



# Investors' Day

London, 25 November 2019



# Agenda – Investors' Day 2019

Time	Content	Management
10:30 – 11:00	Registration	
11:00 – 11:20	<b>Group strategy</b>	Christian Mumenthaler
11:20 – 11:40	<b>Financial strength and capital management</b>	John Dacey
11:40 – 11:50	<b>Asset management</b>	Guido Fürer
11:50 – 12:30	Q&A session	
12:30 – 13:30	Lunch	
13:30 – 13:50	<b>Reinsurance update</b>	Moses Ojeisekhoba
13:50 – 14:10	<b>Reinsurance portfolio steering</b>	Edi Schmid
14:10 – 14:30	Q&A session	
14:30 – 14:45	Break	
14:45 – 15:15	<b>Corporate Solutions update</b> and Q&A	Andreas Berger
15:15 – 15:45	<b>Life Capital update</b> and Q&A	Thierry Léger
15:45 – 15:50	<b>Wrap-up</b>	Christian Mumenthaler



# Group strategy

Christian Mumenthaler, Group Chief Executive Officer



# Swiss Re's success is built on three key differentiation drivers

## Reinsurance

Foundation of our strength with increasing earnings power

## Corporate Solutions

Returning to profitability and focused on competitive advantages

## Life Capital

Transitioning to a digital B2B2C player



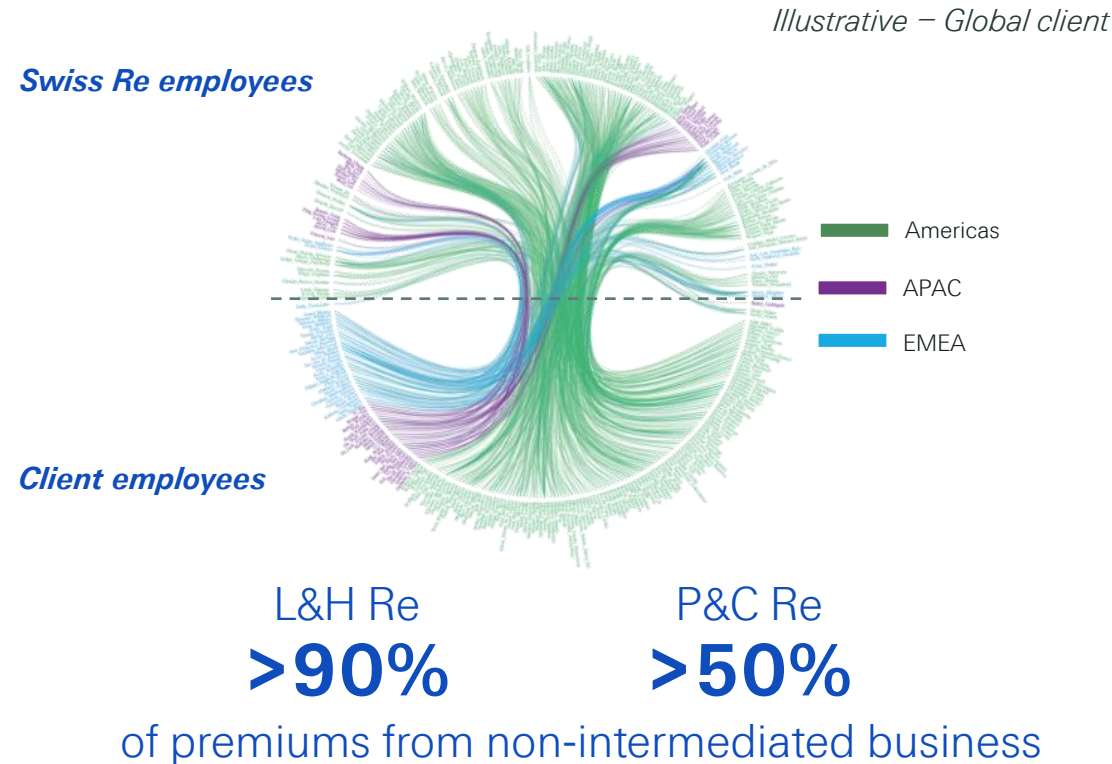
Client  
Access

Risk  
Knowledge

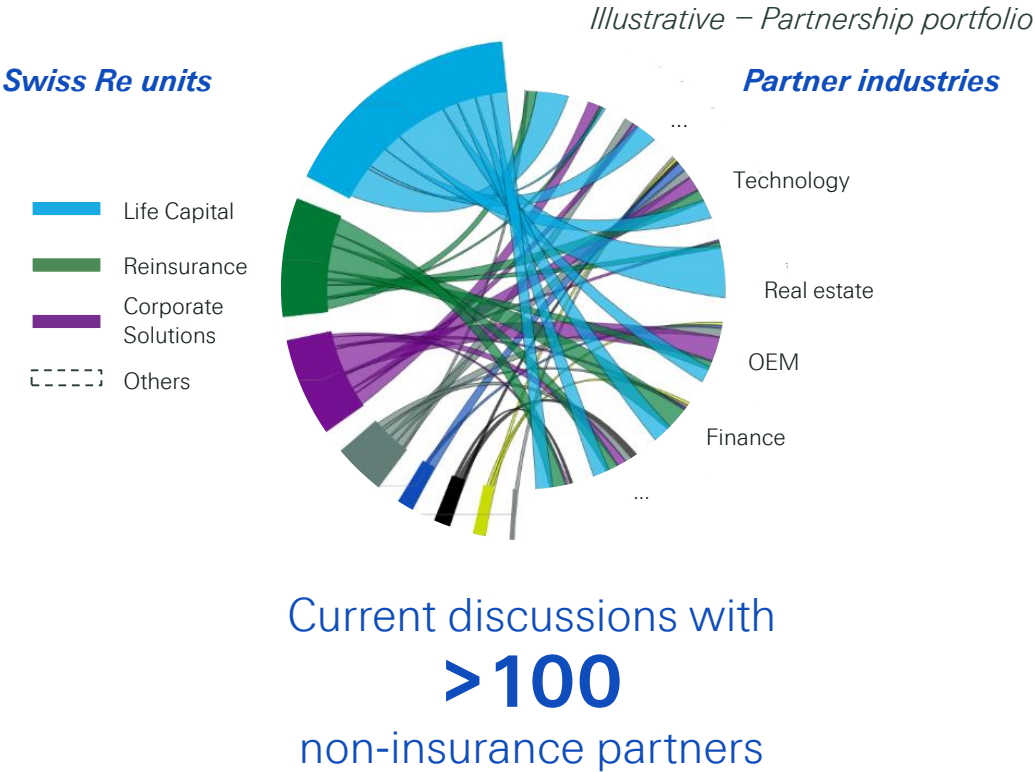
Capital  
Strength

# Our client access capabilities are unique

We maintain strong direct relationships with our reinsurance clients...



...while also partnering with non-insurance players for innovative B2C insurance propositions



Swiss Re is a trusted partner for insurance and non-insurance companies

# We operate a truly global and diversified Group

## Premiums

EVM<sup>1</sup>

US GAAP<sup>2</sup>

## Americas

USD 15bn

USD 16bn

## EMEA

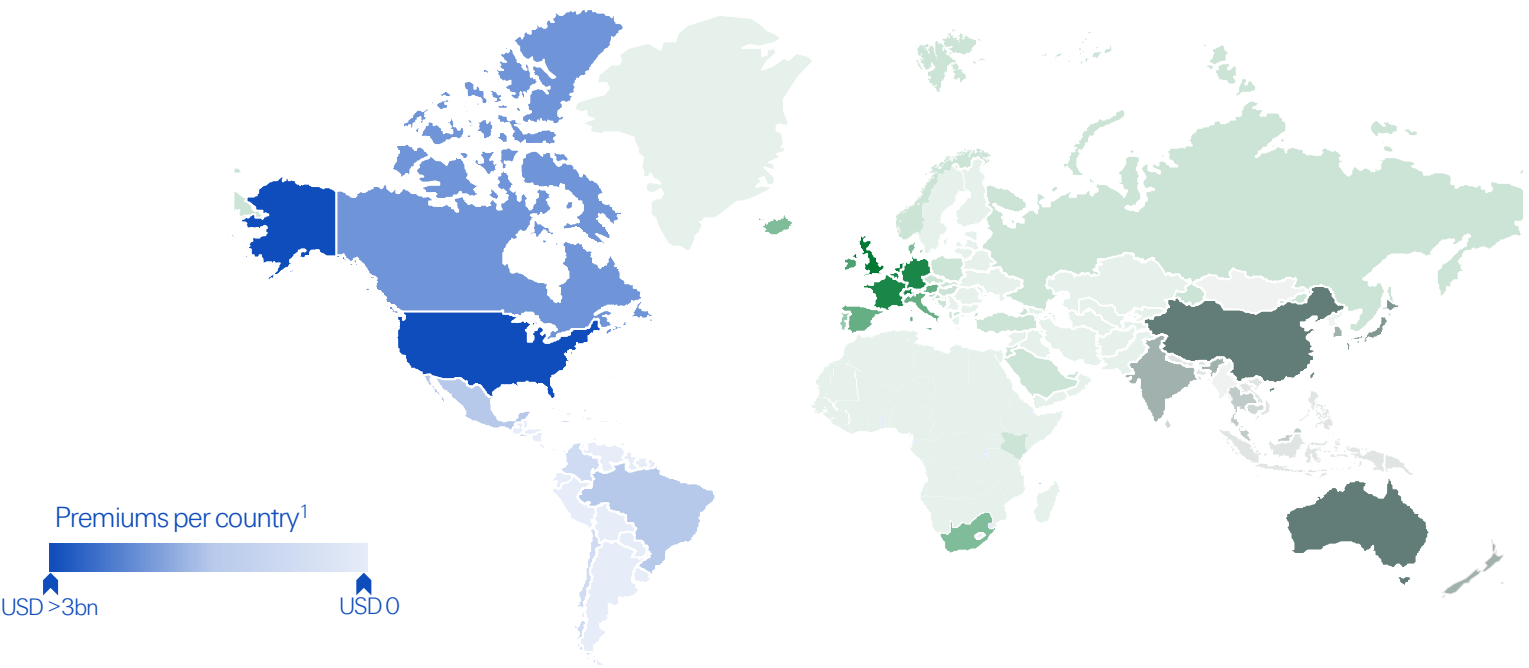
USD 13bn

USD 11bn

## Asia

USD 16bn

USD 7bn



*«We make the world more resilient»*

>150

countries

>100 000

P&C clients supported

>175 million

family members supported through L&H Re

Swiss Re's global access to risks and diversified earnings generation is exceptional in the insurance industry



# We monetise our R&D capabilities, cementing Swiss Re as the leading knowledge company

## R&D value driver framework



**450**

R&D FTEs

## Strategic focus areas



**Market intelligence**



**Insurance beta**



**Insurance alpha**



**Data, solutions, publications**



**Process re-engineering**

## Project examples

Insurance markets and cycle analysis  
Macroeconomic R&D

Advance Nat Cat risk view  
Chinese cancer research

Nat Cat pricing tools  
Risk engineering services

Magnum  
Life Guide

Analytics for contract wording  
Group data integration

**13**

R&D teams

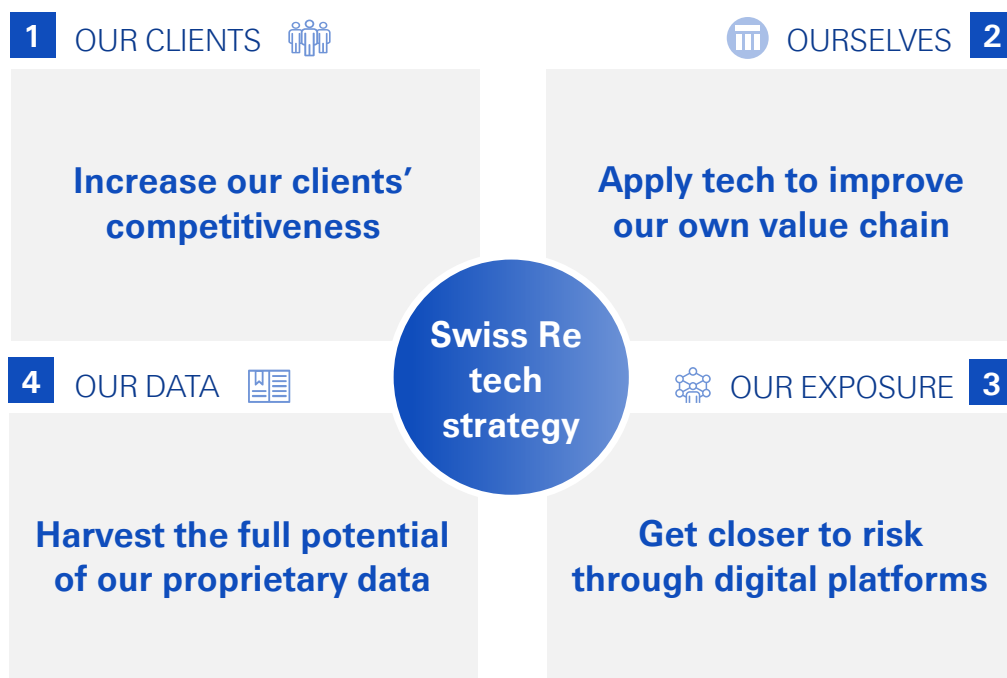
**80**

R&D programmes



# Continued progress on our tech transformation roadmap

## Clear and pragmatic business objectives



**USD ~300m**

total investments p.a. in key tech projects

*Selected examples:*

### **iptiQ**

state-of-the-art digital B2B2C business; largest investment representing ~50% of total spend

### **ATLAS**

new general ledger allowing closing within 5 days; co-innovation project with SAP (FPSL<sup>1</sup>)

### **Automotive and mobility solutions**

partnerships with car manufacturers for insurance product co-development (e.g. ADAS risk score with BMW)

Our tech strategy is implemented with a combination of in-house developments and strategic partnerships

