relatively simple products such as protection life.

Enterprise Risk Management: Very Strong

- Very strong enterprise risk management, supported by an embedded risk framework and superior risk management capabilities in light of the group's complex risk profile.
- Internal capital model and the application of economic value management framework, which support strategic decisions and capital allocation.
- Excellent capabilities in risk modelling and stress testing support informed risk-taking.
- Dynamic approach to risk management allows the group to respond to emerging risks as they arise.

Outlook

- The negative outlook on the Long-Term ICR reflects pressure on Swiss Re Limited's operating performance assessment, following non-life underwriting losses in recent periods, partly driven by the casualty book of business. The group has implemented actions to improve the performance of certain sub-segments of its portfolio. However, these actions have had limited impact on results so far. AM Best will continue to monitor Swiss Re's underwriting performance, particularly in the US casualty segment; should the underlying performance not improve in the short-to-medium term, a further negative rating action on the Long-Term ICR is likely. The outlook on the FSR is stable.

Rating Drivers

- Negative rating actions could arise if the group's underwriting performance were not to improve in the short-to-medium term, falling short of expectations for a strong operating performance assessment. This could occur, for example, as a result of further adverse reserve development in the US casualty segment.
- In addition, negative rating actions could follow a material fall in risk-adjusted capitalisation, for instance, as a result of unexpectedly large catastrophe losses or reserve strengthening, if AM Best did not believe that capitalisation would be replenished to a level supportive of the ratings over a short time period.
- Positive rating actions, such as a revision of the Long-Term ICR outlook to stable, could follow a strong and sustainable improvement in the group's underlying technical performance.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	67.5	53.3	47.8	46.0

Source: Best's Capital Adequacy Ratio Model - Universal

Key Financial Indicators	2019 USD (000)	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)
Net Premiums Written:					
Life	14,514,000	13,822,000	12,685,000	12,140,000	11,245,000
Non-Life	25,135,000	20,220,000	19,631,000	21,430,000	19,197,000
Composite	39,649,000	34,042,000	32,316,000	33,570,000	30,442,000
Net Income	769,000	440,000	326,000	3,555,000	4,600,000
Total Assets	238,567,000	207,570,000	222,526,000	215,065,000	196,135,000
Total Capital and Surplus	31,037,000	28,727,000	34,294,000	35,716,000	33,606,000

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2019 USD (000)	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)	Weighted 5-Year Average
Profitability:						
Balance on Life Technical Account (USD 000)	1,572,000	1,480,000	2,113,000	2,148,000	1,909,000	...
Balance on Non-Life Technical Account (USD 000)	-2,646,000	-1,292,000	-3,084,000	1,103,000	2,449,000	...
Net Income Return on Revenue (%)	1.6	1.2	0.8	8.3	13.1	4.7
Net Income Return on Capital and Surplus (%)	2.6	1.4	0.9	10.3	13.2	5.8
Non-Life Combined Ratio (%)	111.4	106.6	115.4	94.8	87.0	103.6
Net Investment Yield (%)	3.9	3.2	2.8	3.1	2.8	3.1
Leverage:						
Net Premiums Written to Capital and Surplus (%)	135.5	121.9	94.7	94.2	90.8	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

The Swiss Re group's balance sheet strength is assessed as strongest by AM Best. The BCAR scores presented under the "Best's Capital Adequacy Ratio Summary" section of this report are based on the year-end 2019 audited consolidated financial statements of Swiss Re Ltd (Swiss Re or the group).

Capitalisation

Swiss Re's consolidated risk-adjusted capitalisation, as measured by BCAR, was at the strongest level at the end of 2019. AM Best expects consolidated risk-adjusted capitalisation to remain comfortably in excess of minimum requirements for the strongest assessment.

AM Best gives credit within available capital for the group's on-balance sheet subordinated debt, unrealised gains reserve and the net economic value associated with particular blocks of long-term business. Swiss Re's risk-adjusted capitalisation is not heavily reliant on soft capital elements and quality of capital is considered a positive rating factor.

