

# SECOND QUARTER 2015 results

Transcript of analyst and investor video presentation

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- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to their market values recorded for accounting purposes;
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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;
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- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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Good day everyone! Thank you for watching this presentation on Swiss Re's 2015 second quarter and first half results. My name is David Cole, I am Swiss Re's Group CFO and I am here today with Michel Liès, our Group CEO.

## **Slide 2: Today's agenda**

Today we report another set of solid results. As you will see, in addition to Q2 figures, we've added year to date results. As always, we focus on the longer term performance as that best reflects our business.

After my presentation, Michel will update you on the July renewals, priorities for the Group in 2015 and, of course, on our progress against our financial targets.

#### **Slide 4: All Business Units contributed to Swiss Re's solid Q2 2015 results**

Let me start with the financial highlights.

Q2 2015 Group net income was 820 million US dollars, bringing us to a total net income for the first half of 2.3 billion US dollars; this is up 11% from the previous period. ROEs for the quarter and the first half demonstrate the Group's strong financial performance and the ongoing fundamental strength of our business model.

All three Business Units made profitable contributions to Swiss Re's solid Q2 and first half results.

Also all three Business Units have now paid dividends up to the Group. Corporate Solutions paid 200 million US dollars in Q1, and during Q2 Reinsurance paid 3 billion US dollars and Admin Re<sup>®</sup> 401 million US dollars. At the end of Q2 our book value per share was 94.10 US dollars. Please note, this is after 2.6 billion US dollars were distributed to shareholders during the quarter.

#### **Slide 5: Key figures Q2 2015**

I don't normally comment too much on this slide, though I would like to highlight the decrease in unrealised gains in Q2, which is mainly the result of increasing interest rates. There is no major impact from rising interest rates on our economic capital as we are generally matched.

#### **Slide 6: Underwriting and investment performance remain both strong and stable**

As you know I like to always look at the long term view of our performance; this also reflects our business model as we are in the business of providing long term stability and support for our clients. Here you can see that during the first half of 2015 we continued our strong and stable underwriting and investment track record. Underwriting discipline remains key, and we remain committed to maintaining a high quality investment portfolio. I will turn now to this quarter's results, starting with P&C Re.

**Slide 7: P&C Reinsurance reports a solid underwriting result**

P&C Reinsurance reports a solid underwriting result. While it was a benign quarter for nat cats, there was a higher than usual incidence of man-made events. Taken together, both the combined ratio and the underwriting result were stable compared to last year. Our adjusted combined ratio is higher than the 97% we expect for the full year. This demonstrates the seasonality of our business, as you saw at this time last year as well. Structurally, there has been a change in the underwriting portfolio, with an increased weighting towards proportional business. This is partly due to our Casualty expansion as well as success we have achieved in large and tailored transactions. The impact of the business mix change was already included in our 2015 combined ratio guidance of 97%, and that is still where we expect to land. Let me be clear: we continue to be happy with the performance of our P&C Re operations.

**Slide 8: L&H Reinsurance performance remains on track**

Life and Health Reinsurance has continued to demonstrate performance improvement off the back of earlier management actions. The business segment reports an ROE of 14% this quarter, driven by improved operating results as well as net realised gains. On an underlying basis the ROE is within the 10 to 12% range we target for the full year. We are now half-way through the year, and Life and Health Re remains well on track.

**Slide 9: Corporate Solutions delivers profitable results**

Corporate Solutions delivered another quarter of good performance. Corporate Solutions remains disciplined and focused on the quality of its portfolio. We are on track to deliver our 2015 top-line and ROE ambitions, and expect gross premiums written to be at the lower end of the 4-5 billion US dollar range. In terms of operating performance, the combined ratio of Corporate Solutions was impacted in Q2 by a handful of large man-made losses and higher expenses. As previously discussed, current expense levels reflect ongoing investments for growth. Corporate Solutions closed the acquisition of Sun Alliance Insurance China Limited in Q2 and is now licenced and operating in mainland China.

**Slide 10: Admin Re® up-streams substantial dividend to the Group**

Admin Re® generated gross cash in line with expectations and up-streamed a substantial dividend to the Group this quarter. Earlier this year we indicated we would expect approximately 600 million US dollars of dividend from this Business Unit during 2015 and 2016. We are pleased that meanwhile 401 million US dollars have already been paid to the Group.

In the second quarter we finalised the asset portfolio re-positioning in preparation for Solvency II.

Offsetting the realised gains, net income for the quarter was largely impacted by an unfavourable adjustment in the recording of income on funds withheld assets related to the US business.

The UK market continues to experience unprecedented levels of regulatory changes. This supports an increased demand for closed life book transactions. Admin Re® maintains a healthy pipeline of new business opportunities and is well positioned to close transactions in the next 18 months.