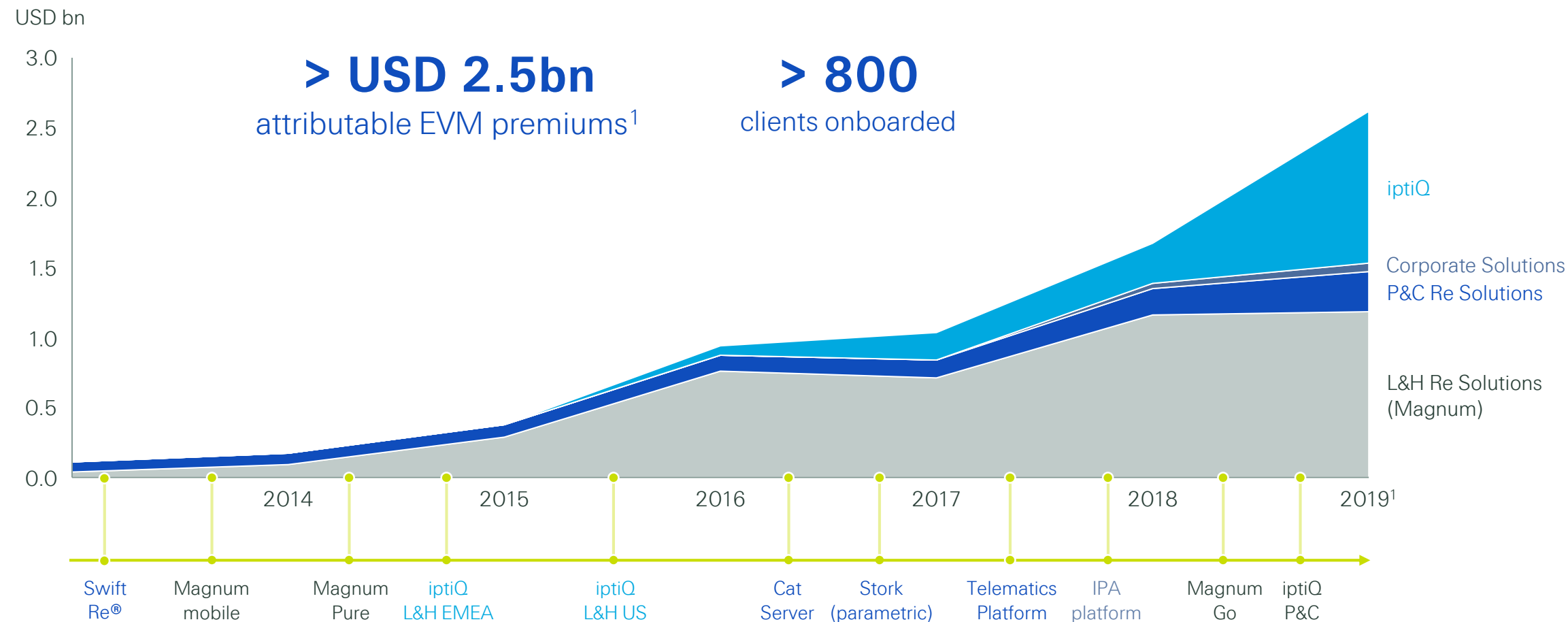






# Strengthening our connection to clients by commercialising our digital platforms

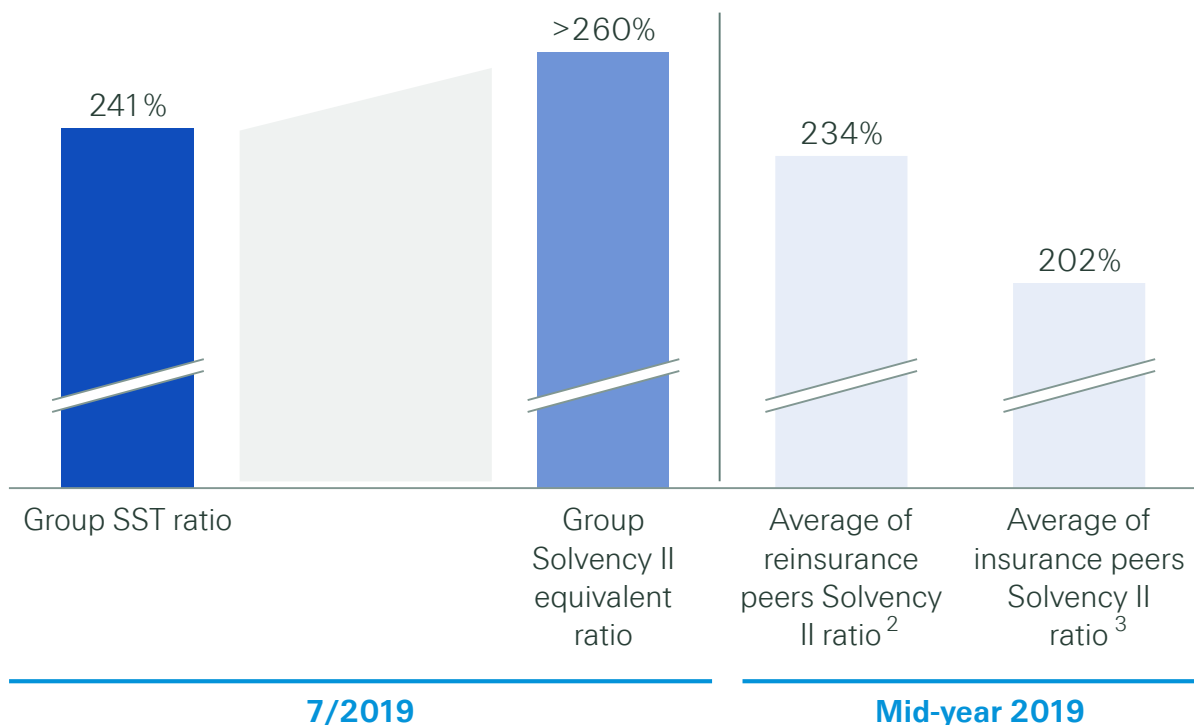
Digital platforms have become a significant business facilitator for Swiss Re





# Our capital strength remains industry-leading

## Comparison of Group SST / Solvency II ratio<sup>1</sup>



- As a major risk absorber, Swiss Re's first capital management priority is to ensure superior capitalisation at all times
- The Group benefits from peer-leading diversification resulting in superior capital efficiency and attractive capital management actions
- Swiss Re has strong financial flexibility and is well positioned to respond to market shocks and growth opportunities

Swiss Re's superior capital strength allows us to capture profitable growth opportunities and deliver attractive capital distribution to shareholders



# Reinsurance has built up industry-leading competitive advantages



## Global scale

**17%**

market share<sup>1</sup> for L&H Re

**11%**

market share<sup>1</sup> for P&C Re



## Direct client access

L&H Re with  
**>90%**

premiums from non-intermediated business

P&C Re with  
**>50%**



## High diversification

**>40%**

risk diversification  
within Reinsurance<sup>2</sup>



## Superior risk knowledge

**~50%**

of profit from  
differentiated business<sup>3</sup>

**11.5%**

avg. Reinsurance  
ROE in the last 5  
years<sup>4</sup>

We leverage our competitive advantages and maintain our edge through Core, Transactions and Solutions

<sup>1</sup> Source: Swiss Re Institute

<sup>2</sup> Diversification between P&C, L&H, Financial Market and Credit risks based on shortfall calculation

<sup>3</sup> EVM profit – new business, differentiated business: i) preferential terms & conditions, ii) higher share of wallet, and/or iii) private deals (100% share)

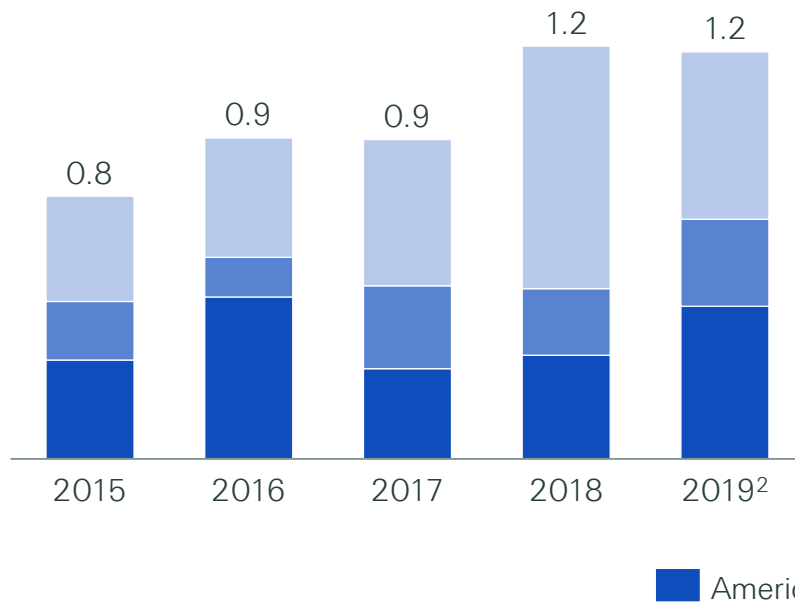
<sup>4</sup> Average 2015-9M 2019



# Reinsurance is the key driver of Swiss Re's earnings power, further benefitting from P&C Re's new business growth in 2019

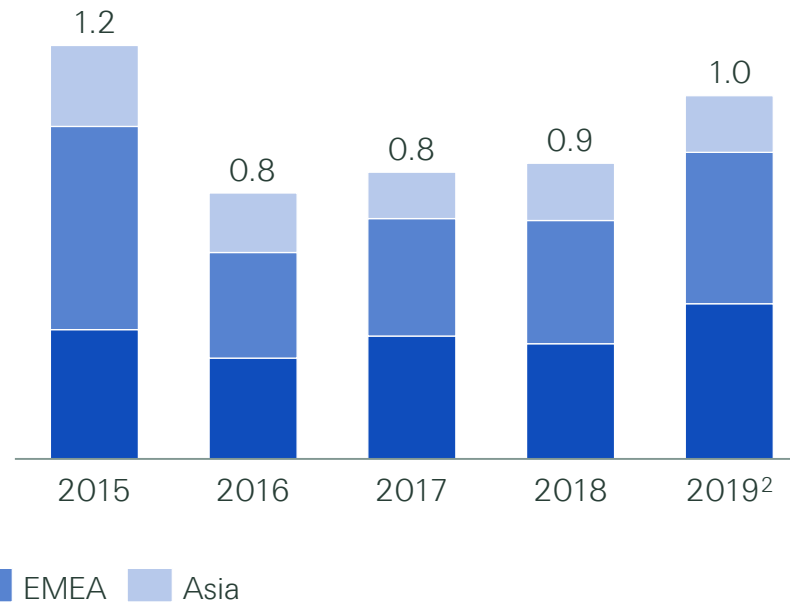
## L&H Re

EVM profit<sup>1</sup> – Costed new business, USD bn



## P&C Re

EVM profit<sup>1</sup> – Costed new business, USD bn



## Balanced

earnings profile in terms of regions and products

## Growing

economic earnings profile boosting capital generation

L&H Re's economic new business profit increased by 55% since 2015, while P&C Re is growing in 2019 with improved pricing quality, realising scale benefits from flat expenses

# Corporate Solutions is focused on returning to underwriting profitability and on differentiated growth



## Good progress in implementing management actions

- Targeted portfolio pruning
- Strong push for price increases
- Improving productivity
- Optimised reinsurance structure

Combined ratio target<sup>1</sup>  
**98%**

in 2021 and further improvement  
expected thereafter

## Strategic priorities

While implementing management actions, Corporate Solutions will grow selectively in line with its strategic priorities



**De-commoditise our  
core business**



**Grow with  
differentiating assets**

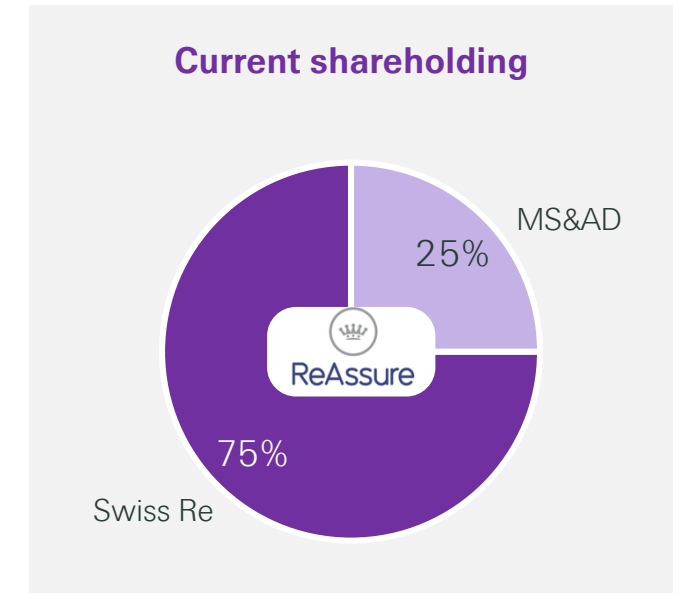


**Expand through tech-  
driven solutions**

Access to commercial lines risk pool and to corporate clients remains strategic to Swiss Re Group

# Mid-term intention to deconsolidate ReAssure remains unchanged

- Swiss Re continues to support ReAssure's growth strategy and to benefit from cash generation capacity
- ReAssure announced the acquisition of Quilter's UK Heritage business in 2019 highlighting the ability to capture attractive transaction opportunities
- ReAssure remains a major dividend contributor to the Group, having paid GBP 3.7bn of dividends cumulatively to its parent<sup>1</sup> since 2012



Objective remains to reduce Swiss Re's ownership and to deconsolidate ReAssure (<50% stake)

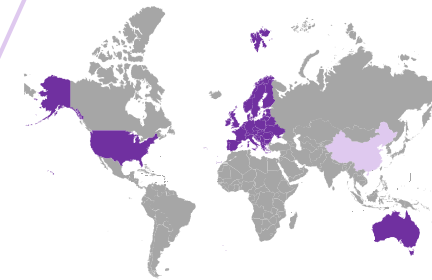


# iptiQ is our state-of-the-art digital white labelling B2B2C insurance platform

## 28 partners

Insurers  
Insurance intermediaries  
Banks  
Ecosystems

## Geographic reach



Current footprint

Expansion opportunity

**iptiQ**

## Key capabilities

60-day partner onboarding  
Multi-channel  
End-to-end platform  
Data-driven customer insights

