

# Strategy

Christian Mumenthaler, Group Chief Executive Officer

# In the currently challenging environment we see attractive long-term opportunities



## *Key challenges*

- Soft market in the P&C world
  - demand/supply imbalance
  - industry consolidation
- Interest rates: “low for longer”
- Political instability and regulatory fragmentation

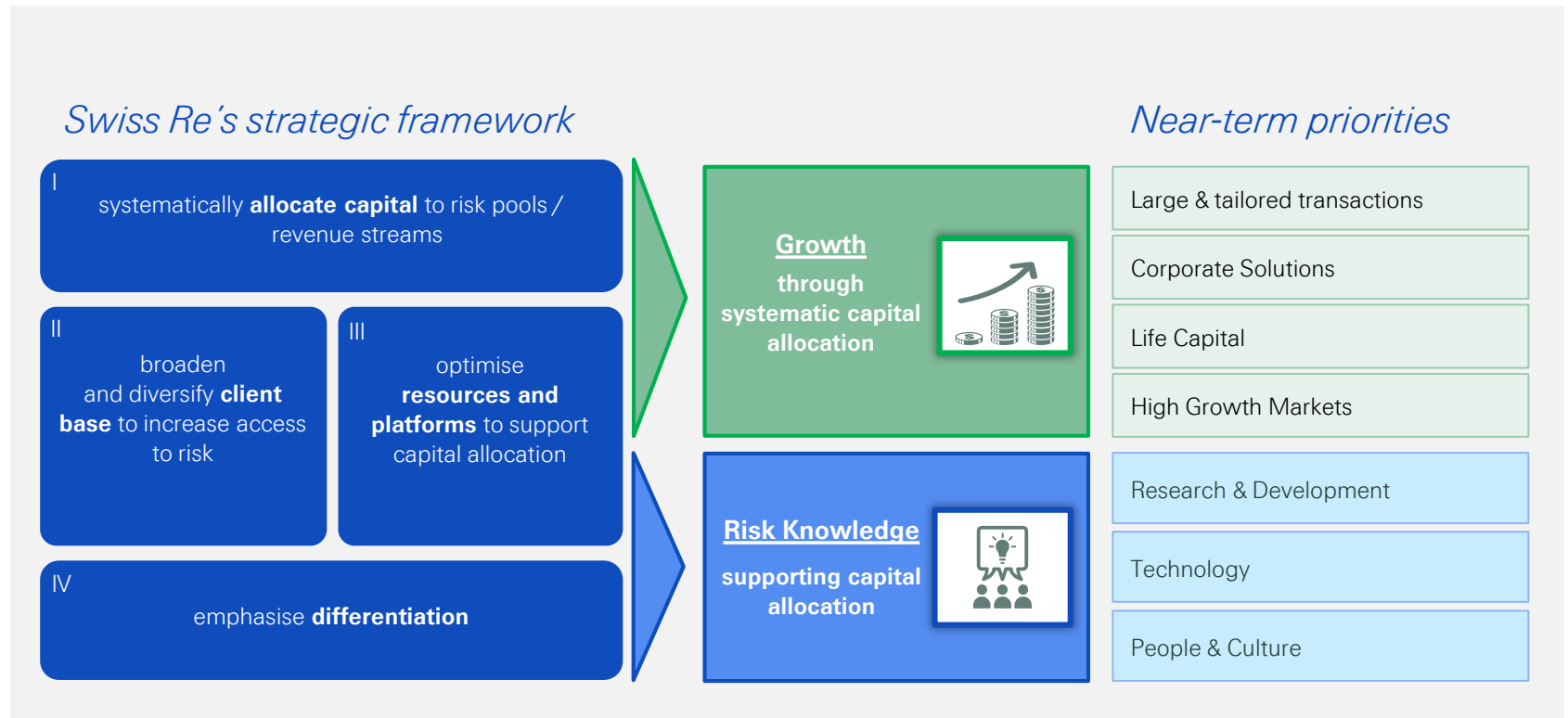


## *Long-term opportunities*

- Growing risk pools (GDP growth and demographic trends)
- High Growth Markets
- Closing the protection gap through better and lower cost offerings