The group's capital adequacy as calculated by its own internal model (which is used to calculate its regulatory capital under the Swiss Solvency Test - SST) is also considered to be supportive of the balance sheet strength assessment of strongest. As at 1 January 2020, the group’s SST ratio remained high at 232%. The group reported that its estimated SST ratio remained “comfortably above” 200% at the end of the first quarter (Q1) of 2020 following the COVID-19-related market volatility. Swiss Re also performs a translation exercise between the group’s SST ratio and an equivalent Solvency II ratio. The calculation showed that under the Solvency II framework, the group’s Q1 2020 SST ratio would translate to an equivalent ratio of above 230%. The group targets an SST capitalisation level of at least 220%, and indicated it was above this target as of 1 July 2020.

Financial flexibility:

Swiss Re continues to demonstrate strong financial flexibility. The group has issued a number of subordinated notes with loss absorption features such as the option for a stock settlement or contingent write-off provisions. In addition, starting in 2015, Swiss Re has put in place several pre-funded debt facilities. At year-end 2019, the off-balance sheet pre-funded debt facilities amounted to USD 2.7 billion. Although coupons on the issues are typically higher than on standard subordinated notes, these issues demonstrate the group's financial flexibility and, together with the prefunded debt facilities, which can be drawn at any time, reduce the potential for liquidity strain in a crisis.

Swiss Re, as well as entities within each of its three main business units, has the capability to issue debt. However, most of the group's debt is still issued through (or guaranteed by) Swiss Reinsurance Company Ltd - which is the group's main operating entity, domiciled in Switzerland.

During the first half of 2020, Swiss Re issued two debts for EUR 800 million and SGD 350 million, respectively. This led to a minor increase of the group’s financial leverage, which remains nonetheless supportive of the strongest balance sheet strength assessment. Operational debt (senior and subordinated) has reduced significantly over the past ten years and at year-end 2019 stood at USD 2.2 billion.

Liquidity:

Given Swiss Re's material exposure to potentially large losses, its liquidity requirements are high. Swiss Re maintains strong liquidity metrics. The group's liquidity policy is to retain sufficient unencumbered liquid assets and cash to meet potential requirements arising from a range of possible stress events.

Dividend and capital management:

Swiss Re's dividend policy is to grow the regular dividend with long-term earnings, and at a minimum maintain it. In recent years, capital repatriation has been carried out through ordinary dividend payments and share buy-backs. In February 2020, the group completed its share buy-back programme of CHF 1 billion that was launched in May 2019. In April 2020, it announced that as a result of the significant levels of financial market volatility and the uncertain economic landscape owing to the COVID-19 outbreak, the next buy-back programme up to CHF 1 billion would not be launched.

Balance Sheet Strength (Continued...)

AM Best expects Swiss Re's future capital repatriation actions to remain accommodative of its growth plans and targeted level of risk-adjusted capitalisation.

Capital Generation Analysis	2019 USD (000)	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)
Beginning Capital and Surplus	28,727,000	34,294,000	35,716,000	33,606,000	36,041,000
Net Income	769,000	481,000	393,000	3,623,000	4,668,000
Net Unrealized Capital Gains (Losses)	3,746,000	-2,183,000	284,000	1,704,000	-2,670,000
Currency Exchange Gains (Losses)	21,000	-517,000	526,000	-387,000	-1,012,000
Change in Equalisation and Other Reserves	-1,165,000	-2,058,000	-1,476,000	-1,151,000	-589,000
Net Change in Paid-In Capital and Surplus	-1,000	-1,000	-1,000	-1,000	...
Stockholder Dividends	-1,659,000	-1,744,000	-1,559,000	-1,561,000	-2,608,000
Other Changes in Capital and Surplus	599,000	455,000	411,000	-117,000	-224,000
Net Change in Capital and Surplus	2,310,000	-5,567,000	-1,422,000	2,110,000	-2,435,000
Ending Capital and Surplus	31,037,000	28,727,000	34,294,000	35,716,000	33,606,000
Net Change in Capital and Surplus (%)	8.0	-16.2	-4.0	6.3	-6.8