## Products

### L&H

Term & Whole Life  
Accident  
Critical Illness  
Health Add-Ons

### P&C

Travel  
Cyber  
Mobility  
Home

Leveraging Swiss Re's differentiation drivers

Client  
Access

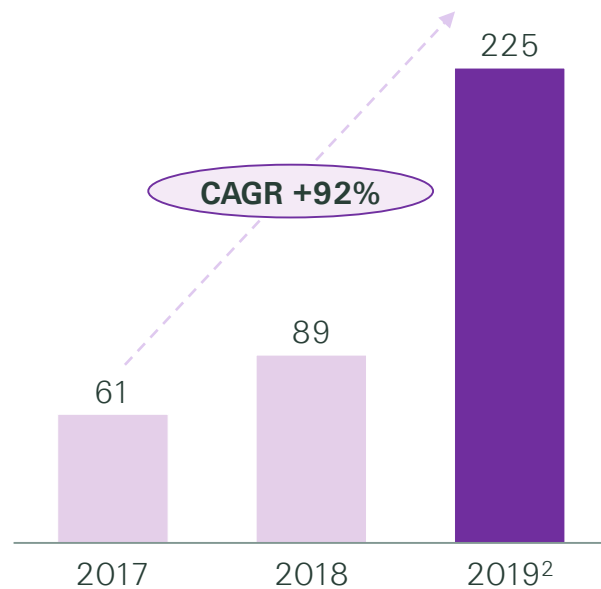
Risk  
Knowledge

Capital  
Strength

# iptiQ businesses are growing dynamically, with significant expansion opportunities

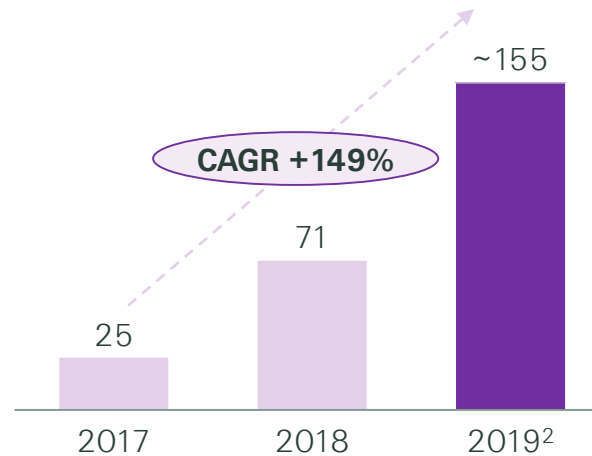
## Gross premiums written (GPW)<sup>1</sup>

USD m



## Annualised new business premium (APN)<sup>1</sup>

USD m



**~USD 155m APN**

in biometric L&H risks vs. USD 200-300m for UK's largest provider of L&H protection products

...leads to

**~USD 1.0bn GPW**

in 10 years, at current sales levels

# Swiss Re maintains leadership in sustainability



## Responsible investing

**~100%**  
assets considering ESG criteria



## Underwriting

**~3 400**  
wind and solar farms insured



## Sustainable operations

**100%**  
GHG<sup>1</sup> neutral since 2003

**50%**  
reduction in CO<sub>2</sub> emissions per  
employee since 2003

### External recognition







# Financial strength and capital management

John Dacey, Group Chief Financial Officer

# Our resilient balance sheet allows us to absorb shocks and benefit from long-term opportunities

## Challenging macro backdrop



Low and negative interest rates are here to stay

Slow and fragile global economic growth, with downside risks prevailing

Trade war #1 risk for the outlook

## Long-term opportunities in re/insurance remain



Improving outlook for re/insurance premium growth, particularly in HGMs

Record protection gaps as opportunity for re/insurers

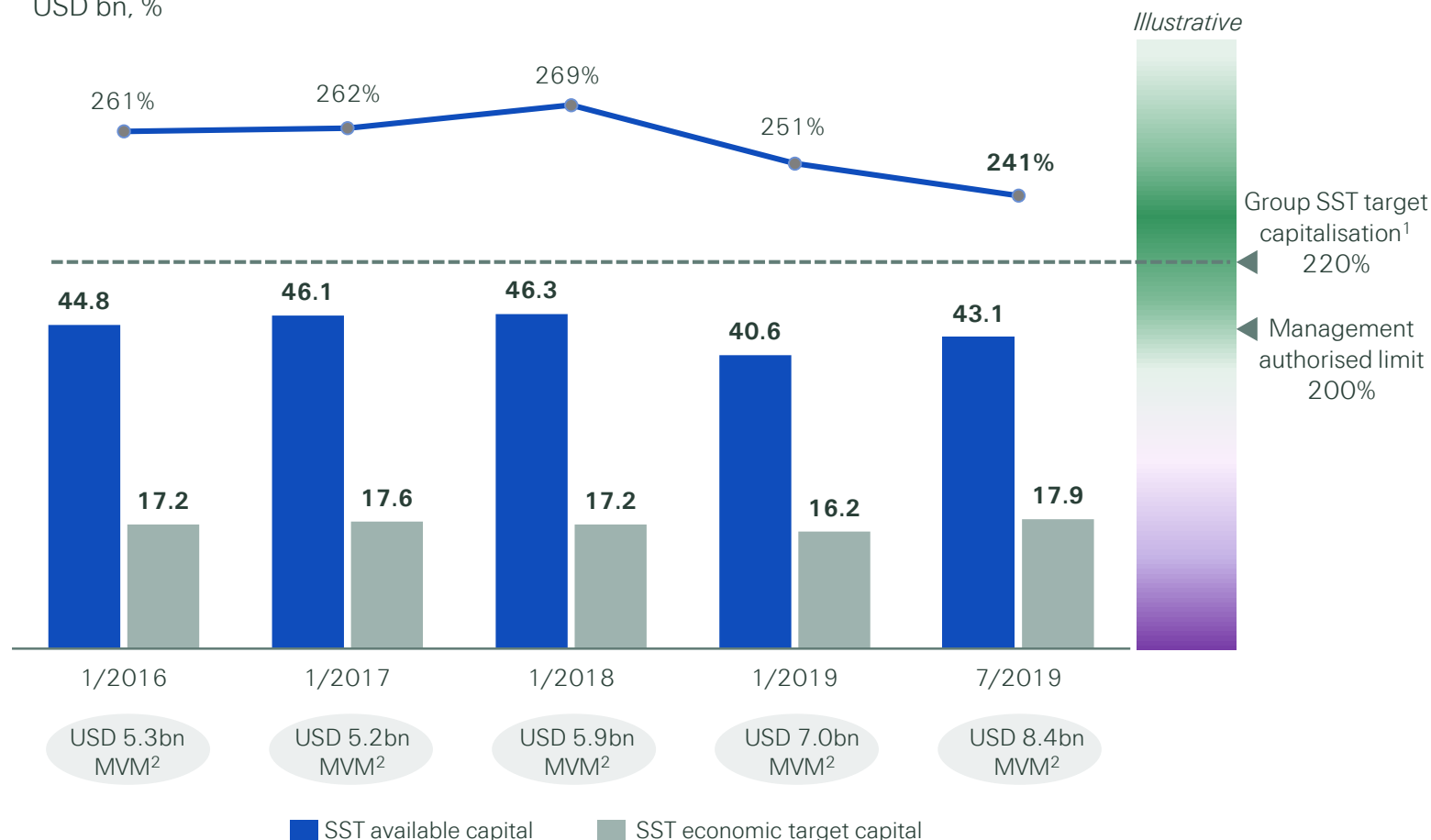
Disciplined underwriting and innovative solutions are key

**Our  
balance sheet  
is resilient against  
macro risks and  
allows us to deploy  
capital to attractive  
risk pools**

# Our Group capital position remains very strong with significant capital deployment supporting business growth in 2019

## Group SST ratio development

USD bn, %



- SST available capital increase mainly due to strong economic earnings and higher supplementary capital
- SST economic target capital increase reflects strong capital deployment
- MVM increase mainly driven by lower interest rates

### Group SST ratio calculation

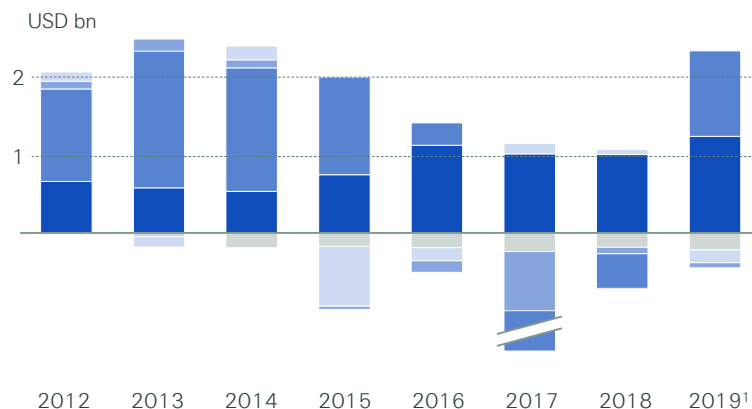
$$\frac{\text{SST available capital}}{\text{SST economic target capital}} = \frac{\text{SST risk-bearing capital} - \text{MVM}^2}{\text{SST target capital} - \text{MVM}^2}$$



# Our economic earnings strength is based on sustainable generation of new business profits and increasing in-force earnings...

## EVM profit – new business (above capital costs)

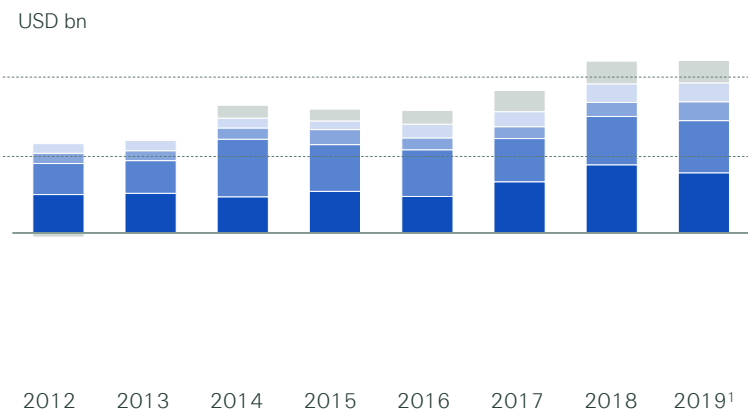
USD 1.1bn  
Avg. 2012-19<sup>1</sup>



L&H Re achieved USD ~1 bn of new business profit p.a. in the last 3 years, mainly driven by Asia

## Release of current year capital costs – Underwriting

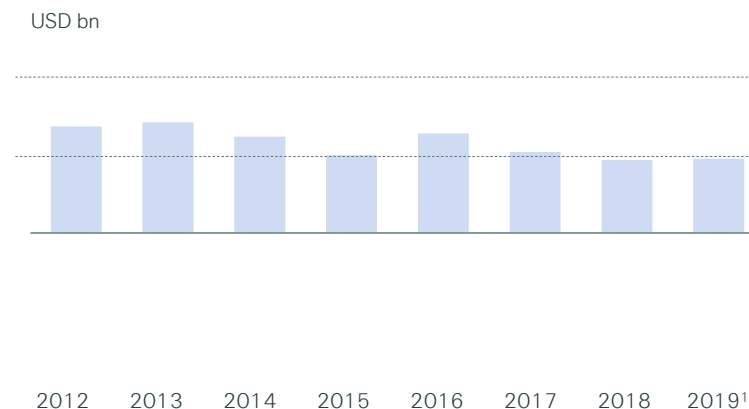
USD 1.6bn  
Avg. 2012-19<sup>1</sup>



Annual emergence of our in-force underwriting income sufficient to cover ordinary dividend

## Release of current year capital costs – Investments

USD 1.1bn  
Avg. 2012-19<sup>1</sup>



Recent decrease in investment risk premiums mainly driven by narrowing credit spreads

**Economic earnings<sup>2</sup>**  
(Total contribution to ENW)

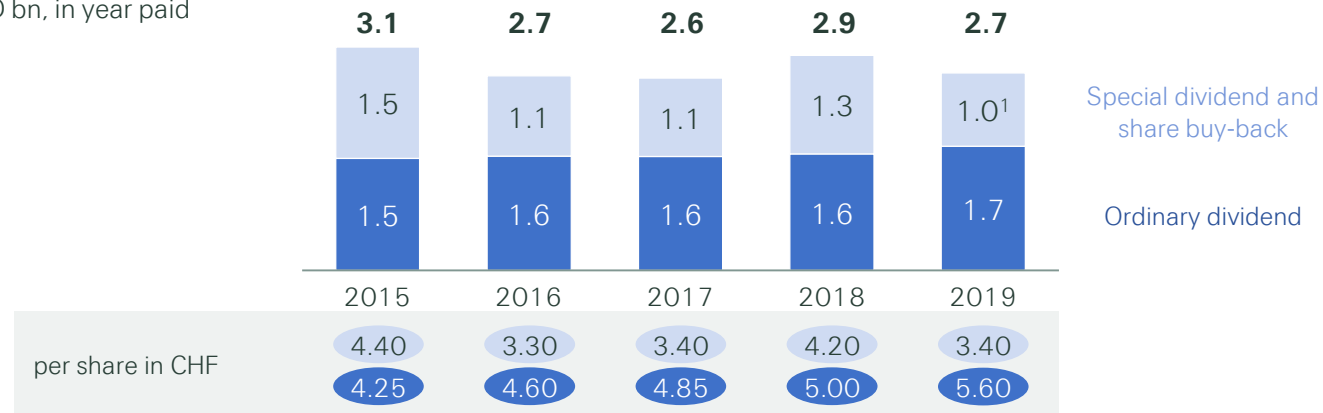
Avg. 2012-19 <sup>1</sup>	USD 4.2bn
Cumulative	USD 33.5bn