Ensuring access to risk pools is a top priority for Swiss Re

# With our strategic framework, Swiss Re is well placed to face the industry challenges and seize opportunities



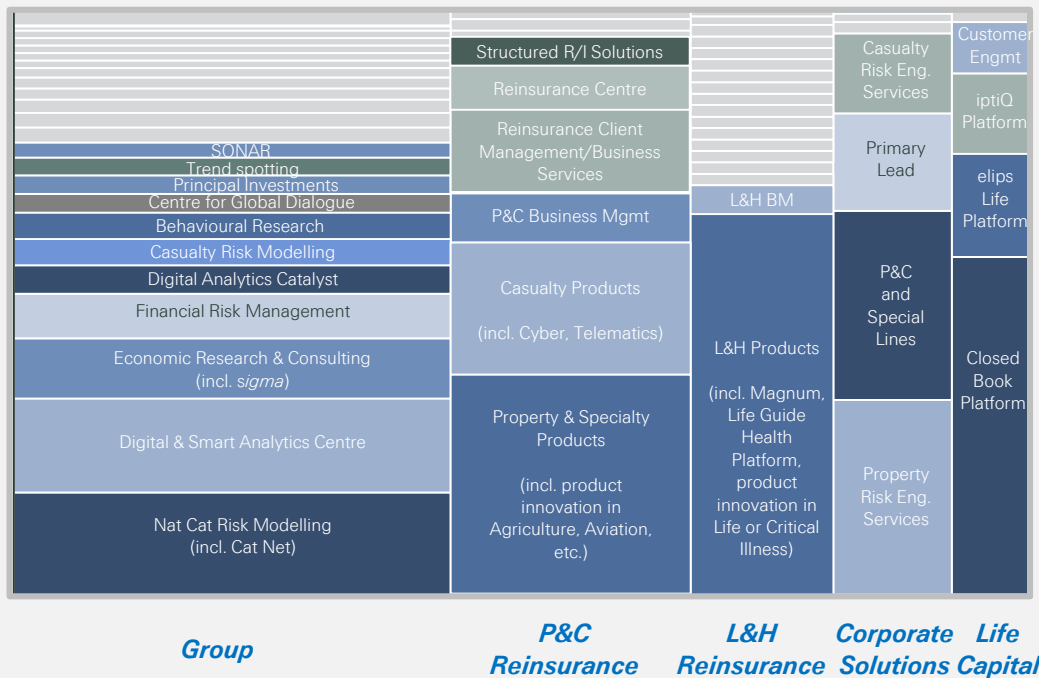
We are a risk knowledge company that invests in risk pools



