Swiss Re Ltd

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Swiss Re Ltd

Credit Report

Report Release Date:
February 1, 2019

Group Members Rating Effective Date:
December 13, 2018

Disclosure Information: Refer to rating unit members for each company's Rating Disclosure Form

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Associated Ultimate Parent: 058838 - Swiss Re Ltd

A.M. Best Rating Unit: 058595 - Swiss Re Ltd

The consolidated results for AMB #58595 Swiss Re Ltd are used for the determination of the ratings for the operating entities outlined below in the "Best's Credit Ratings for Group Members" section. All financial results within this report are for AMB #58595 Swiss Re Ltd consolidated financial statements.

Best's Credit Ratings for Group Members:

Rating Effective Date: December 13, 2018

			Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
AMB#	**Company**		**Rating**	**Outlook**	**Action**	**Rating**	**Outlook**	**Action**
058595	***Swiss Re Ltd***	***Rating Unit***						
010783	First Specialty Ins Corp		A+	Stable	Affirmed	aa	Stable	Affirmed
011135	North American Capacity Ins Co		A+	Stable	Affirmed	aa	Stable	Affirmed
010617	North American Elite Ins Co		A+	Stable	Affirmed	aa	Stable	Affirmed
001866	North American Specialty Ins		A+	Stable	Affirmed	aa	Stable	Affirmed
085830	Swiss Re Asia Pte. Ltd.		A+	Stable	Affirmed	aa	Stable	Affirmed
091982	Swiss Re Corporate Solutions		A+	Stable	Affirmed	aa	Stable	Affirmed
086847	Swiss Re Europe S.A.		A+	Stable	Affirmed	aa	Stable	Affirmed
087600	Swiss Re International SE		A+	Stable	Affirmed	aa	Stable	Affirmed
007283	Swiss Re Life & Health America		A+	Stable	Affirmed	aa	Stable	Affirmed
093824	Swiss Re Portfolio Partners		A+	Stable	Affirmed	aa	Stable	Affirmed
003263	Swiss Reinsurance America Corp		A+	Stable	Affirmed	aa	Stable	Affirmed
085009	Swiss Reinsurance Company Ltd		A+	Stable	Affirmed	aa	Stable	Affirmed
002695	Washington International Ins		A+	Stable	Affirmed	aa	Stable	Affirmed
000347	Westport Insurance Corp		A+	Stable	Affirmed	aa	Stable	Affirmed

Rating Rationale:

Balance Sheet Strength: Strongest

- Balance sheet strength underpinned by strongest risk-adjusted capitalisation as measured by Best's Capital Adequacy Ratio (BCAR), 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 crisis.
- Other balance sheet strength factors, including reserving adequacy, liquidity and asset/liability management, are supportive of the strongest assessment.

Operating Performance: Strong

- Track record of strong operating performance, supported by profitable underwriting and investment activities over the business cycle. Weighted-average return on equity of 9.7% and non-life combined ratio of 94.1% over the past five years (2013-2017).
- Life and health operations demonstrate overall profitability in recent years, as evidenced by a return on equity in the region of 10%-15% since 2015.
- Property and casualty underwriting results are subject to volatility due to relatively high exposure to catastrophe risk, as demonstrated by a combined ratio of 115.4% in 2017. Similarly, performance in 2018 has been affected by a series of natural catastrophes in the year to date.
- The group is taking corrective actions in certain sub-segments of its portfolio, such as the casualty business and the Corporate Solutions business unit. Improvements are expected to continue to emerge over the coming years.
- Good investment results are supported by realised gains, as well as 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.
- Excellent diversification by product line and geography offers protection against the intense competition and soft pricing environment in the global reinsurance market.
- Profile is further enhanced by offerings in direct commercial non-life insurance and direct closed-book life 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

- Highly sophisticated ERM, supported by an embedded risk framework and superior risk management capabilities in light of the group's complex risk profile.
- Benefits from internal capital model and the application of economic value measurement 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 stable outlooks reflect A.M. Best's expectation that Swiss Re's consolidated balance sheet strength will remain at the strongest level supported by strongest risk-adjusted capitalisation, a conservative asset allocation and excellent financial flexibility. Operating performance is expected to remain strong in the medium term despite potential volatility in catastrophe-exposed years, supported by the group's good exposure management and remedial actions in its underperforming sub-segments. It is expected that Swiss Re's very favourable business profile and very strong ERM will continue to provide some protection against intense competition and soft pricing environment in the global reinsurance market.