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2019	2018	2017	2016	2015
Liquid Assets to Total Liabilities	47.4	78.2	81.0	83.0	80.6
Total Investments to Total Liabilities	53.6	85.7	89.6	91.5	89.8

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Swiss Re holds a conservative investment portfolio consisting largely of highly-rated fixed-income securities, short-term investments and cash. In addition, the portfolio is complemented by other assets, such as private debt, equities and real estate. The group maintains its "principal investments" portfolio, with the goal to generate long-term returns by investing in equity of insurance-linked businesses, with a focus on high-growth markets and "special situations". The group also holds assets to cover unit-linked liabilities (included within "Other invested assets" in the table below) - these investments consist of bonds and equities and amounted to USD 520 million at year-end 2019 (excluding assets of ReAssure which were recorded as held for sale at year-end 2019).

Swiss Re has a sophisticated approach to asset-liability management, designing and evaluating portfolios of assets and liabilities together. The group also actively integrates Environmental, Social and Governance (ESG) benchmarks into its investment process.

Composition of Cash and Invested Assets	2019 USD (000)	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)
Total Cash and Invested Assets (USD 000)	111,308,000	153,287,000	168,703,000	164,027,000	146,014,000
Cash (%)	12.0	7.4	6.9	12.1	10.7
Bonds (%)	73.3	62.6	60.3	56.9	56.4
Equity Securities (%)	2.7	2.0	2.3	2.1	3.3
Real Estate, Mortgages and Loans (%)	5.0	4.5	3.8	3.4	3.2
Other Invested Assets (%)	7.1	23.4	26.7	25.5	26.4
Total Cash and Unaffiliated Invested Assets (%)	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Swiss Re sets its property and casualty (P&C) reserves on a best estimate basis, as required by the US GAAP. The group establishes its reserves consistently between the 60th and the 80th percentile of the best estimate range.

Balance Sheet Strength (Continued...)

Reserves are reviewed as part of its annual external audit.

In 2019, Swiss Re recorded an adverse development in its casualty, property and specialty segments. Casualty reserves were impacted by large losses predominantly in North America, driven by the heightened claims inflation observed in the US market. Property was impacted by reserve strengthening in Asia for Typhoon Jebi, which is in line with what has been observed for the rest of the market. Specialty reserves were increased due to large man-made losses and adverse development in the Corporate Solutions business unit, partly offset by reserves releases from the reinsurance segment. Adverse prior-year development reported on US casualty reserves over the past two years is a partially offsetting rating factor for Swiss Re.

The group has exposure to asbestos and environmental reserves (A&E), mainly relating to the US A&E policies written prior to 1986. At the end of 2019, the group carried net reserves for US A&E liabilities equal to USD 1.6 billion. Projection for this exposure is subject to high uncertainty, and therefore, it can be expected that these reserves will be strengthened from time to time.

Life & health (L&H) reserves are expected to be more than adequate to meet best-estimate obligations as a significant margin is held within US GAAP net L&H reserves, where reserving assumptions are "locked-in" at inception.

Retrocession:

Swiss Re is not dependent on retrocession, as demonstrated by a five-year average net retention ratio of approximately 97% for P&C and 89% for L&H business (2015-2019). The group chooses to purchase limited retrocession cover for the P&C business. The P&C protection that exists is dominated by non-traditional risk transfers, such as sidecars, insurance-linked securities (ILS), industry loss warranties (ILW), and risk swaps. The group also has a number of internal group retrocession / reinsurance arrangements.