# We invest in R&D to further strengthen our competitive advantage

**R&D activities amount to nearly 400 FTEs in 2016**

*Estimated allocation of R&D focused FTE across Swiss Re*



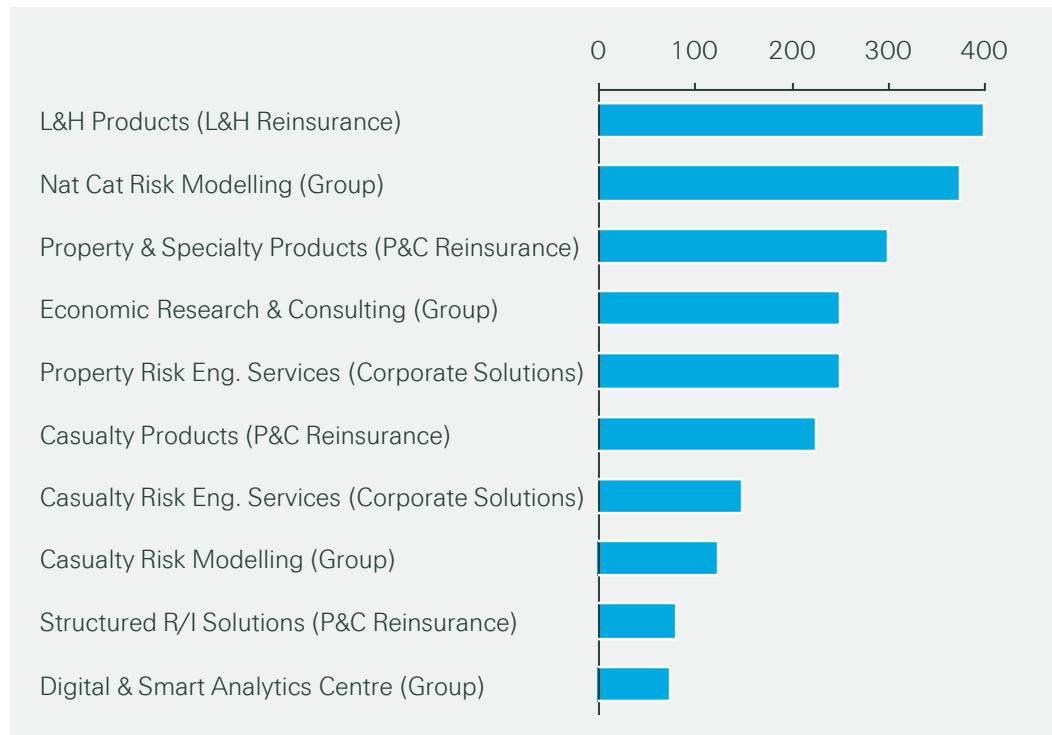
*How R&D drives competitive advantage:*

- Unique selling proposition to clients:
  - be a knowledge partner
  - help clients underwrite (e.g. Life Guide, Cat Net)
  - develop products together (Agriculture, Life, Critical Illness)
- Improve our processes:
  - better risk selection (P&C and L&H underwriting)
  - lowering risks (e.g. contract wording scanners)
- Build unique brand with regulators, governments etc.



# We have created a strong asset base of risk knowledge

## Selected R&D investments over past 25 years (man-years)



- Building knowledge and competence through R&D has been our focus for a long time
- We have built up an enormous amount of value
- Significant competitive advantage virtually impossible to replicate within a reasonable time frame

We have invested over 3 200 man-years in R&D activities over the past 25 years

Note: Estimates based on the cost of accumulated FTEs for the specific areas over the years of existence





We are creating the Swiss Re Institute to further strengthen the differentiation component of our strategy

***Goals of the Swiss Re Institute:***

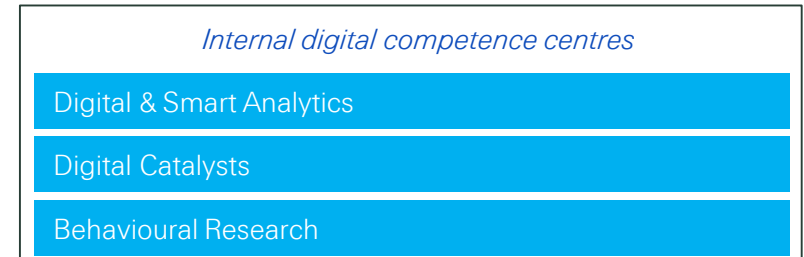
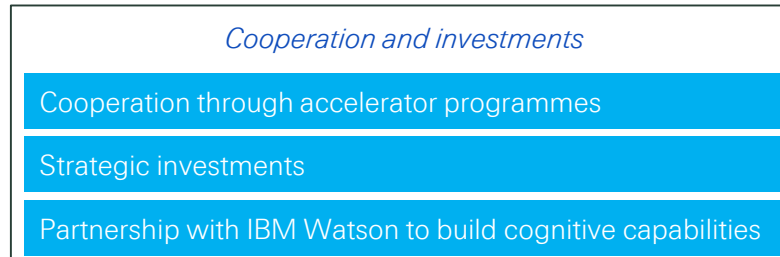
1. Leverage and steer R&D activities across the organisation
2. Provide access point for our clients and other partners
3. Deploy more of the knowledge to concrete client opportunities