Strong economic earnings (Total contribution to ENW) of avg. USD 4.2bn support resilient capital generation

# ...which provides the basis for our peer-leading capital repatriation

## External total capital repatriation

USD bn, in year paid

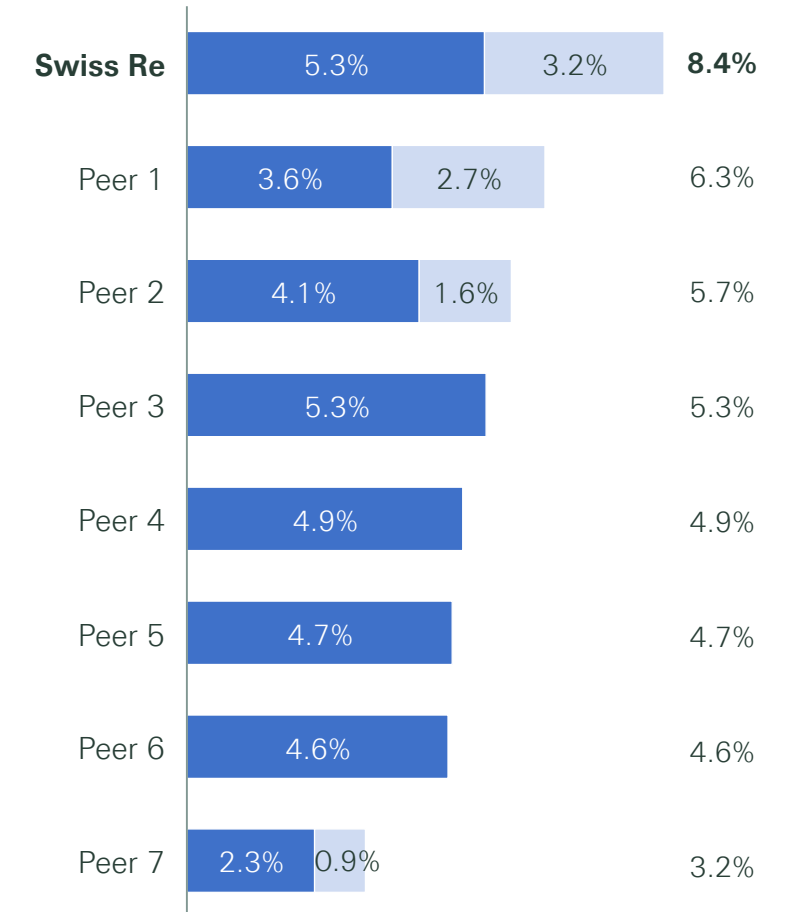


**Swiss Re**

Internal dividend flows (USD bn, in year paid)



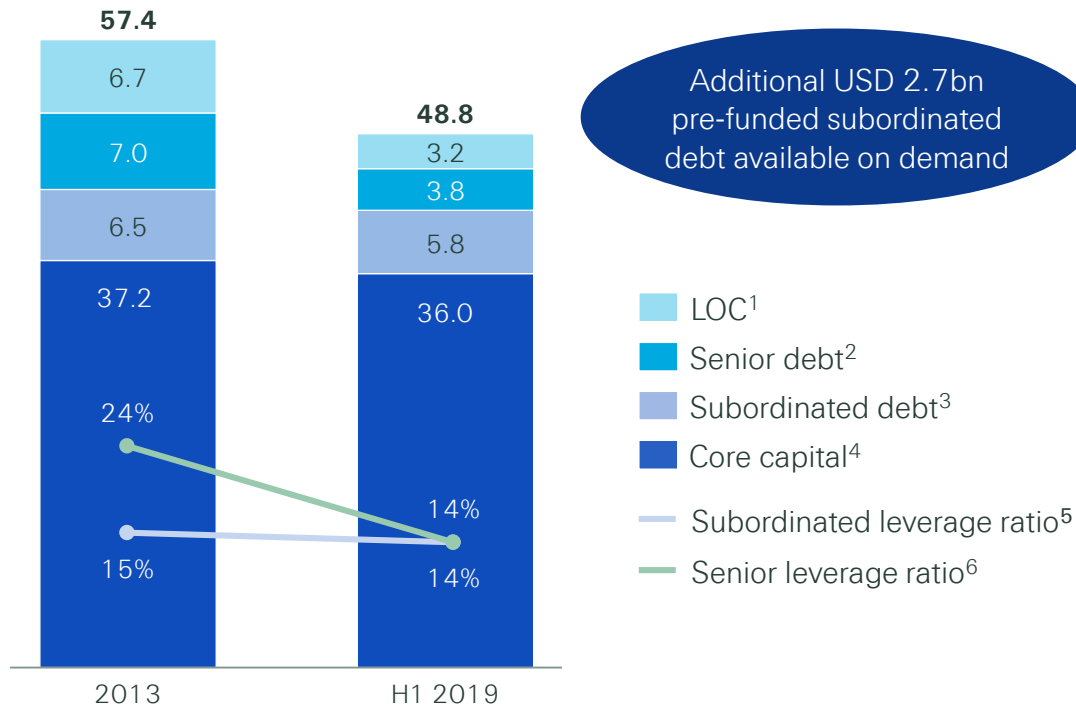
## Total yield 2019<sup>2</sup>



# Swiss Re's dynamic capital structure provides significant financial flexibility, supported by the Group's strong funding platforms

## Group available capital

USD bn



## Debt funding

Senior leverage
Subordinated leverage

## Outlook

Focus on efficiency
Continued focus on optimising cost of capital

## Third-party capital

Equity investments
Alternative Capital Partners

## Outlook

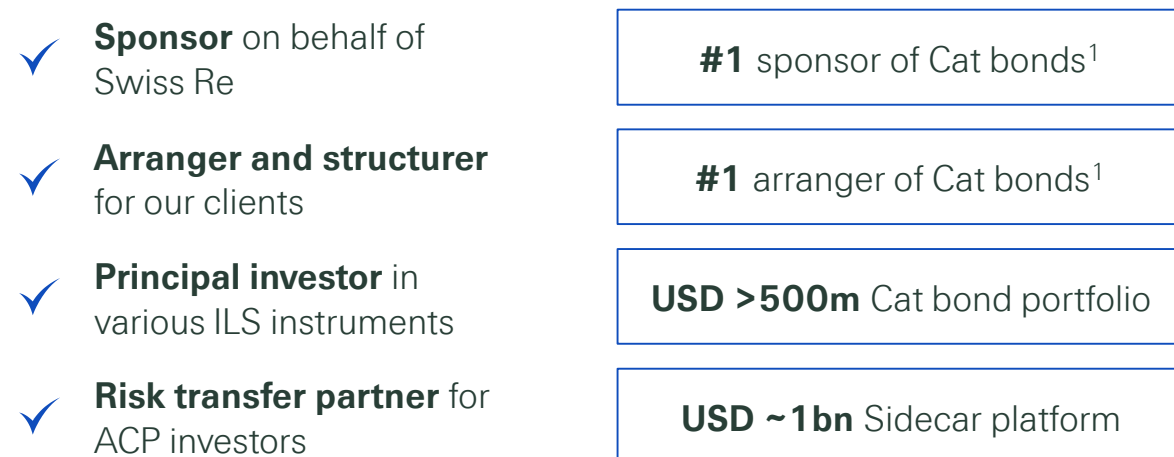
Focus on deconsolidation of ReAssure
Enable growth of Swiss Re's client franchise

More details on following slides

Focus on financial flexibility through (i) senior debt deleveraging, (ii) established pre-funded subordinated debt facilities and (iii) attracting third-party capital into selected risk profiles

# Establishing Alternative Capital Partners (ACP) enhances our capital structure to execute our Nat Cat strategy

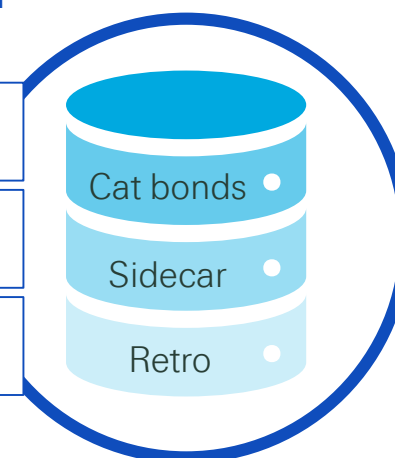
Swiss Re is the **natural home for Nat Cat** with a long track record in the alternative capital space



ACP established within **Group Finance** to consider **all sources of capital holistically**

## Unified centre of expertise

- Structuring for our clients
- Hedging on behalf of Swiss Re
- Enabling our own risk taking



ACP delivers attractive **sources of earnings**

Structuring and/or bookrunning **fees**

Sidecar platform **commissions**

**Spread** between risk taking and hedging

In 2019, Swiss Re sourced around USD 900m additional alternative capital in a challenging market environment





# ACP follows a differentiated partnership approach

## Vision

It is our ambition to be the **best integrated capital franchise**

- Being a relevant partner for our clients
- Offering a best-in-class AC platform to our ILS investors
- Introducing innovative features to the AC market
- Accessing new risk pools in the AC market

## Approach

We have a **differentiated approach**

- ACP is complementary to our Reinsurance franchise
- Synergies between risk selection, client access and capital franchise
- Attractive products for partners utilising the strength of our own balance sheet

## Objectives

### Enable growth of Swiss Re's client franchise



- Manage peak risk tolerance
- Grow share of wallet with clients
- Become the leading franchise for Nat Cat risk

### Become an integral part of Swiss Re's capital structure



- Holistically include all sources of capital
- Broaden investor base
- Improve diversification of retained risk

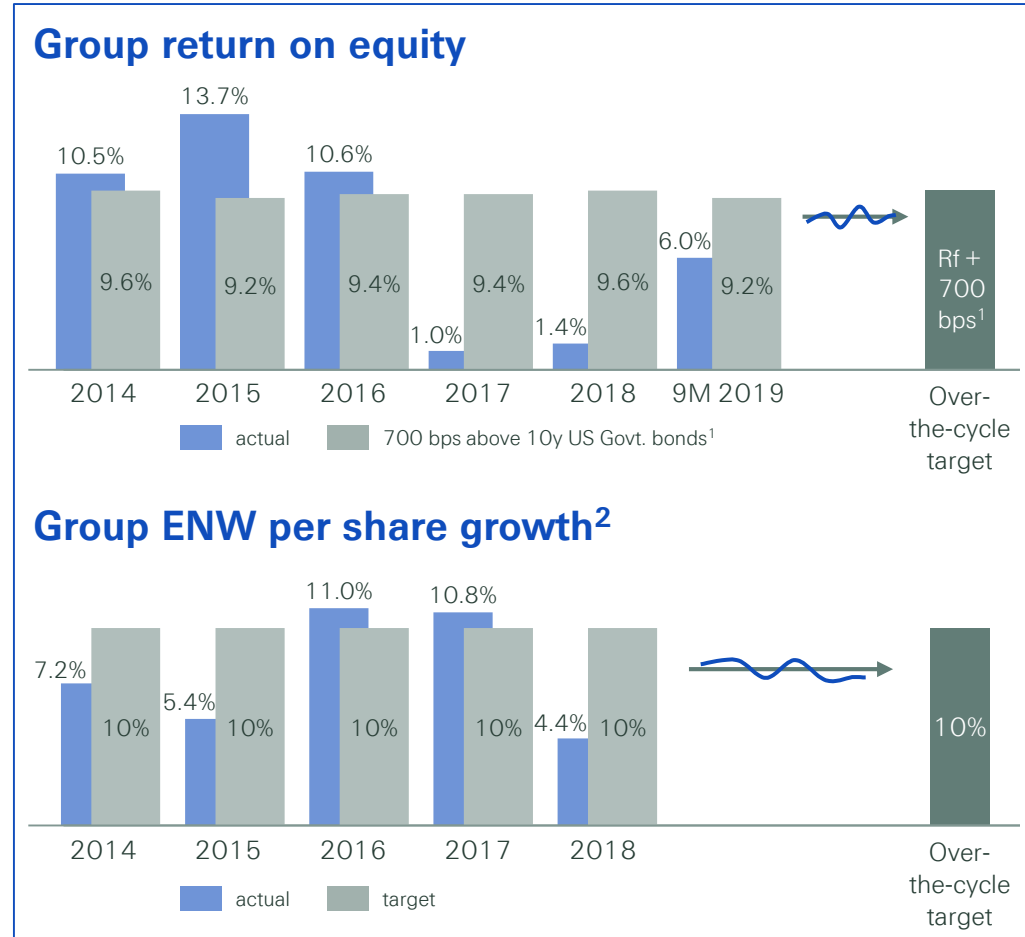
### Follow a partnership approach



- Strong alignment of interest
- Allow investors to participate in our success
- Utilise all tools to secure long-term partnerships

Our partnership approach ensures alignment between alternative capital (AC) investors and our underwriting decisions

# Our Group targets and capital management priorities remain unchanged



<sup>1</sup> 700bps above 10y US Govt. bonds. Management to monitor a basket of rates reflecting Swiss Re's business mix

<sup>2</sup> The 10% ENW per share growth is calculated as: (current-year closing ENW per share + current-year dividends per share) / (prior-year closing ENW per share + current-year opening balance sheet adjustments per share)