**Slide 11: Group investment portfolio produces a strong result**

We have again seen a strong investment performance in the second quarter, achieving an excellent result while maintaining a high quality investment portfolio. During the second quarter of this year we reinvested some of our cash into short duration government bonds. The return on investments reflects a strong performance in the current interest rate environment. We continue to see low levels of impairments, reflecting the portfolio's high quality. In terms of duration we remain generally matched. The running yield is in line with our expectation and reflects the net outflow of certain higher yielding assets associated with previously announced transactions.

**Slide 12: Decrease in common shareholders' equity driven by external dividends and unrealised losses**

As expected, shareholders' equity decreased during the second quarter driven by the payment of the regular and special dividend in April as well as unrealised losses on our investment portfolio.

And with that, I will now hand over to Michel for an update on renewals as well as our business priorities and financial targets.

### **Slide 13: Financial Performance –Section slide**

[Michel Liès]

Thank you David, and good day to all of you from me as well! I will begin my presentation with our July renewals.

### **Slide 14: Price quality remains attractive following July renewals**

Approximately 20% of P&C Re's treaty portfolio renews in July, and this has been yet another successful renewal for Swiss Re.

During this renewal we were able to find attractive opportunities to deploy capital as we grew in two key areas. Firstly, we were able to write new, tailored large deals with key clients. Our clients recognise the benefits our skills and knowledge bring to them.

The other area in which we grew was with our Regionals and Nationals clients. At our Investors' Day in London last year, we presented our strategy for this client segment. We described how our key strengths, such as knowledge and expertise, dovetail with the needs of our clients. We also pointed out the opportunity, particularly in the US, which is the largest R&N market. The diversity and relative stability of the R&N client segment provides a buffer against some of the volatility experienced with other client segments.

By carefully selecting risks and partnering with valued clients we have been able to maintain the price quality of our portfolio at 105%, despite continued pressure on market prices. There is tiering in the reinsurance market, and we believe our approach of differentiation and adding value for clients is paying off, both for our clients and our shareholders.

### **Slide 15: Economic growth and wealth are the most important determinants for insurance market growth**

Let's now take a step back from Q2 and take a longer-term and global view of our sector. At Swiss Re we conduct regular research to understand trends and anticipate

opportunities, as well as challenges, in the insurance sector. Our most recent sigma report shows the relationship between economic growth and insurance market developments, which is illustrated by the “S-Curve”. The S-Curve shows the accelerated growth of insurance in middle-income countries. In these countries, insurance premium growth is significantly higher than income growth. In contrast, growth in the mature markets is expected to increase along with income. At Swiss Re we continue our efforts to expand insurance coverage for individuals, corporations and the public sector in order to increase insurance penetration and close the protection gap.

**Slide 16: Global Partnerships enables the Group to broaden our client base and address the protection gap**

In order to tackle the challenge of the protection gap, Swiss Re established a dedicated team in 2006 to originate transactions and develop solutions with public institutions. We share our expertise to help cities and countries create effective responses to common perils. Our Global Partnerships team plays a leading role in closing the protection gap and is uniquely positioned to work with public programmes such as the G7 climate insurance initiative. The team has executed more than 100 transactions over the last 9 years. Recent transactions include a significant risk transfer program supporting the Florida Hurricane Catastrophe Fund and the expansion of the African Risk Capacity for drought insurance.

**Slide 17: Update on priorities for the Group in 2015**

A quick update on our priorities for the Group in 2015!

We remain focused on executing our strategy and achieving our 2011-2015 Group financial targets.

At the Group level we will pursue our efforts to allocate capital to risk pools that meet our strategic and financial objectives. We will continue to shift capital and talent to High Growth Markets, as we have done in the past. We will seek to enlarge our client base to increase our access to risk pools. Finally we will take full advantage of our differentiation to generate value for both our clients and shareholders.

In Property & Casualty Re, we will maintain our focus on underwriting discipline and continue to differentiate our offering through knowledge, expertise and tailored services.

In Life & Health Re we will continue to grow profitable new business and deliver our 2015 ROE objective of 10 to 12%.

In Corporate Solutions we will execute our commitment to profitable growth, with particular focus on High Growth Markets and selective underwriting.

Finally in Admin Re<sup>®</sup>, we will continue to work hard to enhance our closed life book franchise, maintain operational excellence and focus on selective new portfolio acquisitions.

**Slide 18: On track to meet our 2011-2015 Group financial targets**

As I mentioned in the past, meeting our Group financial targets remains our top priority.

As you can see from this updated chart, we remain on track to achieve our financial goals.

Thank you very much for watching this video on Swiss Re's 2015 second quarter and half year results!

## Corporate calendar & contacts

### **Corporate calendar**

29 October 2015	Third Quarter 2015 results, Conference call
8 December 2015	Investors' Day in Rüslikon
23 February 2016	Annual results 2015
16 March 2016	Publication of Annual Report 2015 and EVM Report 2015
22 April 2016	152 <sup>nd</sup> Annual General Meeting

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