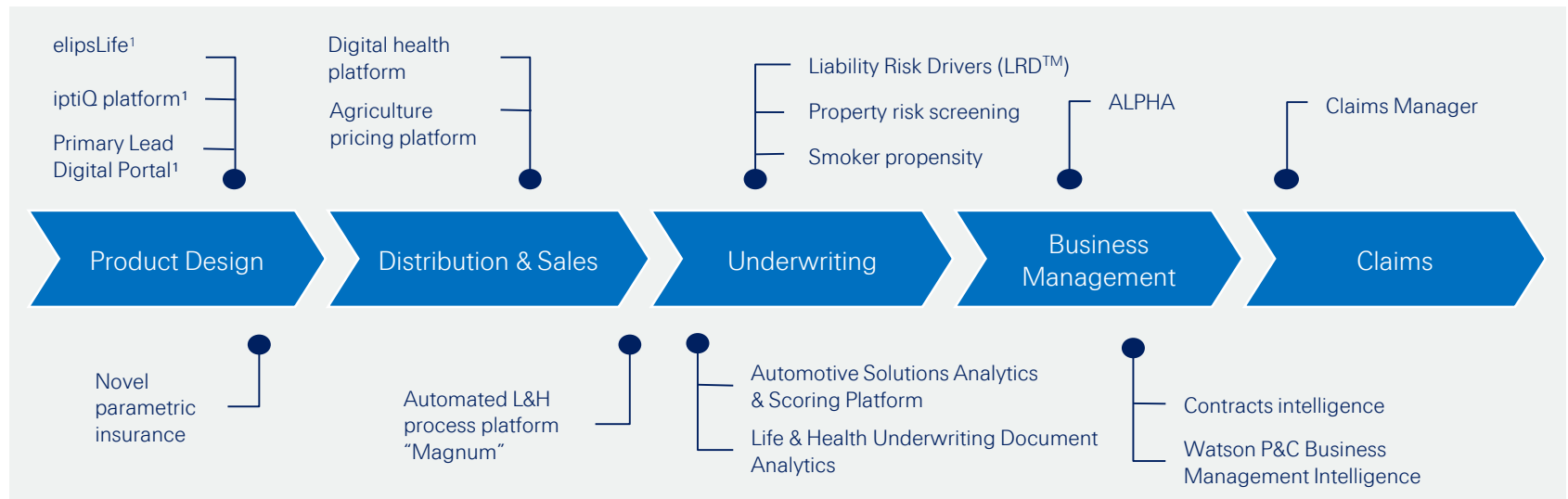


# Technological innovation gives us the opportunity to further differentiate and support our clients

## Selected initiatives on Group level (across the value chain)



## Swiss Re has executed over 500 digital product or capability use-cases over the last three years

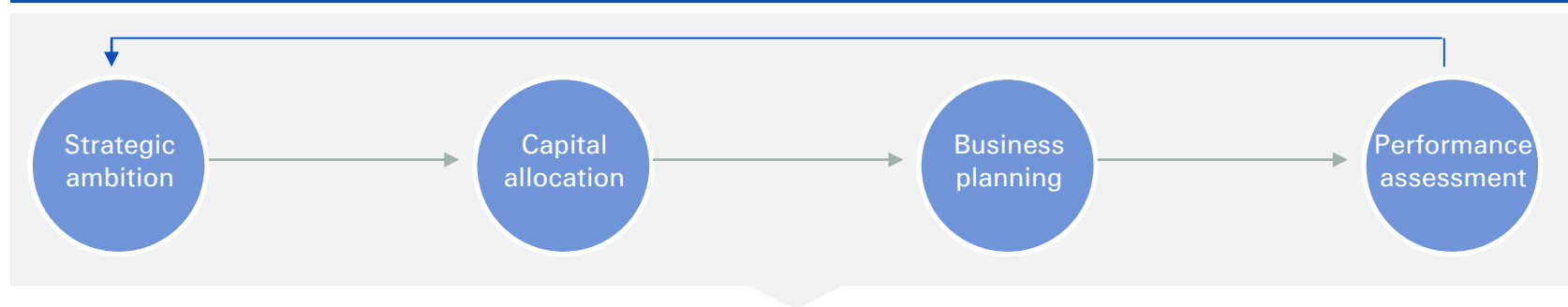


<sup>1</sup> Across the value chain

Note: Non-exhaustive overview of selected digital innovation at Swiss Re

# R&D will support our systematic allocation of capital to risk pools

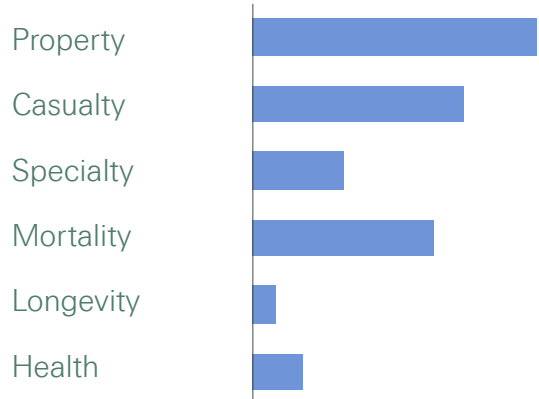
Swiss Re applies a holistic capital allocation approach...