Rating Drivers

Positive rating actions are considered unlikely in the short to medium term. Longer term, positive rating actions could follow a reduction in the volatility of the group's operating performance metrics, as well as its successful implementation of remedial actions in the underperforming sub-segments.

Negative rating actions could follow if the Swiss Re group's operating performance or risk-adjusted capitalisation consistently fall below A.M. Best's expectations.

In addition, negative rating actions could follow a sudden material fall in risk-adjusted capitalisation, for instance as a result of an unexpectedly large catastrophe loss, if A.M. Best did not believe that capitalisation would be restored to a level supportive of the ratings over a short time period.

Financial Data Notes:

Time Period: Annual - 2018

Status: A.M. Best Quality Cross Checked

Key Financial Indicators:

Key Financial Indicators (000)

	Year End				
	2018	**2017**	**2016**	**2015**	**2014**
Premiums					
Direct Premiums Written - combined	5,770,000	4,823,000	4,418,000	4,148,000	4,426,000
Direct premiums written - non life	3,648,000	3,279,000	3,056,000	2,905,000	2,996,000
Direct premiums written - life	2,122,000	1,544,000	1,362,000	1,243,000	1,430,000
Gross premiums written - combined	36,406,000	34,775,000	35,622,000	32,249,000	33,276,000
Gross premiums written - non life	20,864,000	20,371,000	21,878,000	19,561,000	20,288,000
Net premiums written - combined	34,042,000	32,316,000	33,570,000	30,442,000	31,640,000
Net premiums written - non life	20,220,000	19,631,000	21,430,000	19,197,000	19,937,000
Net premiums written - life	13,822,000	12,685,000	12,140,000	11,245,000	11,703,000
Capital & Surplus	27,930,000	34,124,000	35,634,000	33,517,000	35,930,000
Total Assets	207,570,000	222,526,000	215,065,000	196,135,000	204,461,000

Source: Bestlink - Best's Statement File - Global
Local Currency: US Dollar

Key Financial Indicators: (Continued...)

Key Financial Indicators - A.M. Best Ratios (%)

	Year End				
	2018	2017	2016	2015	2014
Combined Ratio	106.6	115.4	94.8	87.0	85.4
Net Premiums Written to Equity	121.9	94.7	94.2	90.8	88.1
Liquidity					
Liquid Assets to Total Liabilities	77.9	80.9	82.9	80.5	81.7
Total Investments to Total Liabilities	85.3	89.5	91.4	89.8	89.9

Source: Bestlink - Best's Statement File - Global

(*) Data reflected within all tables of this report has been compiled from the consolidated financial statements of this company (Source: Company Financial Statement).

Best's Capital Adequacy Ratio Summary - AMB Rating Unit (%)

Confidence Level	**95.0**	**99.0**	**99.5**	**99.6**
BCAR Score	72.3	61.1	56.6	55.1

Source: Best's Capital Adequacy Ratio Model - Universal

Credit Analysis:

Balance Sheet Strength: Strongest

The Swiss Re group's balance sheet strength has been charaterised as strongest by A.M. Best. The BCAR scores presented under the "Best's Capital Adequacy Ratio Summary" section of this report are based on the year-end 2017 audited financial statements.

Capitalization:

Swiss Re Ltd's consolidated risk-adjusted capitalisation, as measured by BCAR, is categorised as strongest. A.M. Best expects risk-adjusted capitalisation to remain comfortably in excess of minimum requirements for the strongest assessment.

A.M. Best gives credit within available capital for the group's subordinated debt, unrealised gains reserve and the net economic value associated with particular blocks of long-term business. The Swiss Re group'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) is also considered to be supportive of the balance sheet strength assessment of strongest. The group's Swiss Solvency Test (SST) ratio remained high at mid-year 2018 at 285% (as estimated by Swiss Re), up from 269% at year-end 2017. The group manages its capital so that the SST ratio stays above 220%, which it considers the 'respectability level'.

Swiss Re is also affected by Solvency II (SII) framework through its European subsidiaries and has performed a translation exercise between the group's SST ratio and an equivalent SII ratio. The calculation showed that the group's 2017 SST ratio of 269% translates into a SII ratio of around 310%.

Financial flexibility:

Capitalization: (Continued...)

Swiss Re continues to demonstrate strong financial flexibility. Leverage and coverage ratios are supportive of the strongest balance sheet strength assessment.