During the third quarter of 2019, Swiss Re created its Alternative Capital Partners (ACP) unit in Group Finance by combining its ILS, Retro and Syndication teams. By creating this unit, Swiss Re aims to further grow its natural catastrophe book, given the hardening pricing environment, whilst protecting it from peak exposures. Within the ACP, Swiss Re’s sidecar platform, Sector Re, contributes the most to the group's capital relief.

In AM Best's opinion, Swiss Re's approach to insurance risk transfer is innovative and based on a deep understanding of current market dynamics.

Holding Company Assessment

Financial Leverage Summary - Holding Company

Financial Leverage Ratio (%)	22.60
Adjusted Financial Leverage Ratio (%)	14.40
Interest Coverage (x)	5.20

Operating Performance

Swiss Re has a long-term track record of strong operating performance, supported by profitable underwriting and investment activities over the business cycle. The group has an average non-life combined ratio of 96.5% and return on equity of 7.8% over the past ten years (2010-2019), as calculated by AM Best. The figure for non-life combined ratio includes the P&C reinsurance business written by the P&C Reinsurance business unit and the commercial insurance business written within the Corporate Solutions business unit.

Due to its exposure to catastrophes and limited use of retrocession, Swiss Re’s technical performance is subject to volatility in years affected by natural catastrophes. This was evident in 2019, 2018 and 2017, when the group reported an ROE of 2.5%, 1.4% and 0.9% respectively, compared to average double-digit ROE reported in the five-year period prior to 2017 (as calculated by AM Best). In catastrophe-benign years, Swiss Re reports excellent technical results.

At year-end 2019, the P&C Reinsurance division’s combined ratio was 107.8% and the combined ratio for Corporate Solutions was 127.9% (as reported by Swiss Re). Similarly to the year before, both divisions were affected by higher than expected natural catastrophe and man-made losses. In addition, the performance was affected by reserve strengthening with respect to the group’s casualty book.

Operating Performance (Continued...)

Swiss Re's casualty business has been subject to adverse development in recent years, as it was negatively affected by weaker-than-expected performance of the US and UK motor liability portfolio, and deterioration from general liability business in the US, including impact from social inflation. In the P&C Reinsurance, the casualty combined ratio increased to 116.6% in 2019 (2018: 110.6%). Within Corporate Solutions, the casualty combined ratio increased to 137.6% in 2019 (2018: 125.5%), due to large and medium-sized man-made losses from prior accident years and reserve increases as part of the management actions taken in 2019. The group has implemented actions to improve the performance of its U.S. casualty book in recent years, however, these actions have had limited impact on results so far. AM Best will continue to monitor Swiss Re’s underwriting performance, particularly in the U.S. casualty segment.

Swiss Re's L&H business includes the L&H business written by the Reinsurance division and the group's Life Capital division, which covers the run-off business of ReAssure and small open life insurance books (written under the iptiQ, Lumico and elipsLife brands). In December 2019, Swiss Re group announced that it has agreed to sell ReAssure Group plc to Phoenix Group Holdings plc (Phoenix Group). The sale completed in July 2020.

Swiss Re's L&H reinsurance portfolio underperformed against expectations in the period 2010-2014. However, a number of actions were taken in 2014 to improve performance and the segment has met its target ROE of 10% to 15% since 2015 to date. The segment positively contributes to the group's ability to generate return from a diversified earnings stream.

The Swiss Re group has reported positive investment returns, including realised and unrealised gains in recent years. The group's reported a fixed-income running yield in 2019 of 2.8% (2018: 2.9%), which reduced to 2.5% in Q1 2020 as a result of the prolonged low yield environment. Swiss Re took management actions to increase credit and equity hedge protection as a response to the COVID-19 related financial market volatility, which resulted in hedging gains of USD 650 million, reducing the group's Q1 2020 net investment losses to approximately USD 300 million. AM Best believes that the group possesses strong asset management capabilities, which help it navigate the prevailing low interest rate environment and financial market volatility.