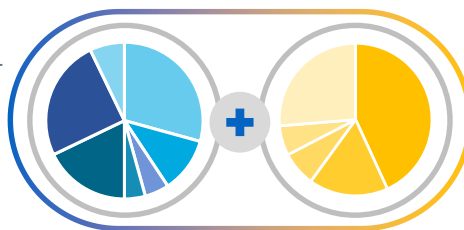
...to systematically deploy capital to risk pools

## Liability risk pools

### Target Liability Portfolio (TLP)



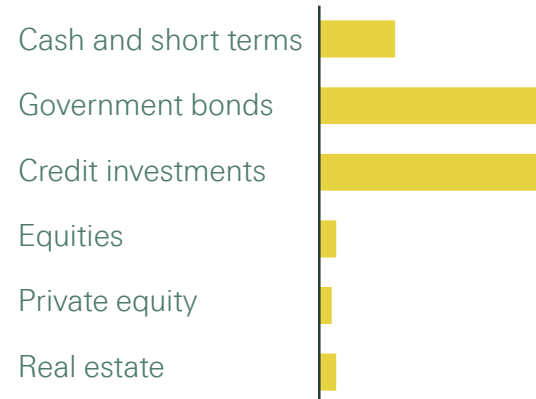
ILLUSTRATIVE



- 40+ liability portfolios and key asset classes considered
- Based on historic performance and future outlook
- Optimise financial metrics (EVM, US GAAP, cash flow) and risk appetite

## Asset risk pools

### Strategic Asset Allocation (SAA)



ILLUSTRATIVE





## Swiss Re has been an agile capital allocator – we are now executing the next phase of our strategy

		Historic		Outlook	
		2012 - 2014	2015 - 2016	Short-term	Long-term
P&C Re	Conventional				
	Transactions				
L&H Re					
Corporate Solutions					
Life Capital					
Cash outflows to shareholders				According to our Capital Management Priorities	

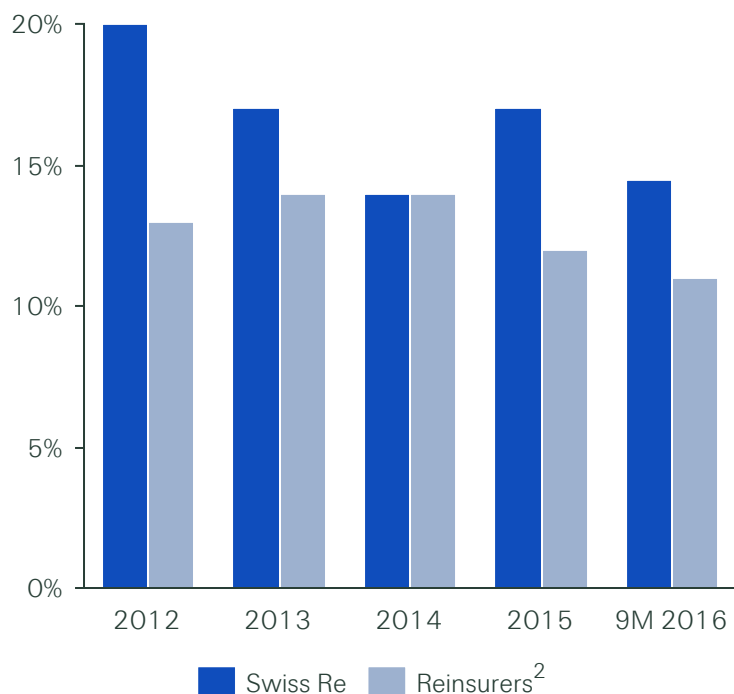


- Long-term, we are optimistic about the growth prospects of all our businesses
- Short-term, we see opportunities in L&H Re, Life Capital and P&C transactions; we are more cautious about P&C conventional business

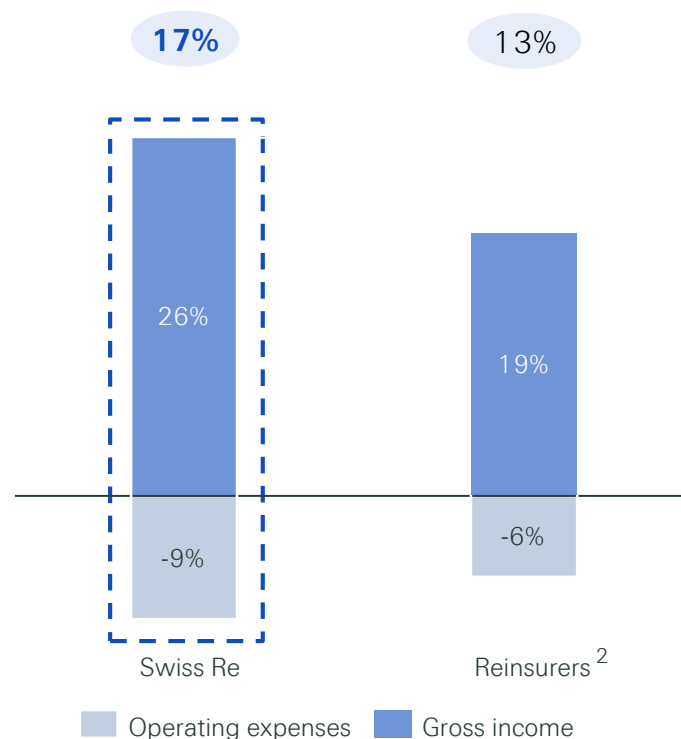
<sup>1</sup> Based on Group risk capital requirements (185% Group SST, S&P AA), except for shareholders flows which reflect cash outflows