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. Although coupons on the issues are typically higher than on standard subordinated notes, these issues improve the group's financial flexibility and reduce the potential for liquidity strain in a crisis.

In addition, starting in 2015, Swiss Re has put in place several pre-funded debt facilities. More recently, in 2017, the group established a perpetual subordinated debt facility with a fixed-for-life credit spread. This facility allows Swiss Re to issue subordinated fixed-rate callable notes with a face value of up to USD 750 million, having a first optional redemption date of 15 August 2022 with additional optional redemption dates every five years thereafter. This facility has brought the total amount of such facilities to USD 2.65 billion.

The coupons on the pre-funded facilities vary between 4.63% and 6.05%. No credit has been given for the pre-funded facilities in the BCAR and the non-issued notes are not included in AM Best's leverage calculation.

Swiss Re Ltd, as well as entities within each of its three main business units, now has the capability to issue debt. Subordinated debt was issued through Swiss Re Corporate Solutions Ltd in 2014 and senior debt was issued through Swiss Re ReAssure Limited in 2016. 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.

The group's financial leverage metrics are supportive of its strongest balance sheet strength assessment. Operational debt (senior and subordinated) has reduced significantly over the past ten years and at year-end 2017 stood at USD 2.76 billion, down from USD 4.0 billion in 2015 and USD 20.4 billion in 2009.

Liquidity:

Given Swiss Re's material exposure to 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. The group has a strong liquidity profile, with over 70% of its assets represented by investments, of which cash, bonds and equities account for over 90%.

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. Special dividends were paid out in 2013 and 2014 following very good results. A smaller special dividend was paid out in 2015, and in addition a share buy-back programme was carried out under which CHF 1 billion of shares were bought back by the time of the AGM in 2016. Another share buy-back has been launched with another CHF 1 billion bought back before the AGM in 2017.

Despite the natural catastrophe losses in 2017, Swiss Re completed another share buy-back programme in February 2018, of up to CHF 1.0 billion purchase value. This programme was launched in November 2017.

In April 2018, Swiss Re shareholders approved an increased dividend of CHF 5.00 per share for financial year 2017 (up from 4.85 for 2016), and authorised a new public share buy-back programme of up to CHF 1 billion prior to the 2019 AGM.

Capitalization: (Continued...)

Capital Generation Analysis (000)

	Year End				
	2018	2017	2016	2015	2014
Capital & surplus brought forward	34,294,000	35,716,000	33,606,000	36,041,000	32,977,000
Change in share capital	-1,000	-1,000	-1,000	...	...
Change in non-distributable reserves	-1,071,000	-404,000	-242,000	-521,000	-114,000
Change in other reserves	-987,000	-1,072,000	-909,000	-68,000	-69,000
Currency exchange gains	-517,000	526,000	-387,000	-1,012,000	-778,000
Profit or loss for the year	481,000	393,000	3,623,000	4,668,000	3,569,000
Capital gains or (losses)	-2,183,000	284,000	1,704,000	-2,670,000	3,796,000
Dividend to shareholders	-1,744,000	-1,559,000	-1,561,000	-2,608,000	-3,129,000
Other changes	455,000	411,000	-117,000	-224,000	-211,000
Total change in capital & surplus	-5,567,000	-1,422,000	2,110,000	-2,435,000	3,064,000
Capital & surplus carried forward	28,727,000	34,294,000	35,716,000	33,606,000	36,041,000

Source: Bestlink - Best's Statement File - Global
Local Currency: US Dollar

Asset Liability Management – Investments:

Swiss Re holds a generally conservative investment portfolio consisting largely of fixed-income securities (half-year 2018: 75% of total investment portfolio excluding investments for unit-linked and with-profits business), short-term investments and cash, other investments, as well as loans, equities, "principal investments" and real estate. Government debt represents over half of Swiss Re's fixed-income portfolio.

The goal of the "principal investments" portfolio is to generate long-term returns by investing in equity of insurance-linked businesses (focused on high-growth markets and "special situations").

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.

Reserve Adequacy:

Swiss Re's property and casualty (P&C) reserves are set 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. Reserves are not reviewed by a third party.

While reserve development has been positive overall in recent years, the group has had to strengthen motor and asbestos reserves in the US and UK, as well as property reserves for losses from prior accident years. In 2017, the overall prior accident years reserve development was positive.

In 2009, Swiss Re put in place an adverse development cover (ADC) to protect its P&C reserves for 2008 and prior in order to strengthen its balance sheet. Swiss Re decided to commute this ADC in February 2018 and was paid a commutation premium.