# Asset management

Guido Fürer, Group Chief Investment Officer

# Asset Management is a key contributor to the Group's value proposition

## Attractive returns

Long-term, sustainable returns

Average yearly pre-tax contribution of

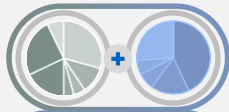
**USD 4.0bn**

to Swiss Re Group's US GAAP results from  
2014-2018

## Flexible investment platform

Leverage tech and advanced analytics

Target Liability  
Portfolio



Strategic Asset  
Allocation



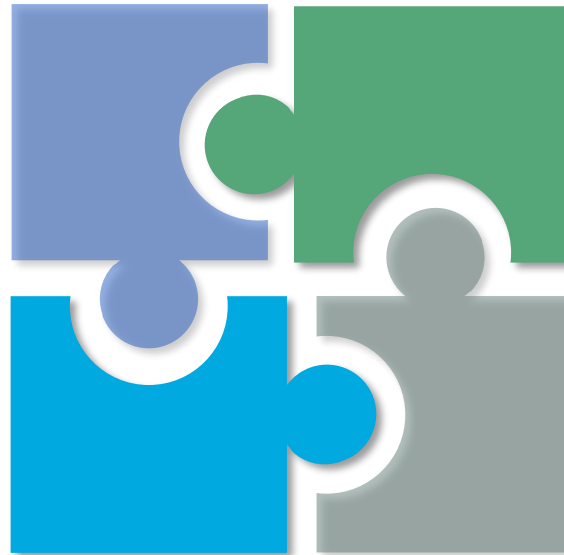
Risk  
analytics



Big  
data



Scenario  
modelling



## Industry-leading ESG approach

Systematic integration of ESG  
considerations

**~100%**

assets considering ESG criteria

## Financial markets expertise

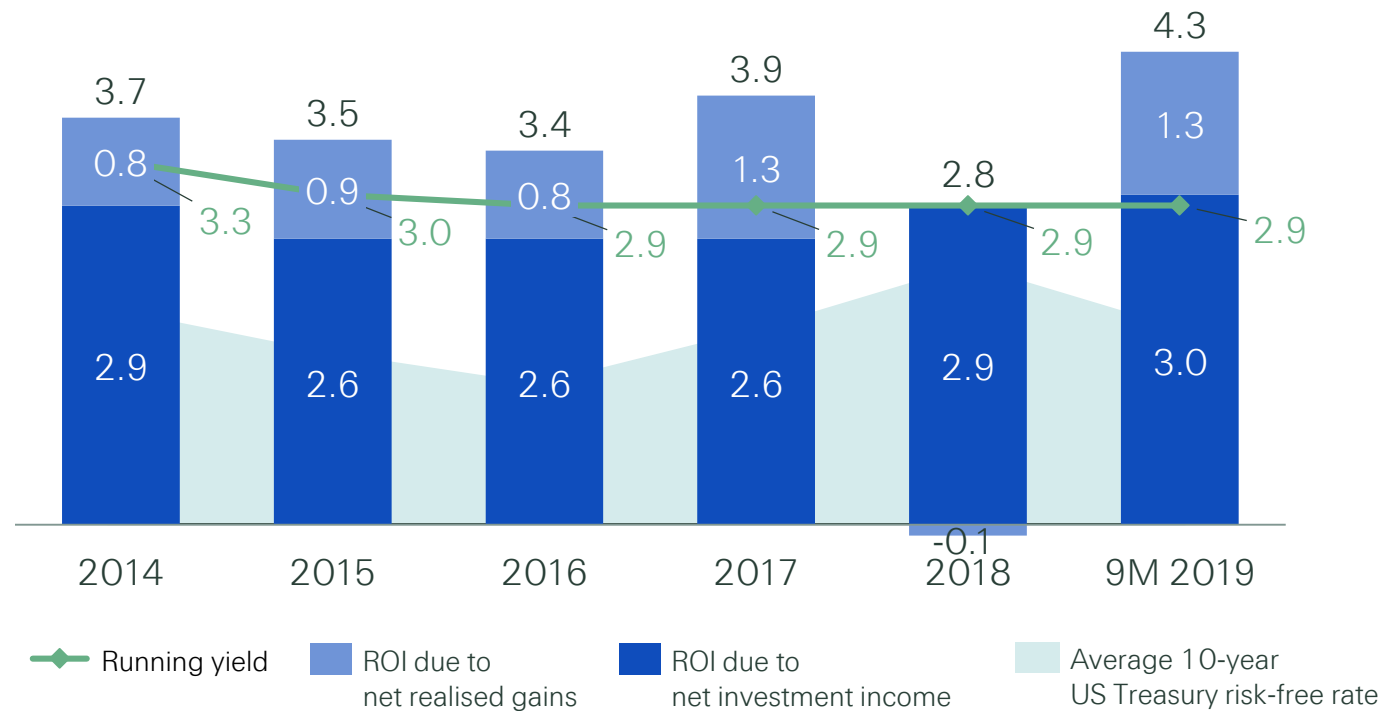
Centre of excellence for the Group



# Stable current income and performance above peer average

## Investment performance

In %

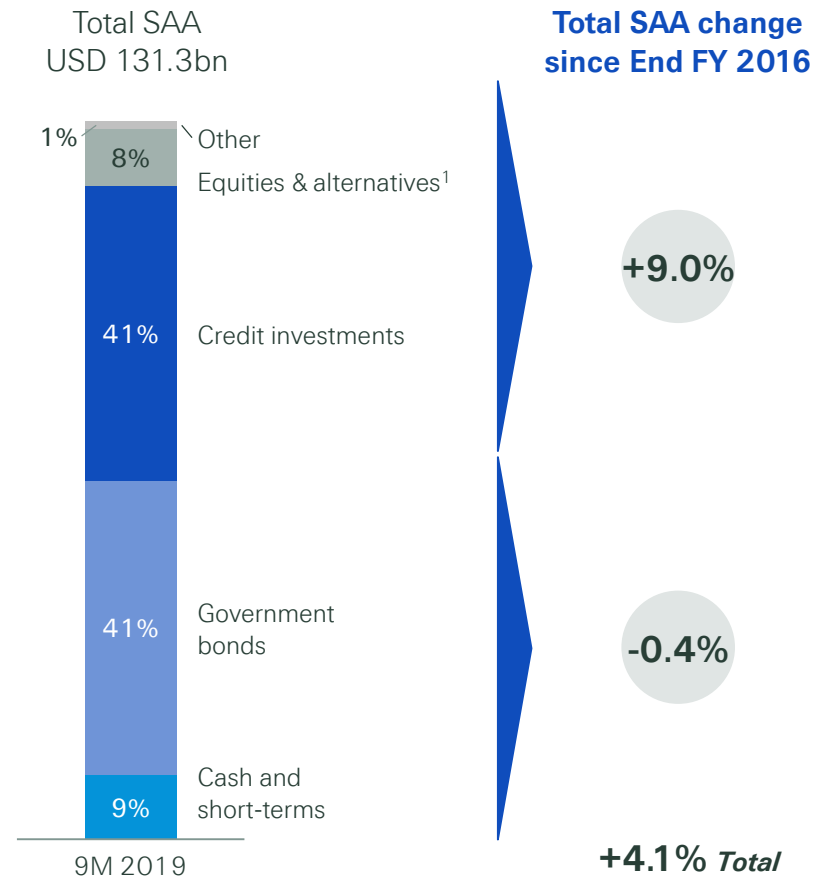


- Well-balanced investment portfolio
- 3.6% average ROI since 2014 vs. peer median at 3.3%<sup>1</sup>
- Stable running yield due to concentration in higher income, longer maturity securities
- 66% of fixed income unrealised gains are on securities with >10 years in maturity
- Lower interest rates expected to have moderately negative impact on 2020 running yield



# Investment portfolio shifts support longer term stability of results

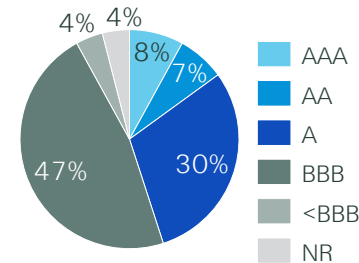
## Shift to higher return generating strategies



## Defensive credit positioning with focus on quality, yield and diversification

### Credit bonds

USD 48.1bn



**A-**

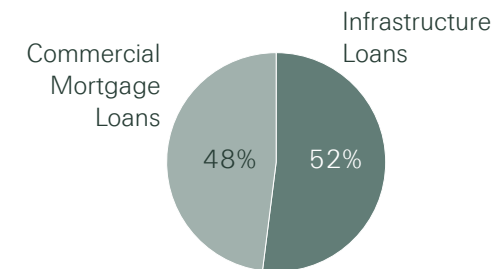
Average rating of credit bond portfolio

**AA- vs. A+**

Average rating of total fixed income portfolio relative to peers²

### Private Debt

USD 3.3bn



**+65%**

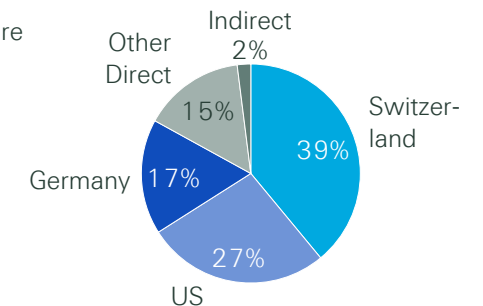
Portfolio growth since 2016

**75 bps**

Gross private debt premium vs. peer average of 20-35bps³

### Real Estate

USD 4.6bn



**+24%**

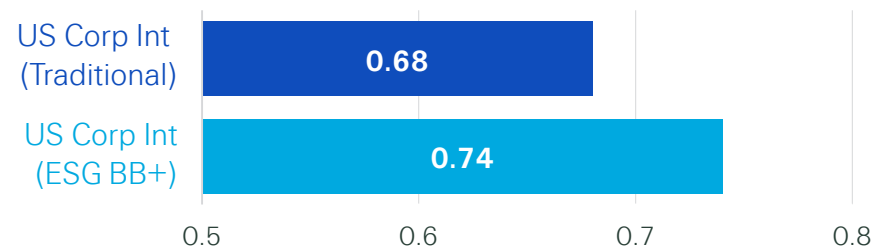
Portfolio growth since 2016

**7.7%**

Average net yield on portfolio over last 3 years

# Better risk-adjusted returns supported by industry-leading ESG investment approach

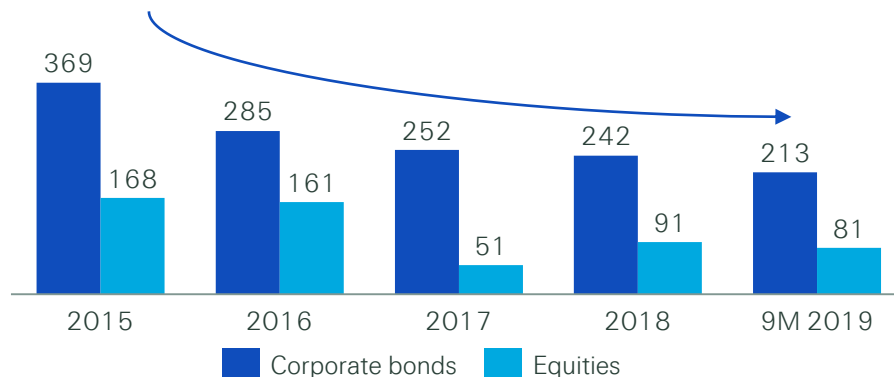
## Risk-adjusted return of credit ESG benchmarks exceeds traditional returns<sup>1</sup>



Sources: Barclays, Swiss Re

## Weighted average carbon intensity development of Swiss Re's portfolio

CO<sub>2</sub> tn / USD m revenue



## Our continued Responsible Investing leadership contributes to our vision of making the world more resilient



# Reinsurance

Moses Ojeisekhoba, Chief Executive Officer Reinsurance



# Differentiation is at the heart of Swiss Re's Reinsurance franchise

Our client relationships have been built over time, with strong C-suite access

We dedicate resources to generating actionable insights which we use and share with clients

Capacity is important to our clients and helps us gain access to exclusive deals

**We leverage our key assets**



**Client  
Access**

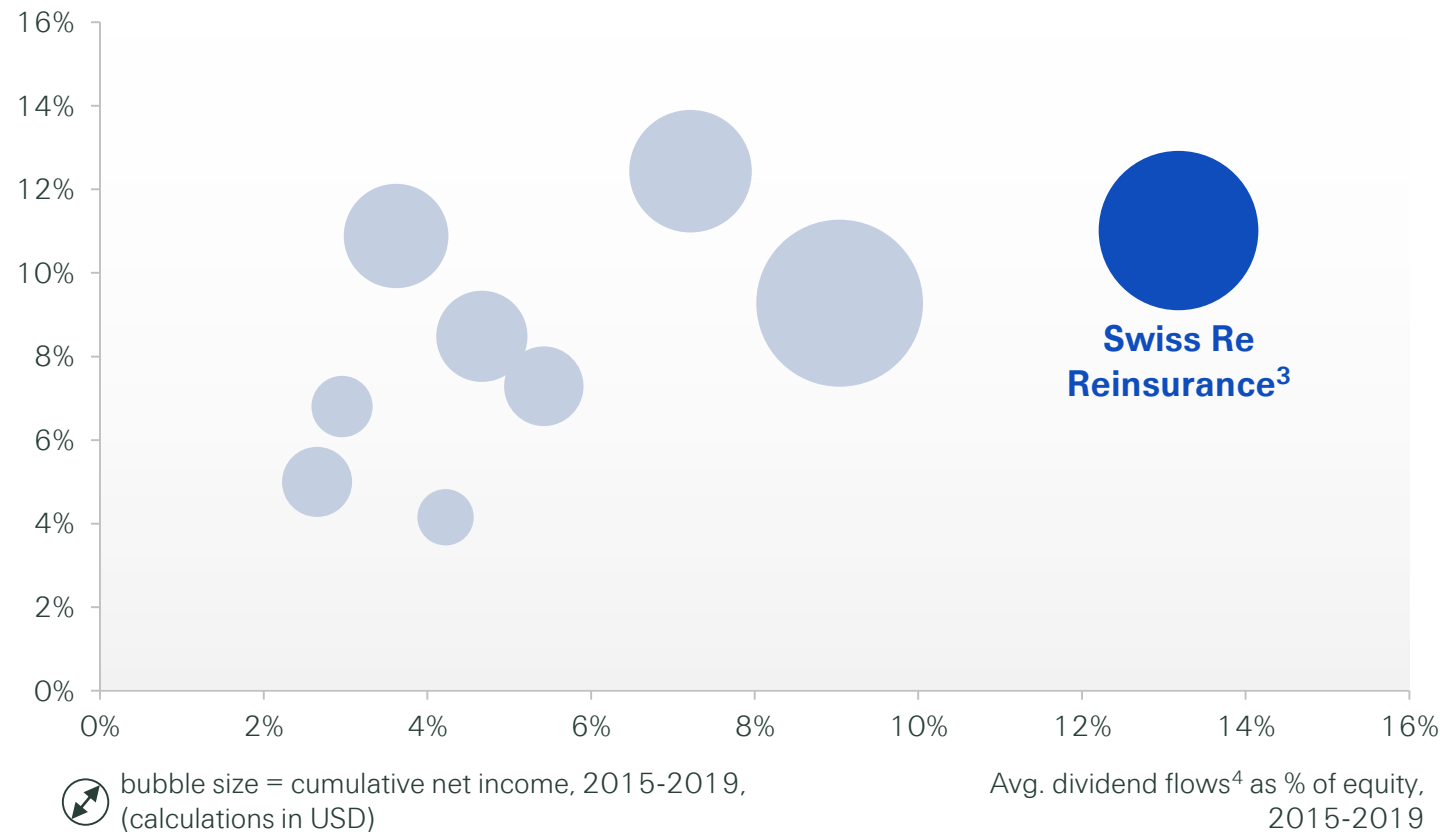
**Risk  
Knowledge**

**Capital  
Strength**

# Our financial performance reflects our market-leading capabilities

## Reinsurance delivers a market-leading<sup>1</sup> combination of shareholder returns and capital repatriation

Avg. ROE, 2015-2019<sup>2</sup>



In recent years, both Reinsurance segments have performed in line with their ROE targets