This differentiation approach has enabled Swiss Re to generate higher margins and outperform

Net operating margin (NOM)<sup>1</sup> 2012 – 9M 2016



NOM – Split by components – Avg. 2012-9M 2016



Swiss Re outperformed peers on average by 4%pts since 2012, driven by underwriting performance (risk selection, capital allocation and differentiation)

<sup>1</sup> Net operating margin = Earnings before interest and tax / total revenues less participating business investment result

<sup>2</sup> Average of Alleghany, Everest Re, Hannover Re, Munich Re, Partner Re, RGA and SCOR

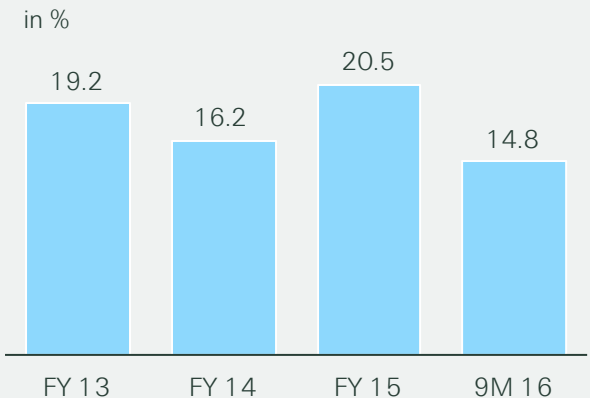


## Large and tailored transactions in Reinsurance provide attractive growth in a challenging market

- Further cement differentiated economics model with clients through:
  - direct C-suite interaction model
  - delivering useful knowledge to clients
  - common growth opportunities with clients
  - writing large and tailored transactions
- P&C Re: further reduce capacity allocated to P&C conventional business if prices continue to fall
- L&H Re: continue to grow and act as balance to the P&C segment
- High Growth Markets remain a key element of our growth strategy, even if temporarily challenged



### Return on Equity – Reinsurance

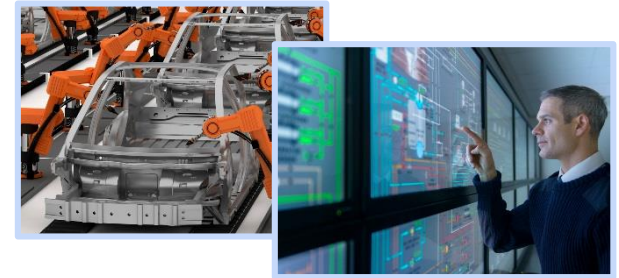


Reinsurance targets to deliver over-the-cycle ROEs of 10-15% in P&C and 10-12% in L&H



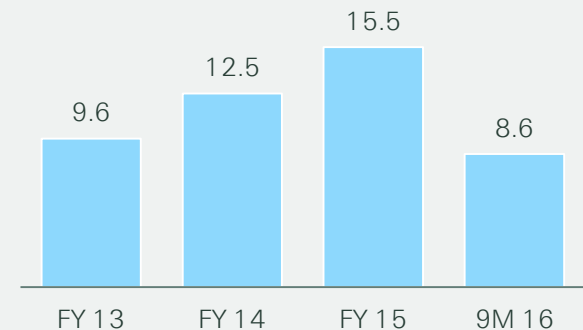
## Corporate Solutions will continue to grow in relevance with unchanged focus on profitability

- Short-term outlook is challenging with likely reduction of deployed capacity in the Excess Layer segments
- Long-term prospects remain positive
- Key initiative is investment in Primary Lead capabilities; rolled out in 14 core markets already
- Bolt-on acquisitions are an important element to support both Primary Lead and footprint broadening
- Transformational M&A opportunities remain a long-term option