The group has exposure to asbestos and environmental (A&E) reserves, mainly relating to the US policies written prior to 1986. In 2017, Swiss Re carried net reserves for US A&E of USD 1.8 billion. Projections for this exposure are subject to a high degree of 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:

Reserve Adequacy: (Continued...)

Swiss Re is not dependent on retrocession, as demonstrated by a five-year average net retention ratio of 97% for P&C and 89% for L&H business. 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 insurance-linked securities (ILS), industry loss warranties (ILW), and risk swaps. The group also has a number of internal group retrocession / reinsurance arrangements.

Operating Performance: Strong

Swiss Re's consolidated prospective and historical operating performance is supportive of a strong assessment. The group's five-year weighted average return on equity (ROE) was 9.5% over the period 2013 to 2017. This should be seen in the context of the group's excellent capital position and its exposure to catastrophe losses.

Performance is subject to volatility due to catastrophe exposure in particular, as was evident in 2017, when the group reported an ROE of 1.0%, compared to average double-digit ROE reported in the five-year period prior to 2017. Operating profits have been reported in each year since 2008, when a post-tax loss of CHF 864 million was reported due to unprecedented investment losses and write-downs in its structured credit default swap portfolio.

Swiss Re's five-year weighted average non-life combined ratio of 94.1% (2013-2017), as calculated by A.M. Best, illustrates its very strong underwriting performance over this period, which benefited from benign catastrophe experience before 2017 and positive reserve run-off. The figures include 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.

For the first nine months of 2018, the P&C Reinsurance division's combined ratio was 99.5% (as reported by Swiss Re) and the combined ratio for Corporate Solutions was 105.4%. Both divisions were affected by natural catastrophe and man-made losses. Swiss Re is taking actions to improve the performance of its Corporate Solutions unit, particularly, by pruning its underwriting portfolio. The improvements are likely to take some time to materialise as the unit's old business is running off.

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 general liability business in the US. In the P&C Reinsurance segment, the Casualty combined ratio increased to 108.8% in 2017 (2016: 103.9%). Within the Corporate Solutions, the Casualty combined ratio was 122% in 2017 (2016: 115.9%), driven by large liability losses in North America from prior policy years. Whilst the group has been taking steps recently to correct the performance of its Casualty book, similar to Corporate Solutions, the improvements are taking time to materialise given some long-tail exposures. As at half-year 2018, the reported Casualty combined ratio was 105.4% for P&C Reinsurance and 108.1% for Corporate Solutions.

Swiss Re's L&H business includes the L&H business written by the Reinsurance division and also 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).

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%-12% in the period from 2015 to 2018 to date.

The Life Capital division is dominated by ReAssure's closed book business (formerly branded as Admin Re®), but also contains the group's open life books. The business unit has generated profits in each of the last five years. Its main contribution is in the form of release of capital (gross cash generation), which can be utilised elsewhere in the group or paid out as dividends.

The Swiss Re group has reported positive investment returns, including realised and unrealised gains, since 2008. The group's fixed-income running yield in 2017 was 2.9% (unchanged from 2016). For half-year 2018, the running yield was lower at 2.6% due to the negative impact of changes in US GAAP on the recognition of fair value movements.

Overall, the group reported net income of USD 1.1 billion for the first nine months of 2018, compared to a loss of USD 468 million reported for the same period of 2017. GWP volume increased by 6.5% to USD 28.4 billion, primarily driven by premium growth across the group's L&H business.

Financial Performance Summary (000)

	Year End				
	2018	2017	2016	2015	2014
Pre-Tax Income	509,000	458,000	4,304,000	5,251,000	4,158,000
Net income (after noncontrolling interests)	421,000	331,000	3,558,000	4,597,000	3,491,000