Overall, the group reported a net loss of USD 225 million for Q1 2020, which included a pre-tax net impact of COVID-19-related claims of USD 476 million, mainly reflecting reserves in event cancellation and business interruption.

Financial Performance Summary	2019 USD (000)	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)
Pre-Tax Income	909,000	509,000	458,000	4,304,000	5,251,000
Net Income after Non-Controlling Interests	727,000	421,000	331,000	3,558,000	4,597,000

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2019	2018	2017	2016	2015
Overall Performance:					
Return on Assets	0.4	0.2	0.2	2.0	2.7
Return on Capital and Surplus	2.6	1.4	0.9	10.3	13.2
Non-Life Performance:					
Loss and LAE Ratio	79.7	74.2	82.3	61.3	53.3
Expense Ratio	31.7	32.4	33.1	33.6	33.7
Non-Life Combined Ratio	111.4	106.6	115.4	94.8	87.0

Source: BestLink® - Best's Financial Suite

Business Profile

Swiss Re's business profile is supportive of a very favourable assessment. Swiss Re is a leading and highly diversified global reinsurer and insurer, operating through more than 80 offices in over 30 countries. The group benefits from excellent product diversification through its three main business units: Reinsurance (P&C and L&H), Corporate Solutions (commercial insurance) and Life Capital (closed and open primary life and health insurance). The wide product offering allows Swiss Re to remain flexible and competitive in times of adverse market conditions or economic volatility, which in turn should support robust future operating results and long-term financial strength.

Market position and degree of competition:

Business Profile (Continued...)

Swiss Re's clear leadership position within the global reinsurance market is demonstrated and defensible, and supported by strong brand recognition. As at year-end 2018, Swiss Re ranked as the largest reinsurer in the world, measured by GWP (combined life and non-life, as ranked by AM Best). The competitive conditions in the global reinsurance market remain intense; nonetheless, Swiss Re is likely to continue to hold its leading position, benefiting from its brand and diversification.

In 2019, 41% of Swiss Re's business was derived from the US (measured by net premiums earned and fee income), followed by EMEA and Asia-Pacific. Swiss Re holds a strong position in the US where it is the fourth largest life reinsurer measured by life insurance in force (as at year-end 2018, ranked by AM Best). This position is likely to remain stable over the medium term, due to the high barriers to entry to the US life reinsurance segment.

Distribution:

Swiss Re's worldwide distribution system ensures excellent access to business even during periods of intensely competitive market conditions. Operating across Europe, Asia Pacific, Americas and Africa, Swiss Re is able to serve its clients across continents both through its network of local offices, as well as on a cross-border basis. Benefiting from its leading market position, Swiss Re has a relatively low dependency on brokers and can work directly with its cedants. Strong relationships with clients allow the group to write private deals and contracts on differentiated terms, which offer protection against price-based competition.

Product risk:

The group has a wide product offering within both life and non-life reinsurance and the portfolio is geographically diversified. Business written ranges from relatively simple low-risk products, such as protection life, to high risk products, such as catastrophe exposed reinsurance and long-tail casualty lines. Swiss Re's profile is enhanced by its offering in direct non-life corporate insurance through Corporate Solutions and by its capabilities within direct life insurance.

Pricing sophistication, data quality:

The group has rigorous processes in place to ensure regular reviews of underwriting standards, costing models and large transactions. To manage its insurance risk, Swiss Re regularly reviews its aggregate limits for major natural catastrophe scenarios to which it is exposed such as Atlantic hurricane, Californian earthquake, European windstorm and Japanese earthquake. Within the life and health products, the group performs stress tests for a 200-year lethal pandemic event.

In light of the technological shifts taking place in the insurance and reinsurance industry, Swiss Re has invested heavily in innovation processes to manage risk and enhance data quality. The group uses modern technology to find new ways of analysing biometric risks; modeling and pricing catastrophe risks; developing new distribution channels; and enhancing online underwriting platforms for its clients. As part of its innovative solutions, Swiss Re develops parametric insurance products, which offer fast and simple claims settlement.