### Return on Equity – Corporate Solutions

in %



Corporate Solutions targets to deliver 10-15% ROE over-the-cycle

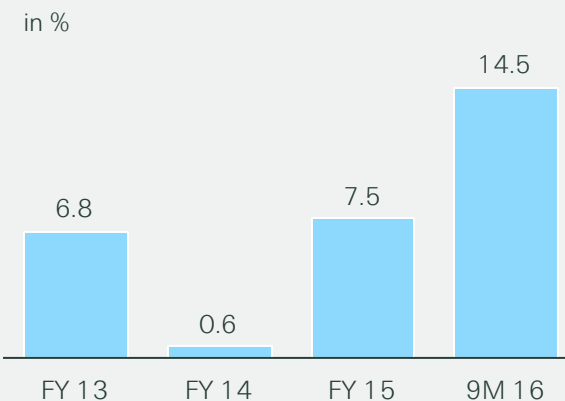


## Life Capital increases access to attractive risk pools in open and closed L&H books

- A primary L&H powerhouse with insurance clients, pension funds and distribution partners
- Differentiating through leading edge underwriting and servicing capabilities
- Growing in the UK closed book market and monitoring opportunities in Continental Europe
- Entering new European markets with Group L&H (elipsLife)
- Accelerating growth in Individual L&H (iptiQ) across Europe and launching in the US