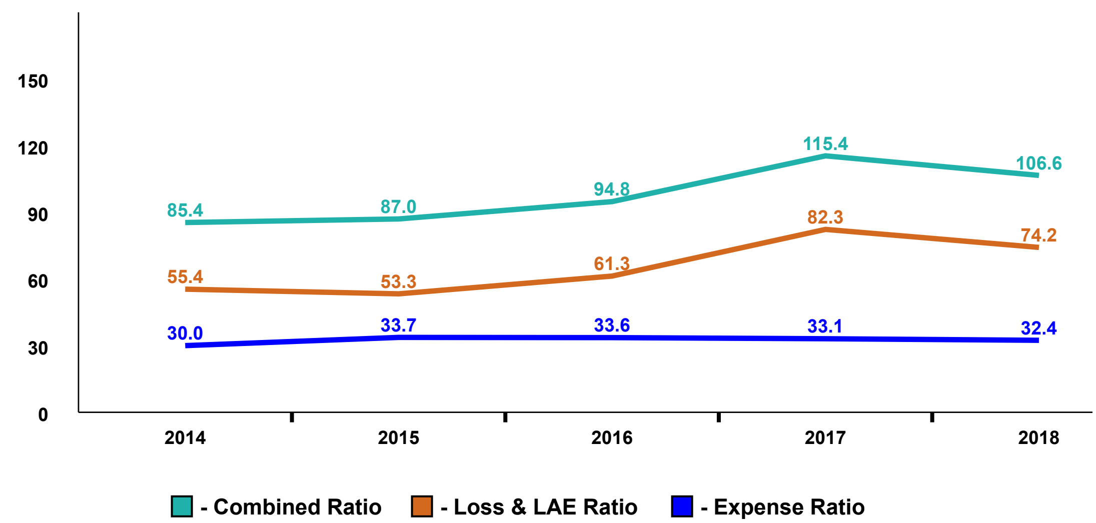
Source: Bestlink - Best's Statement File - Global
Local Currency: US Dollar

A.M. Best Ratios (%)

	Year End				
	2018	2017	2016	2015	2014
Overall Performance:					
Return on Assets	0.2	0.2	2.0	2.7	1.9
Return on Equity	1.4	0.9	10.3	13.2	10.1
Non-Life Performance:					
Loss & LAE Ratio	74.2	82.3	61.3	53.3	55.4
Expense Ratio	32.4	33.1	33.6	33.7	30.0
Combined Ratio	106.6	115.4	94.8	87.0	85.4
Combined less Investment Ratio	98.9	109.2	89.1	80.4	78.8

Source: Bestlink - Best's Statement File - Global

Combined Ratio (%)



Business Profile: Very Favorable

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:

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 2017, Swiss Re ranked as the second largest reinsurer in the world, measured by GWP (combined and also in the life and non-life segments). The group holds a large amount of global risks, as demonstrated by its market share of approximately 13% across the top-50 world's largest reinsurance groups, measured by total GWP. The competitive conditions in the global reinsurance market remain intense, driven by the third-party capital, international M&A activity and the rapid expansion of certain regional players. Nonetheless, Swiss Re is likely to continue to hold its leading position, benefiting from its brand and diversification.

In 2017, approximately 40% of Swiss Re's business was derived from the US (measured by net premiums earned and fee income), followed by the UK (10%), Australia (6%), China (6%), Germany (4%), Japan (3%), Canada (3%) and other countries. 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 2017). 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, led by closed-book specialist ReAssure (formerly Admin Re®).

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, the group Re appointed a new Chief Financial Officer (CFO), who previously held the positon of Group Chief Strategy Officer at Swiss Re. In 2018, Swiss Re announced that it had appointed a new Chief Executive Officer (CEO) for its Corporate Solutions business segment with effect from 1 April 2019. Additionally, a new CEO for Reinsurance EMEA was appointed. Both executives have vast experience in the (re)insurance industry.

Overview of the key business units:

Reinsurance:

Within the Reinsurance business unit, which operates across property and casualty and life and health segments, Swiss Re provides reinsurance, insurance-based capital market instruments and risk management services. In 2017, GWP in the Reinsurance unit remained relatively stable at approximately USD 29 billion, although different trends were observed in P&C and L&H. Premiums in the P&C part of the Reinsurance unit decreased by 2%, as Swiss Re reduced its deployed capacity in areas where prices did not meet expectations. In contrast, L&H Reinsurance demonstrated a 3% rise in GWP, driven by new business generation and geographical expansion.

Corporate Solutions:

Through its Corporate Solutions business unit, Swiss Re provides risk transfer solutions to large and mid-sized corporations around the world. GWP for this business unit remained stable in 2017, at USD 4.2 billion. During the year, the group's expansion in the Primary Lead segment was offset by declining rates in the excess layer segment. Going forward, the business unit will continue to expand in the Primary Lead segment, and plans to enter the global master policies segment (protection for global organisations) by 2020.