- **P&C Re's average performance remains strong** despite significant recent Nat Cat activity
- **L&H Re** delivers peer-leading ROEs underpinned by **underwriting rather than investment returns**



Swiss Re

<sup>1</sup> Peer group includes Alleghany, Everest Re, Hannover Re, Munich Re Reinsurance, Partner Re, Renaissance Re, RGA, SCOR

<sup>2</sup> Annualised 9M 2019 YTD actuals

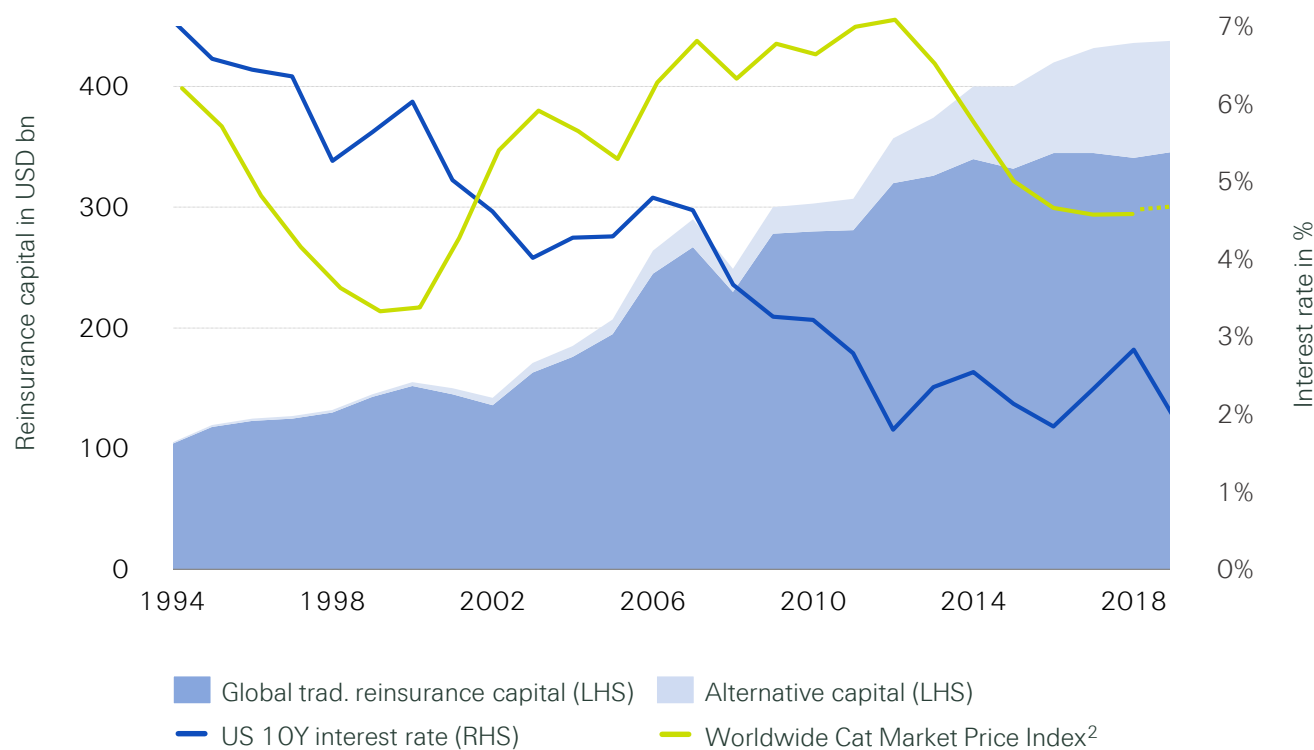
<sup>3</sup> Dividend flow for Swiss Re Reinsurance reflects dividends paid by the Reinsurance Business Unit to Swiss Re Group

<sup>4</sup> Dividend flows include ordinary dividends paid to shareholders as well as special dividends and share buy-backs



# However, the market is changing and we are taking action

## Reinsurance industry development<sup>1</sup> and interest rate evolution



### Historical outperformance was driven by

- Active cycle management and capital deployment

### Industry change due to

- Low interest rates and increased capital
- Growing protection gap
- More cost-conscious buyers
- Technology advancement and digitisation

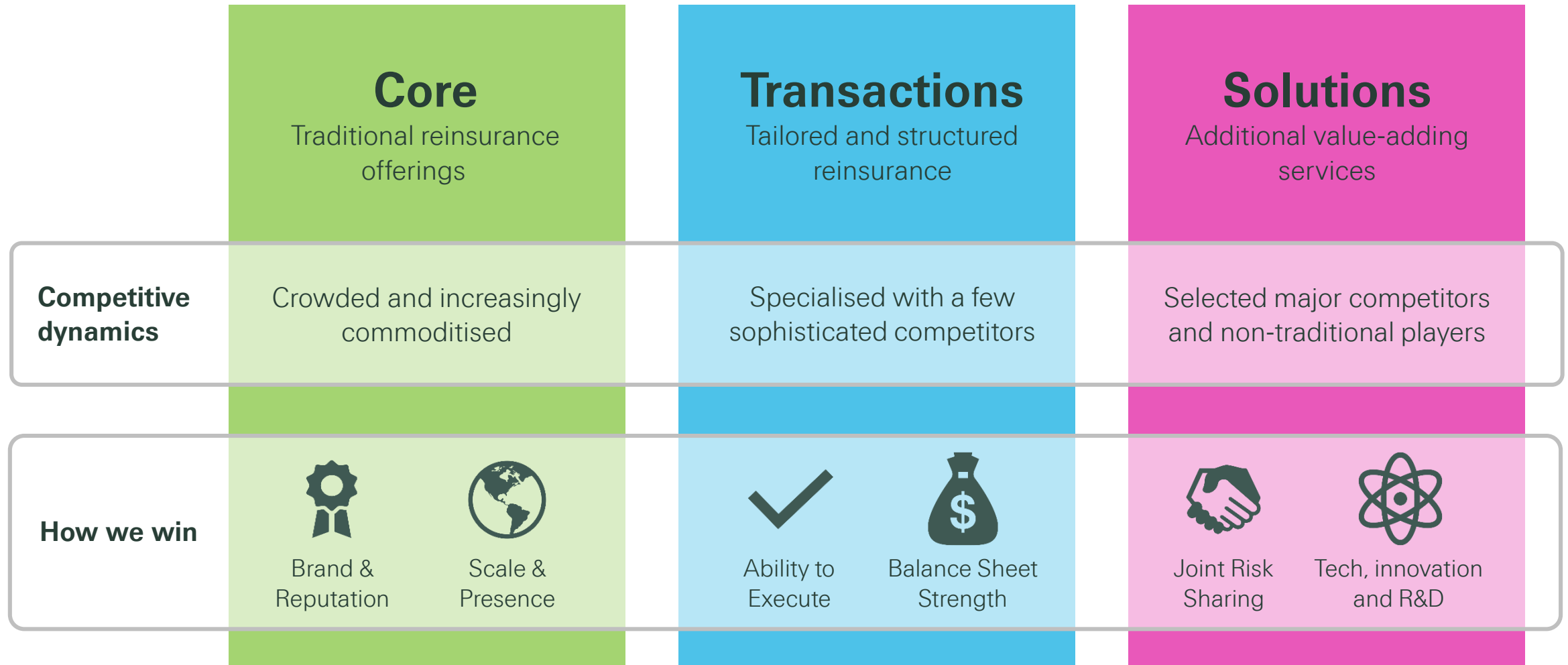
### Future outperformance requires

- Increasing scale and efficiency
- Leveraging technology
- Pushing the edge with innovation

We seek to grow and maintain our market-leading position in the face of evolving industry conditions



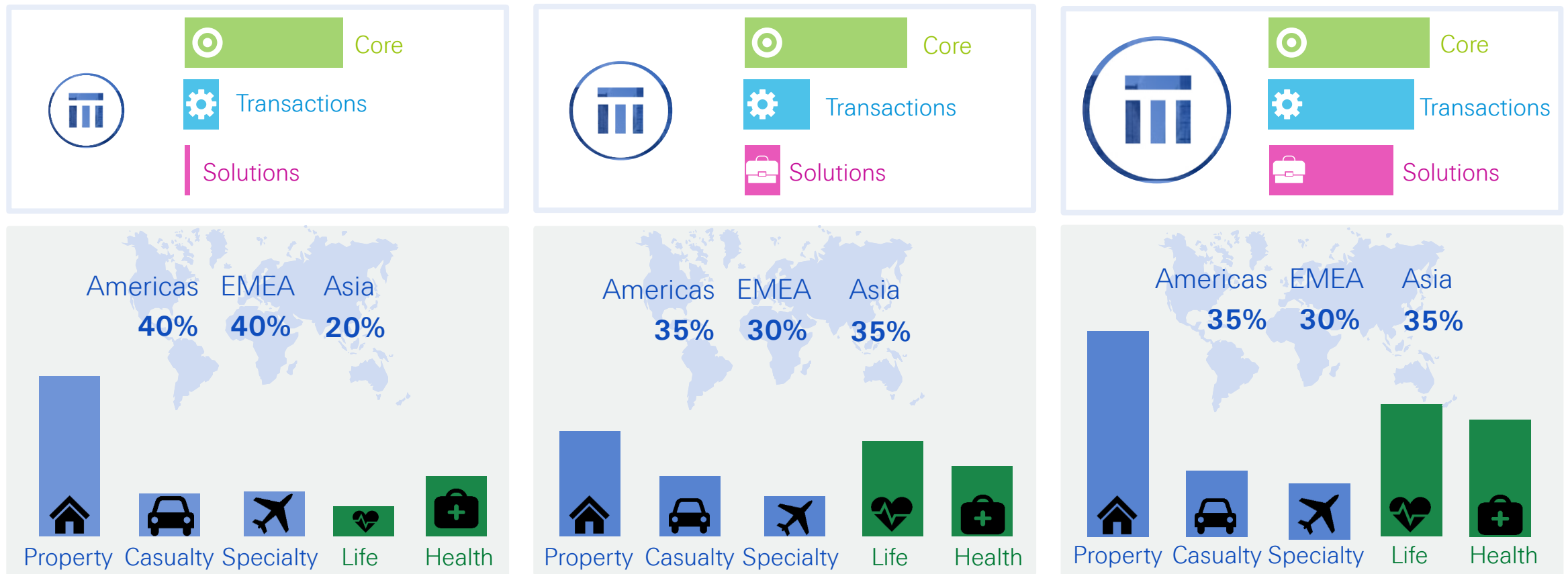
# We have developed a clear strategy to succeed in this environment

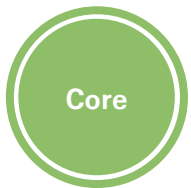


# We aim to grow and balance our portfolios on multiple dimensions

— 2014 ————— 2018 ————— mid-term —————→

*Illustrative*

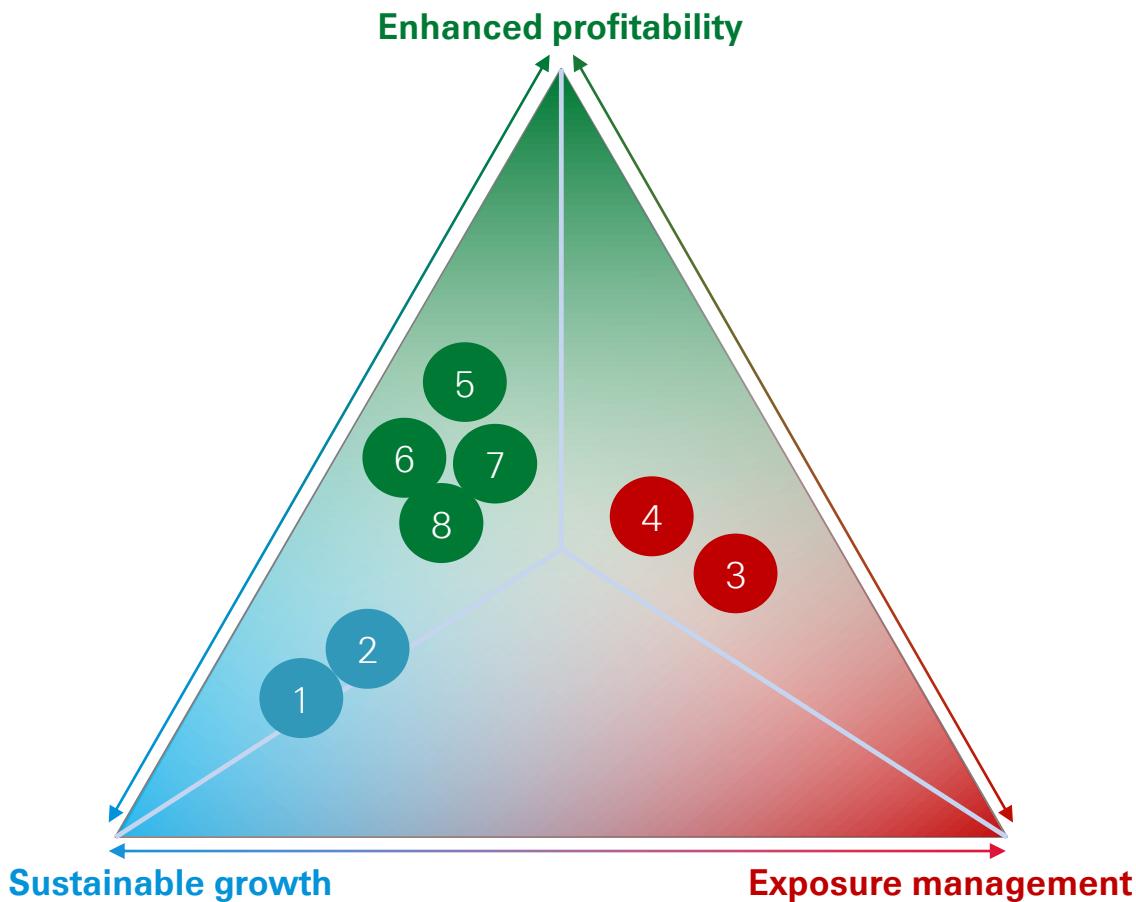




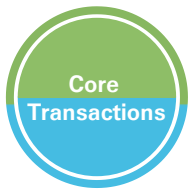
# Robust portfolio steering guides our growth strategy

Portfolios are actively steered to ensure disciplined growth...