Management quality:

Swiss Re has an experienced management team in place, with all its executives maintaining a solid professional background within and outside the group. In 2018, Swiss Re appointed a new Chief Financial Officer (CFO), who previously held the position of Group Chief Strategy Officer. Effective April 2019, Swiss Re appointed a new Chief Executive Officer (CEO) for its Corporate Solutions business segment. Additionally, a new CEO for Reinsurance EMEA was appointed. Both executives have vast experience in the (re)insurance industry. In June 2020, Swiss Re announced the appointment of a new Group Chief Underwriting Officer (CUO) effective 1 September 2020, as the previous CUO decided to step down from the role. The new CUO has been with Swiss Re for many years.

Business Units:

Up until July 2020, Swiss Re operated across three key business units: Reinsurance, Corporate Solutions and Life Capital. In December 2019, Swiss Re announced the agreed sale of ReAssure to Phoenix Group, which was successfully completed in July 2020. As a result, the group announced changes to its business units structure. Following the completion of the sale of ReAssure to Phoenix Group, the Life Capital Business Unit will be disbanded. Subject to regulatory approvals, elipsLife, which provides life and health insurance solutions and services for corporate clients, will move to Corporate Solutions at the end of September 2020. Swiss Re’s white-labelling digital insurance platform iptiQ will become a stand-alone division reporting to the Group CEO, effective 1 January 2021.

Business Profile (Continued...)

Within the Reinsurance business unit, which operates across P&C and L&H segments, Swiss Re provides reinsurance, insurance-based capital market instruments and risk management services. Through its Corporate Solutions business unit, Swiss Re provides risk transfer solutions to large and mid-sized corporations around the world.

In addition as a part of the strategic growth initiative, Swiss Re started operating open L&H and P&C book in recent years under three brands, including elipsLife, iptiQ and Lumico. elipsLife operates a business-to-business (B2B) model and is focused on providing direct group L&H risk solutions to corporate clients in Europe and the US market. iptiQ is a technology-enabled business. It includes iptiQ EMEA that uses a white label approach whereby its distribution partners can sell L&H insurance products underwritten by iptiQ using their own brands in Europe; and iptiQ Americas operating under the Lumico brand that offers its digital insurance platform to its partners to serve middle-market customers in the US market.

Enterprise Risk Management

Swiss Re's ERM is supportive of a very strong assessment, supported by a risk framework that is embedded across the organisation. Swiss Re's corporate governance and risk culture promotes strong risk awareness and a disciplined risk-return approach. The group's risk framework is time and stress tested. The group's risk management capabilities are very strong and are suitable for its complex and globally diversified operations.

Swiss Re adheres to controlled risk-taking and active capital management. The group calculates its available capital using its Economic Value Management (EVM) and required capital under the SST using its internal risk model. EVM represents Swiss Re's proprietary economic valuation and steering framework, which measures economic performance across all of the group's business segments. Being a value-appraisal system, EVM significantly differs from US GAAP, which is the basis for the group's financial reporting. AM Best believes that Swiss Re's ERM benefits from the application of EVM, as it gives the group an economic view of its performance and allows to allocate capital accordingly, at the same time satisfying regulatory and internal requirements. The EVM financial information undergoes a process of reasonable assurance engagement by a third-party auditor on an annual basis.

In AM Best's opinion, Swiss Re maintains a relatively high insurance risk profile, driven by its exposure to property catastrophe business. In addition, Swiss Re maintains exposure to long-tail lines of business, such as life and casualty, which can be sensitive to changes in the regulatory and economic environment. To manage its insurance risk, Swiss Re conducts regular reviews of underwriting and pricing guidelines. Most of underwriting transactions are reviewed by at least two authorised individuals, which have defined authority limits based on their technical skills and experience. Any unusual or high-value risks are escalated to the group's Executive Committee for its consideration. To protect the group from accumulations, Swiss Re's ERM defines aggregate limits for P&C risk, as well as individual limits for major natural catastrophe scenarios. Similarly, in L&H segment, the group has aggregate limits, as well as individual limits for mortality, longevity and lethal pandemic risk.