Life Capital:

Through its Life Capital business unit, which was created in 2016, Swiss Re develops its L&H business. This is done by managing both open and closed L&H insurance books. Closed books are bought and administered by Swiss Re's subsidiary ReAssure, which is regulated in the UK. In August 2018, Swiss Re announced that it was exploring a potential initial public offering (IPO) of ReAssure in 2019. In December 2018, the group announced that it had agreed further minority investment by MS&AD into ReAssure of GBP 315 million, increasing its shareholding to 25%. A.M. Best will continue to monitor any further developments in this respect.

The open books are written by two other Swiss Re companies: elipsLife and iptiQ. elipsLife operates a B2B business model and is focused on providing employee benefits and private pension coverage in Europe. In 2018, elipsLife entered the US market as part of Swiss Re's strategy to grow its direct group life and health insurance business in the US. iptiQ is a technology-enabled company that uses white label approach whereby its distribution partners can sell life and health insurance products underwritten by iptiQ using their own brans. iptiQ operates in the EMEA region and the Americas.

In 2017, GWP for Life Capital increased to USD 1.8 billion from USD 1.5 billion, reported in 2016, mainly driven by growth in the open book business. Following an agreement reached in October 2017, MS&AD Insurance Group Holdings Inc (MS&AD), a Japanese insurance group, made a GBP 800 million minority investment in ReAssure, which increased its capacity to acquire closed books. In late 2017, Swiss Re, through ReAssure, purchased 1.1 million life insurance policies from Legal & General Group PLC. When buying closed books of business, Swiss Re aims to achieve efficiencies by leveraging its scale and operational platform.

Enterprise Risk Management: Very Strong

Swiss Re's ERM is supportive of a very strong assessment. The ERM framework is highly sophisticated and 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. There have been significant improvements in ERM since 2008 and the framework has been tested through the European sovereign crisis and the soft P&C reinsurance cycle. The group's risk management capabilities are superior and suitable for its complex and globally diversified operations.

Swiss Re's Board of Directors (the Board) is ultimately responsible for the group's overall risk governance principles and policies. The Board acts through the Finance and Risk Committee, the Investment Committee and the Audit Committee. Swiss Re's Executive Committee is responsible for developing and implementing group-wide risk management framework. The Executive Committee has delegated various risk management responsibilities to the Group Chief Risk Officer (Group CRO) as well as to certain legal entity CROs. The Group CRO is appointed as the principal independent risk controller of Swiss Re. He is a member of Swiss Re's Executive Committee and reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. The current CRO was appointed to his position in 2014, and has a solid professional background in financial supervision, as well as various roles at Swiss Re. Swiss Re's risk management leadership team consists of 14 members.

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. A.M. 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.

Swiss Re's internal risk model was approved by Swiss Financial Market Supervisory Authority (FINMA) in November 2017, under its revised model approval process. The model is used for a variety of purposes, including measuring the group's risk position. When estimating its risks, Swiss Re uses 99% tail value at risk (TVAR) approach, as well as alternative risk measurements, in particular, 99% and 99.5% value at risk (VAR). The TVAR measure continues to result in a more conservative outcome for Swiss Re compared to VAR, in part due to the group's exposure to low frequency-high severity events such as natural catastrophes. Based on 99% TVAR, the group's largest risk in 2017 was Financial Market risk (USD 11.9 billion), followed by Property & Casualty risk (USD 9.8 billion) and Life & Health risk (USD 7.7 billion). Apart from risks that are explicitly captured under Swiss Re's solvency requirements, the group also assesses other risks that are deemed relevant, such as liquidity risk, operational risk, strategic risk, regulatory risk and others. Emerging risks are identified across all risk categories as they arise. In A.M. Best's opinion, Swiss Re's very high regulatory solvency ratio and strongest risk-adjusted capitalisation (as measured by the BCAR) demonstrate its resilience to extreme events.

In A.M. 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.

In 2017, in response to challenging market conditions, Swiss Re moderately reduced catastrophe exposure for its major P&C risk scenarios. In particular, the group reduced capital deployed in relation to the Atlantic hurricane and the Californian earthquake events. In order to manage its risk exposures and stabilise results across the group's business segments, Swiss Re makes use of external and internal retrocession. Apart from traditional forms of retrocession, the group utilises insurance risk swaps and cedes some of its exposures to capital markets through instruments such as ILS and ILW. Whilst the alternative protection takes various forms, the majority of the cover is indemnity-based, which minimises the basis risk for Swiss Re. In A.M. Best's opinion, Swiss Re's approach to insurance risk transfer is innovative and based on a deep understanding of current market dynamics.