...based on pricing outlook and market trends

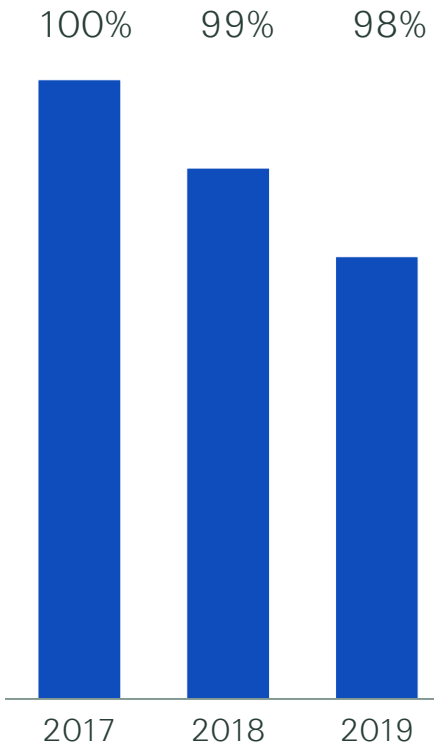


	Pricing	x	Exposure	=	Premium
1 Property Cat	➡		➡		➡
2 Property Non-Cat	➡		➡		➡
3 Liability	➡		➡		➡
4 Motor	➡		➡		➡
5 Specialty	➡		➡		➡
6 Mortality	➡		➡		➡
7 Health	➡		➡		➡
8 Longevity	➡		➡		➡



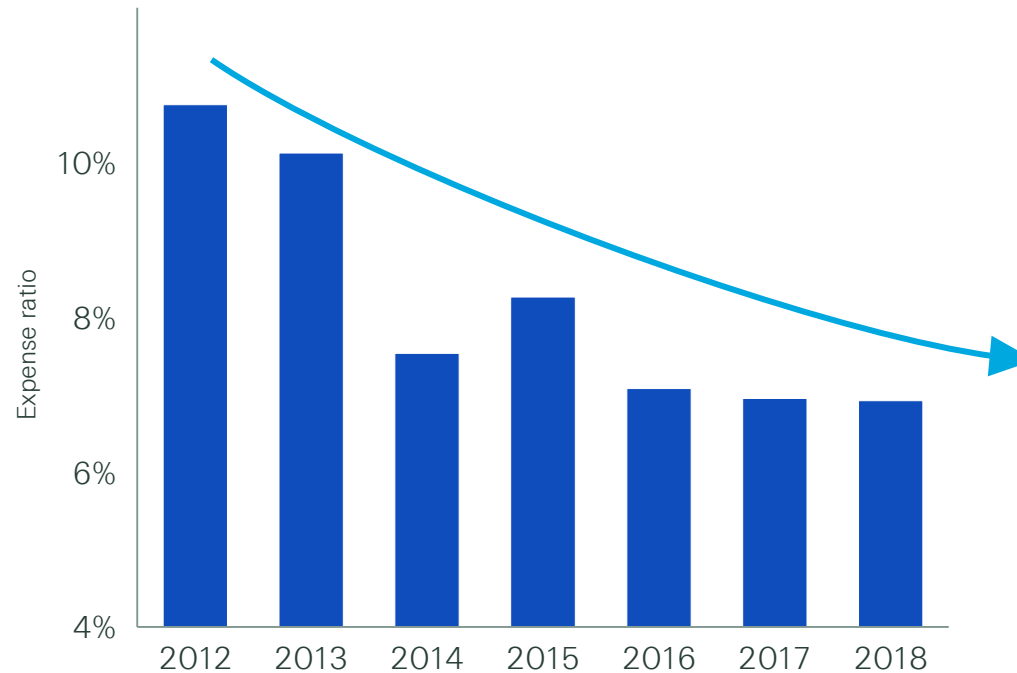
# Scaling our P&C Re franchise improves the combined ratio

## Improved combined ratio<sup>1</sup>



## Further improvements expected from selective growth and resulting scale benefits

Focus on reducing operating expenses



**0.3%pt**

improvement  
from 10% Nat Cat  
premium growth<sup>2</sup>

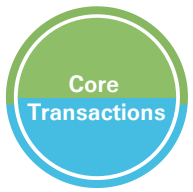
**0.5%pt**

improvement  
from 10% overall  
premium growth<sup>2</sup>

We seek to improve our underwriting margins through multiple levers including scale and increased efficiency



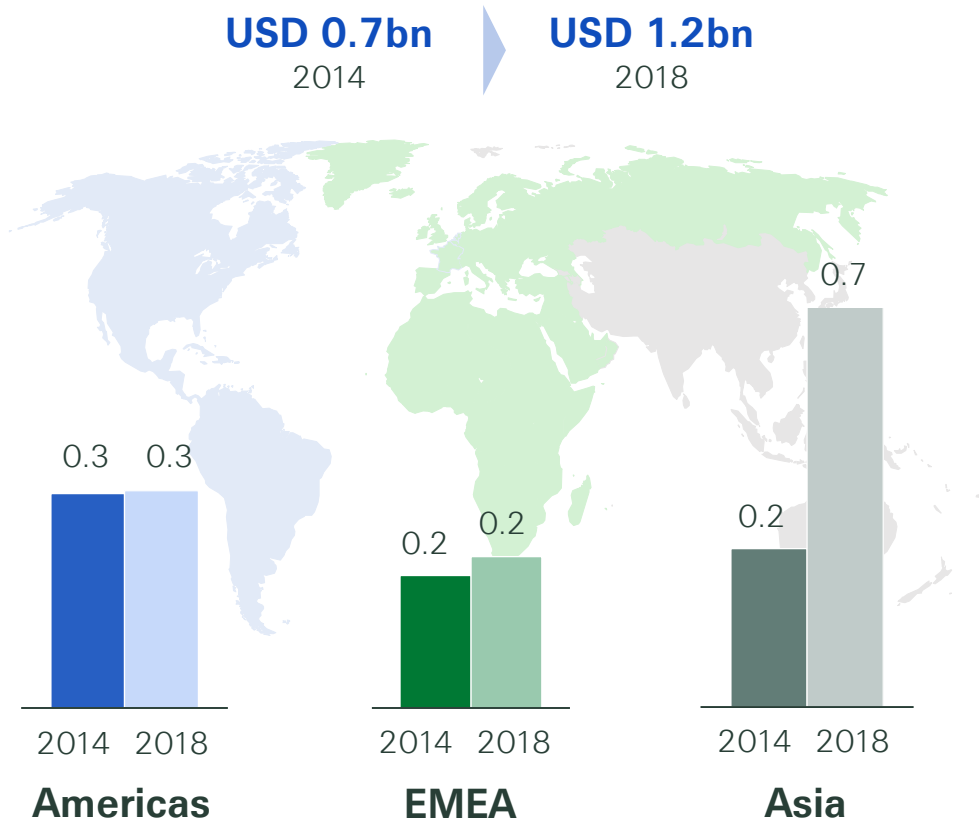




# L&H Re continues to gain scale and is now a globally diversified business

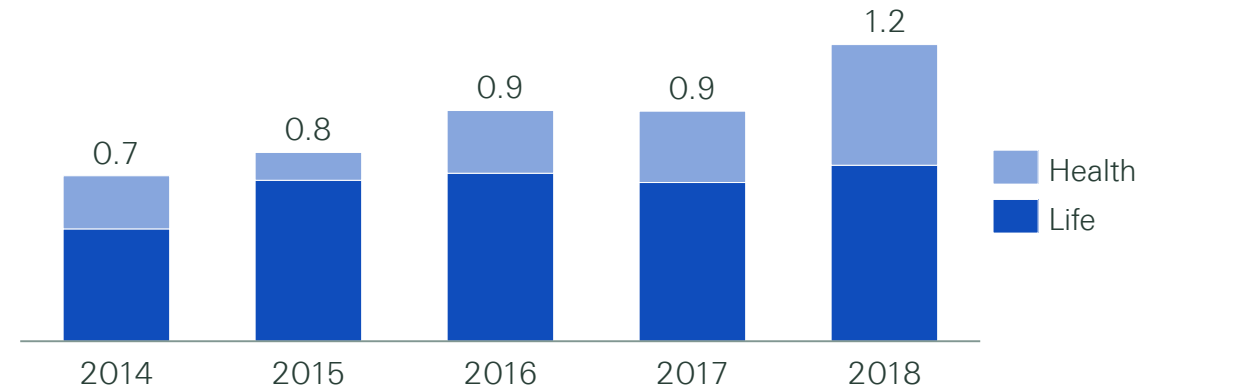
## Asia as the key driver of new business growth

EVM profit<sup>1</sup> – Costed new business, USD bn

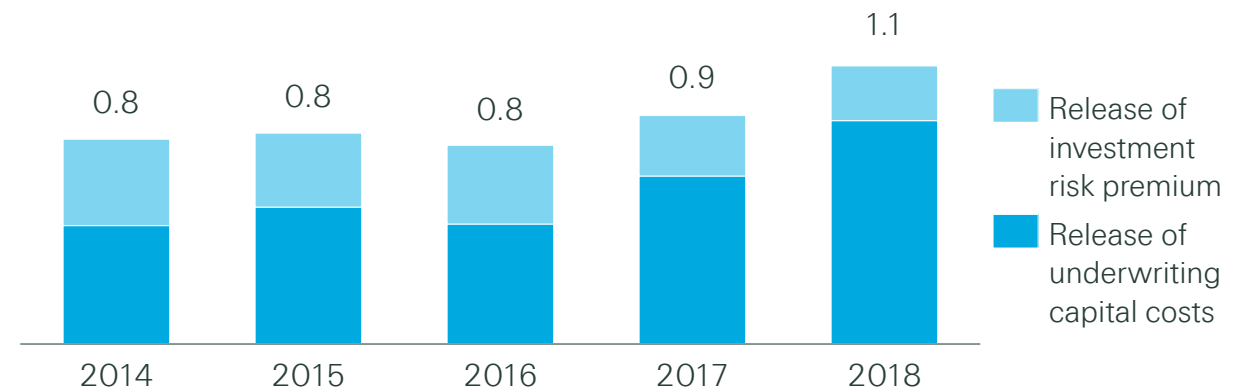


## L&H Re has nearly doubled its annual economic earnings

EVM profit<sup>1</sup> – Costed new business, USD bn



Release of current year capital costs<sup>2</sup>, USD bn





# Transactions are an important contributor to Swiss Re's offering

## The market has grown, driven by a range of needs

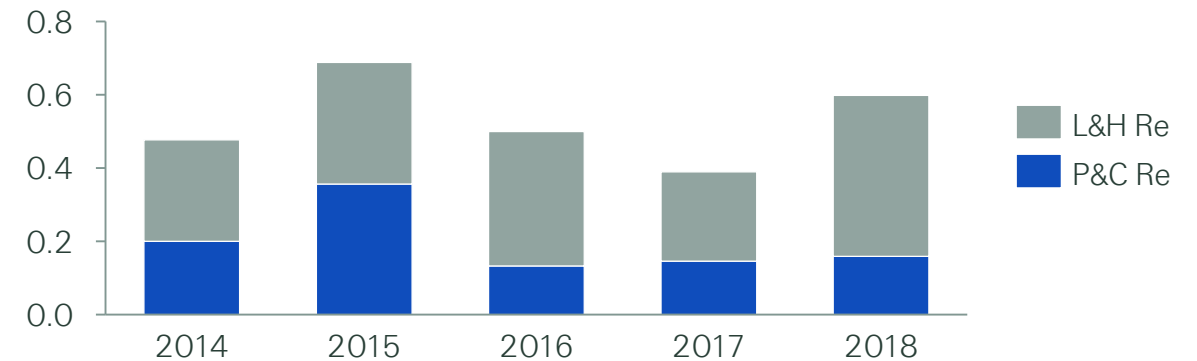
- Changing regulatory and accounting requirements
- Stakeholders demanding greater capital efficiency
- Stakeholders demanding reduced earnings volatility
- Insurers seeking more reliance on underwriting results