To manage its investment risk, Swiss Re maintains a low-risk investment allocation, weighted towards high-rated fixed-income securities. The group also uses financial market derivative instruments against some of its fixed-income and equity investments to hedge its investment risks.

Financial Statements

Balance Sheet	12/31/2019 USD (000)	%	12/31/2018 USD (000)
Cash and Short Term Investments	13,330,000	5.6	11,402,000
Bonds	81,573,000	34.2	95,952,000
Equity Securities	2,993,000	1.3	3,036,000
Other Invested Assets	13,412,000	5.6	42,897,000
Total Cash and Invested Assets	111,308,000	46.7	153,287,000
Reinsurers' Share of Reserves	5,898,000	2.5	7,058,000
Debtors / Amounts Receivable	15,737,000	6.6	14,315,000
Other Assets	105,624,000	44.3	32,910,000
Total Assets	238,567,000	100.0	207,570,000
Unearned Premiums	13,365,000	5.6	11,721,000
Non-Life - Outstanding Claims	72,373,000	30.3	67,446,000
Life - Long Term Business	19,836,000	8.3	39,593,000
Life - Linked Liabilities	5,405,000	2.3	31,938,000
Total Gross Technical Reserves	110,979,000	46.5	150,698,000
Debt / Borrowings	10,323,000	4.3	10,135,000
Other Liabilities	86,228,000	36.1	18,010,000
Total Liabilities	207,530,000	87.0	178,843,000
Capital Stock	31,000	...	32,000
Retained Earnings	32,676,000	13.7	34,512,000
Other Capital and Surplus	-3,456,000	-1.4	-6,614,000
Non-Controlling Interests	1,786,000	0.7	797,000
Total Capital and Surplus	31,037,000	13.0	28,727,000
Total Liabilities and Surplus	238,567,000	100.0	207,570,000

Source: BestLink® - Best's Financial Suite

Income Statement	Non-Life USD (000)	Life USD (000)	Other USD (000)	12/31/2019 Total USD (000)	12/31/2018 Total USD (000)
Gross Premiums Written	26,095,000	16,133,000	...	42,228,000	36,406,000
Net Premiums Earned	23,441,000	14,533,000	...	37,974,000	33,875,000
Net Investment Income	...	3,404,000	1,771,000	5,175,000	5,077,000
Realized capital gains / (losses)	...	4,581,000	934,000	5,515,000	-2,530,000
Other Income	23,000	625,000	...	650,000	625,000
Total Revenue	23,464,000	23,143,000	2,705,000	49,314,000	37,047,000
Benefits and Claims	18,683,000	13,087,000	...	31,770,000	26,624,000
Net Operating and Other Expense	7,427,000	8,484,000	589,000	16,635,000	9,914,000
Total Benefits, Claims and Expenses	26,110,000	21,571,000	589,000	48,405,000	36,538,000
Pre-Tax Income	-2,646,000	1,572,000	2,116,000	909,000	509,000
Income Taxes Incurred	...	...	...	140,000	69,000
Net Income before Non-Controlling Interests	...	...	...	769,000	440,000
Non-Controlling Interests	...	...	...	42,000	19,000
Net Income/(loss)	...	...	...	727,000	421,000

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

Best's Credit Rating Methodology, 03/05/2020

Catastrophe Analysis in A.M. Best Ratings, 10/13/2017

Available Capital & Holding Company Analysis, 10/13/2017

Scoring and Assessing Innovation, 03/05/2020

Understanding Universal BCAR, 06/11/2020

Additional Rating Types

AM Best assigns Best's Issue Credit Ratings. Refer to the profile page to view current Issue Ratings for Swiss Reinsurance Company Ltd (AMB#085009)