To manage its investment risk, Swiss Re maintains a low-risk investment allocation, weighted towards high-rated fixed-income securities. Following the financial crisis in 2008-2009, the group maintained its strategy of largely matching assets and liabilities in terms of duration, demonstrating a more conservative approach compared to companies that shortened their durations following the crisis anticipating a rise in interest rates. 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:

Balance Sheet:

Assets	12/31/2018 USD(000)	12/31/2018 % of total	12/31/2017 USD(000)
Cash & deposits with credit institutions	11,402,000	5.5	11,652,000
Bonds & other fixed interest securities	95,952,000	46.2	101,786,000
Shares & other variable interest instruments	3,036,000	1.5	3,865,000
Assets held to cover linked liabilities	29,546,000	14.2	35,166,000
Liquid assets	139,936,000	67.4	152,469,000
Policy loans	84,000	...	94,000
Mortgages & loans	4,458,000	2.1	4,016,000
Real Estate	2,411,000	1.2	2,220,000
Other investments	6,398,000	3.1	9,904,000
Total investments	153,287,000	73.8	168,703,000
Reinsurers' share of technical reserves - claims	7,058,000	3.4	4,257,000
Total reinsurers share of technical reserves	7,058,000	3.4	7,942,000
Deposits with ceding companies	9,009,000	4.3	9,155,000
Insurance/reinsurance debtors	13,789,000	6.6	13,834,000
Other debtors	526,000	0.3	378,000
Total debtors	14,315,000	6.9	14,212,000
Prepayments & accrued income	16,498,000	7.9	14,772,000
Other assets	3,332,000	1.6	3,570,000
Goodwill	4,071,000	2.0	4,172,000
Total assets	207,570,000	100.0	222,526,000

Balance Sheet: (Continued...)

Balance Sheet: (Continued...)

Liabilities	**12/31/2018 USD(000)**	**12/31/2018 % of total**	**12/31/2017 USD(000)**
Capital	32,000	...	33,000
Paid-up capital	32,000	...	33,000
Non-distributable reserves	-1,795,000	-0.9	-724,000
Other reserves	-4,819,000	-2.3	-1,634,000
Retained earnings	34,512,000	16.6	36,449,000
Capital & surplus	27,930,000	13.5	34,124,000
Minority interests	797,000	0.4	170,000
Gross provision for unearned premiums	11,721,000	5.6	11,769,000
Gross provision for outstanding claims	67,446,000	32.5	52,358,000
Gross provision for long term business - life	39,593,000	19.1	42,561,000
Gross provision for linked liabilities - life	31,938,000	15.4	37,537,000
Total gross technical reserves	150,698,000	72.6	158,662,000
Short term borrowings	1,633,000	0.8	433,000
Long term borrowings	4,498,000	2.2	5,146,000
Other borrowings	4,004,000	1.9	5,002,000
External borrowings	10,135,000	4.9	10,581,000
Deposits received from reinsurers	3,224,000	1.6	3,109,000
Insurance/reinsurance creditors	920,000	0.4	1,036,000
Other creditors	597,000	0.3	679,000
Total creditors	1,517,000	0.7	1,715,000
Accruals & deferred income	13,269,000	6.4	14,165,000
Total liabilities & surplus	207,570,000	100.0	222,526,000

Source: Bestlink - Best's Statement File - Global
Local Currency: US Dollar

Summary of Operations:

Statement of Income

General technical account:

	12/31/2018 USD(000)	12/31/2017 USD(000)
Direct premiums	3,648,000	3,279,000
Reinsurance premiums assumed	17,216,000	17,092,000
Gross premiums written	20,864,000	20,371,000
Reinsurance ceded	644,000	740,000
Net premiums written	20,220,000	19,631,000
Increase/(decrease) in gross unearned premiums	205,000	-621,000
Increase/(decrease) in reinsurers share unearned premiums	5,000	66,000
Net premiums earned	20,020,000	20,318,000
Other technical income	39,000	53,000
Total underwriting income	20,059,000	20,371,000
Net claims paid	12,760,000	11,966,000
Net increase/(decrease) in claims provision	2,095,000	4,764,000
Net claims incurred	14,855,000	16,730,000
Management expenses	1,877,000	1,918,000
Acquisition expenses	4,619,000	4,807,000
Net operating expenses	6,496,000	6,725,000
Total underwriting expenses	21,351,000	23,455,000
Balance on general technical account	-1,292,000	-3,084,000