### Return on Equity – Life Capital

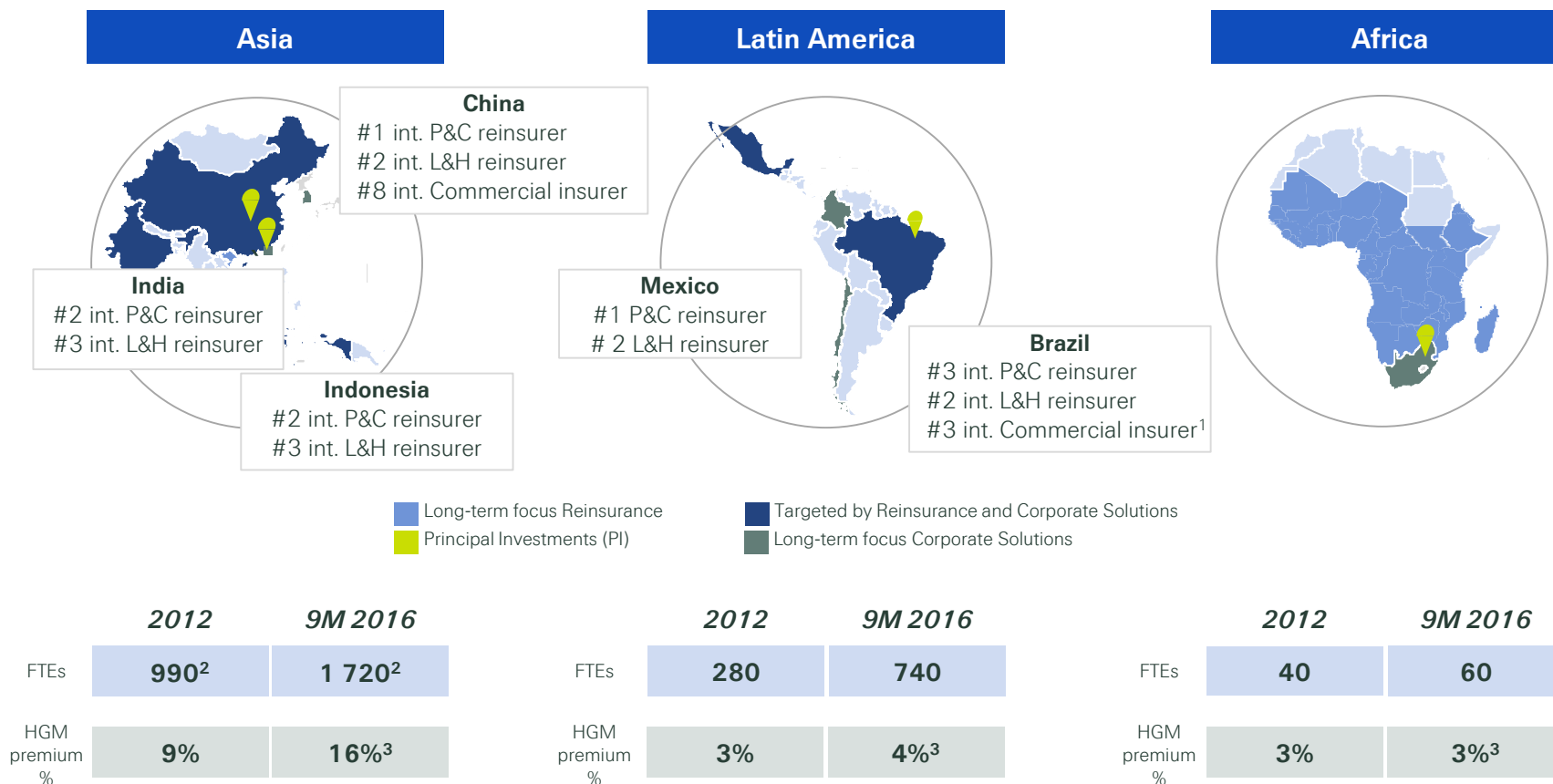


Life Capital targets to deliver 6-8% ROE in the mid-term





We have invested in High Growth Markets, establishing a strong presence and intend to maintain our leading position



<sup>1</sup> Expected market position upon completion of the JV with Bradesco Seguros Large Risks

<sup>2</sup> Including Shared Service Centre in India

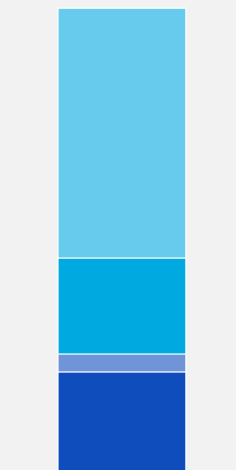
<sup>3</sup> Expected Premiums Earned FY2016 incl. Principal Investments (PI)



## We continue to invest in our differentiation and growth initiatives over the long-term

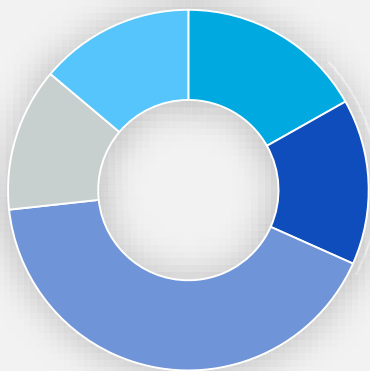
### 2012-2015

3% productivity savings p.a.  
(total of USD 0.4bn)



Group functions  
Life Capital  
Corporate Solutions  
Reinsurance

Invested in strategic priorities



Life Capital closed book growth  
Large transactions  
Primary Lead & global footprint  
High Growth Markets  
Technology and R&D

### 2016+

- Currently, the cost line contains above USD 250m of investments into the future per year
  1. Primary Lead and other corporate insurance expansion
  2. Organic and inorganic growth in Life Capital
  3. High Growth Markets expansion
  4. Technology investments including Finance Transformation
- All of these investments have business plans with attractive IRRs
- We will continue with our “save to invest” philosophy to ensure long-term value creation for our shareholders

We are continuing with our productivity savings to fund growth initiatives

# Key takeaways

- Swiss Re is well positioned to face industry challenges and seize opportunities
- Our investments in R&D and technology are supporting differentiation and are valued by our clients
- We have been a successful capital allocator and will continue to enhance our capabilities
- As a knowledge company we will access the most attractive risk pools and target an optimal portfolio of assets and liabilities
- We aim to achieve our Group financial targets and continue to deliver sustainable shareholder value





# Corporate calendar & contacts

## Corporate calendar

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### 2017

23 February

16 March

21 April

**Annual Results 2016**

**Publication of Annual Report 2016**

**153<sup>rd</sup> Annual General Meeting**

Conference call

Zurich

## Investor Relations contacts

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### Hotline

+41 43 285 4444

### E-mail

Investor\_Relations@swissre.com

Philippe Brahin

+41 43 285 7212

Jutta Bopp

+41 43 285 5877

Manfred Gasser

+41 43 285 5516

Chris Menth

+41 43 285 3878

Iunia Rauch-Chisacof

+41 43 285 7844



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

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- further deterioration in global economic conditions;
- Swiss Re’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re’s financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re’s investment assets;
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- the possibility that Swiss Re’s hedging arrangements may not be effective;
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- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies, and the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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