Source: Bestlink - Best's Statement File - Global
Local Currency: US Dollar

Life technical account:

	12/31/2018 USD(000)	12/31/2017 USD(000)
Direct premiums	2,122,000	1,544,000
Reinsurance premiums assumed	13,420,000	12,860,000
Gross premiums written	15,542,000	14,404,000
Reinsurance ceded	1,720,000	1,719,000
Net premiums written	13,822,000	12,685,000
Increase/(decrease) in gross unearned premiums	-46,000	-73,000
Increase/(decrease) in reinsurers share unearned premiums	-13,000	43,000
Net premiums earned	13,855,000	12,801,000
Net investment income	3,563,000	3,495,000
Realised capital gains/(losses)	-2,182,000	3,045,000
Other technical income	587,000	591,000
Total revenue	15,823,000	19,932,000
Net claims paid	12,085,000	11,156,000
Net increase/(decrease) in claims provision	-316,000	-73,000
Net claims incurred	11,769,000	11,083,000

Summary of Operations: (Continued...)

Statement of Income (Continued...)

Life technical account:

	12/31/2018 USD(000)	12/31/2017 USD(000)
Dividends to policyholders	-1,033,000	3,298,000
Management expenses	1,307,000	1,268,000
Acquisition expenses	2,300,000	2,170,000
Net operating expenses	3,607,000	3,438,000
Total expenses	14,343,000	17,819,000
Balance on long-term technical account	1,480,000	2,113,000

Source: Bestlink - Best's Statement File - Global
Local Currency: US Dollar

Combined technical account:

	12/31/2018 USD(000)	12/31/2017 USD(000)
Direct premiums	5,770,000	4,823,000
Reinsurance premiums assumed	30,636,000	29,952,000
Gross premiums written	36,406,000	34,775,000
Reinsurance ceded	2,364,000	2,459,000
Net premiums written	34,042,000	32,316,000
Increase/(decrease) in gross unearned premiums	159,000	-694,000
Increase/(decrease) in reinsurers share unearned premiums	-8,000	109,000
Net premiums earned	33,875,000	33,119,000
Net investment income	3,563,000	3,495,000
Realised capital gains/(losses)	-2,182,000	3,045,000
Other technical income	625,000	618,000
Total revenue	35,881,000	40,277,000
Net claims paid	24,845,000	23,122,000
Net increase/(decrease) in claims provision	1,779,000	4,691,000
Net claims incurred	26,624,000	27,813,000
Dividends to policyholders	-1,033,000	3,298,000
Management expenses	3,432,000	3,308,000
Acquisition expenses	6,919,000	6,977,000
Net operating expenses	10,351,000	10,285,000
Total underwriting expenses	35,942,000	41,396,000
Balance on combined technical account	-61,000	-1,119,000

Source: Bestlink - Best's Statement File - Global
Local Currency: US Dollar

Summary of Operations: (Continued...)

Statement of Income (Continued...)

Non-technical account:

	12/31/2018 USD(000)	12/31/2017 USD(000)
Net investment income	1,514,000	1,207,000
Realised capital gains/(losses)	-348,000	1,003,000
Other income/(expense)	-596,000	-633,000
Profit/(loss) before tax	509,000	458,000
Taxation	69,000	132,000
Profit/(loss) after tax	440,000	326,000
Dividend to shareholders	1,592,000	1,559,000
Exceptional income/(expense)	-946,000	-1,005,000
Other adjustments	180,000	...
Minority interests	19,000	-5,000
Retained Profit/(loss) for the financial year	-1,937,000	-2,233,000
Retained Profit/(loss) brought forward	36,449,000	38,682,000
Retained Profit/(loss) carried forward	34,512,000	36,449,000

Source: Bestlink - Best's Statement File - Global
Local Currency: US Dollar

Swiss Re Ltd

Report Revision Date:
March 21, 2019

Company Attributes:

Industry:	Insurance
Business Type:	Composite
Entity Type:	Holding Company
Organization Type:	Stock
Business Status:	In Business - Non-Insurer

Company History:

Date Incorporated: N/A **Date Commenced:** N/A **Domicile:** Switzerland

Regulatory:

Auditor: PricewaterhouseCoopers Ltd.

An independent audit of the company's affairs through December 31, 2018, was conducted by PricewaterhouseCoopers Ltd.

Additional Resources:

Related News

Rating Activity and Announcements

Company Overview

Archived Best's Credit Report

Corporate Changes & Retirements

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