## Swiss Re has a strong market position

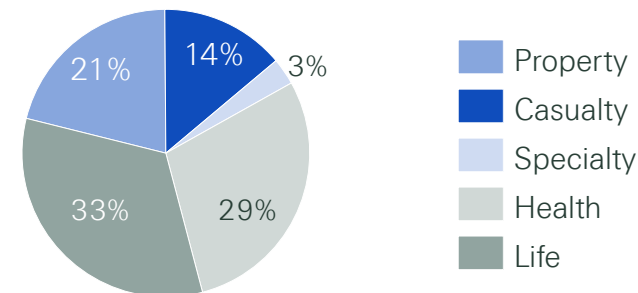
- Customised structures for legacy portfolios
- Longevity with focus on trend risk
- Capital management supporting transactions
- Support for clients' ambitious expansion plans

## Transactions have contributed to diversification of earnings

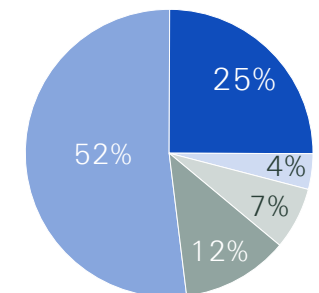
EVM profit<sup>1</sup> – Costed new business, USD bn



Breakdown of EVM profit, 2018  
(~30% of total Reinsurance EVM profit)



Breakdown of # Transactions, 2018  
(Total = ~200)





# Solutions continue to grow and are embedded in our clients' business

## We help clients to improve their original business



### Profitability

Analyse portfolio mix, risk drivers and price adequacy

- **Data Analytics, L&H in-force**



### Growth

Support new products, innovative technologies and diverse distribution channels

- **Parametric, Cyber, Telematics, iptiQ**



### Efficiency

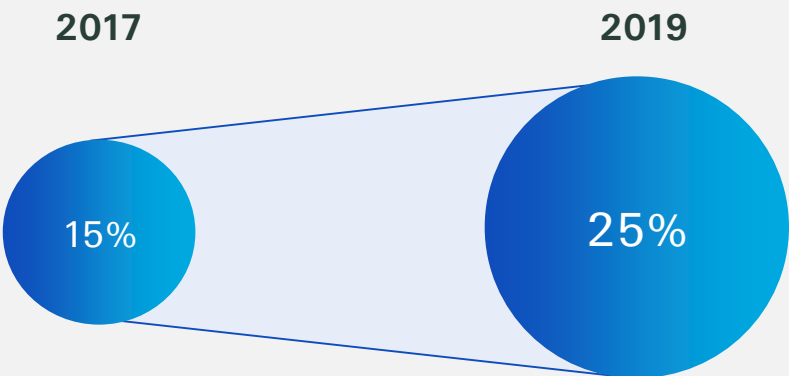
Automate underwriting and claims processes and simplify customer interaction

- **Magnum, Swift Re®, Behavioural Economics**

## A powerful partnership

- ✓ Powerful alignment of interests
- ✓ Creating long-term strategic partnerships and loyalty
- ✓ Compensation mostly via reinsurance

### % of existing clients with whom we partner on Solutions

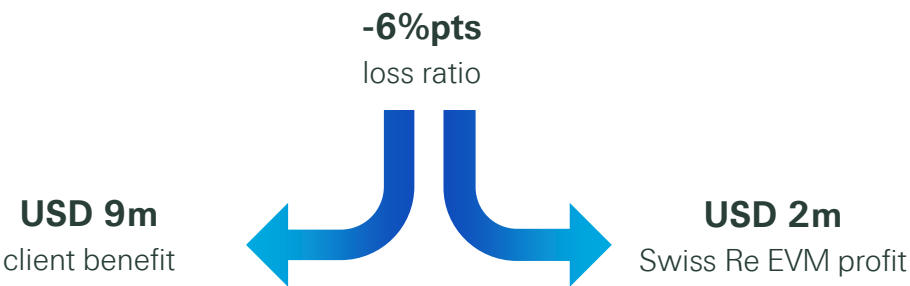







# Solutions examples: We deliver tangible benefits both for our clients and for Swiss Re

## P&C Data Analytics

Client case study – **Loss driver analysis**

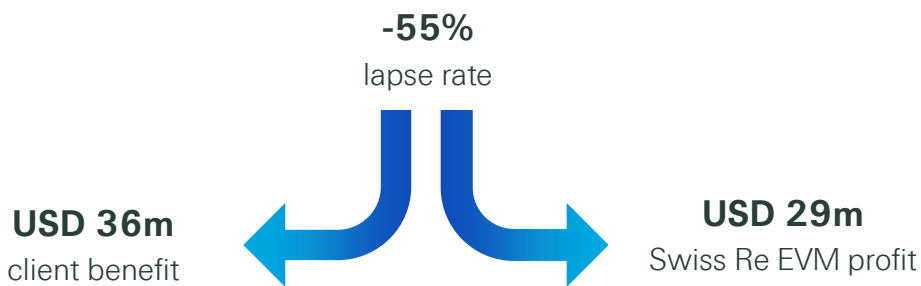


### Deliver tailored business insights to our clients




-  Proprietary data and loss models to improve pricing adequacy
-  Smart analytics to identify growth opportunities
-  Risk sharing of new business to align interests

## L&H Customer Retention Management

Client case study – **Improving customer satisfaction**



### Improve engagement with customers

-  Behavioural economics insights to improve customer experience
-  Identify cross- and up-sell opportunities
-  Focus on reducing lapse and increasing persistency

# Swiss Re's successful Reinsurance strategy is built on differentiation

## Our financial targets remain unchanged

- ✓ Our Reinsurance franchise has a strong track record of delivering results
- ✓ We are adapting to a changing marketplace – we maintain our edge through Core, Transactions and Solutions
- ✓ Controlled growth in P&C Re will benefit our combined ratio through scaling
- ✓ L&H Re is already a significant contributor to earnings, with ongoing growth

**10-15%**

ROE over-the-cycle  
P&C Re

**10-12%**

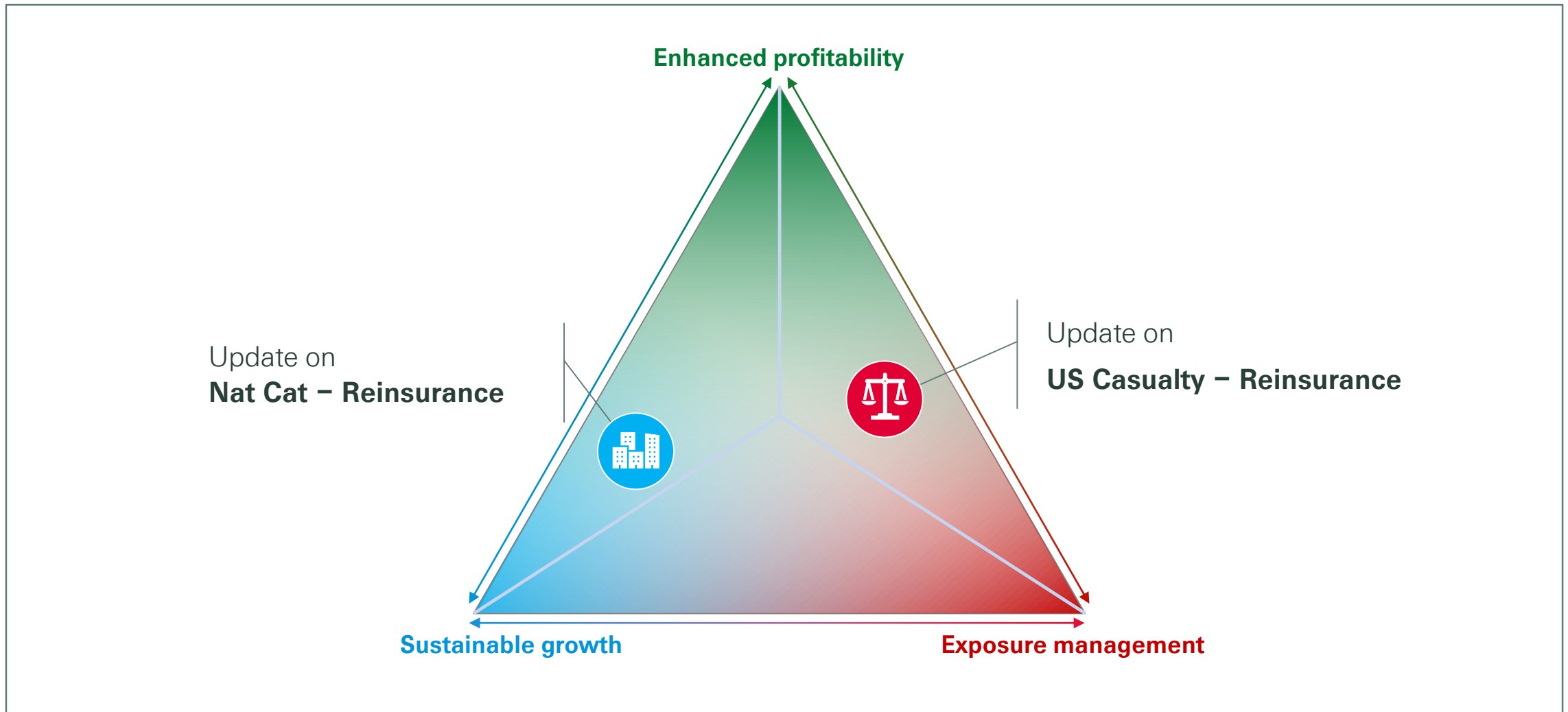
ROE over-the-cycle  
L&H Re

# Reinsurance portfolio steering

Edi Schmid, Chairman Swiss Re Institute & Group Chief Underwriting Officer



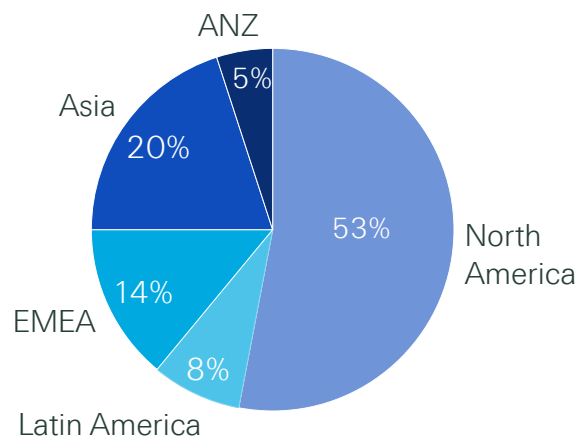
# We steer our portfolio by managing growth, profitability and risk exposure





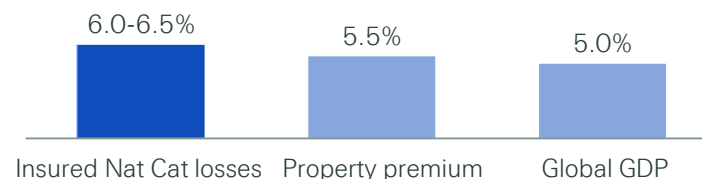
# Nat Cat is a large and growing risk pool, with additional opportunities linked to the protection gap

## Nat Cat is a USD 30bn reinsurance market...

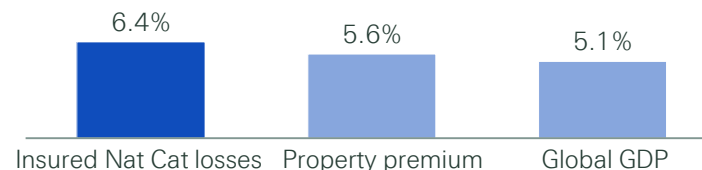


## ...growing faster than GDP to an expected USD 40bn by 2023

### Nominal growth rates (2000-2018)



### Nominal growth projections (2019-2023)



## Additionally, there is a USD 222bn protection gap

In 2018, **76%** of Nat Cat exposure was uninsured...

...leaving a Nat Cat protection gap opportunity of **USD 222bn**

## Long-term growth is supported by various fundamental drivers



Human-induced factors of climate change, higher population density and overbuilt flood zones



Global migration to Nat Cat exposed regions such as coastlines



Increasing prosperity in HGMs in Nat Cat exposed markets

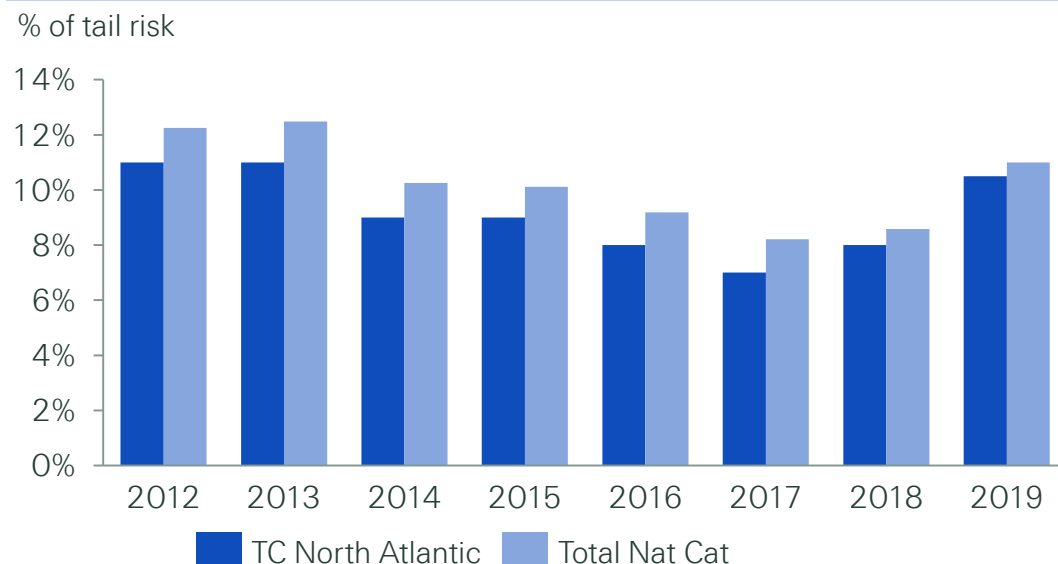


Public entities increasingly adopting re/insurance as a risk management tool



# Swiss Re is a key player in Nat Cat, reflecting our vision to make the world more resilient

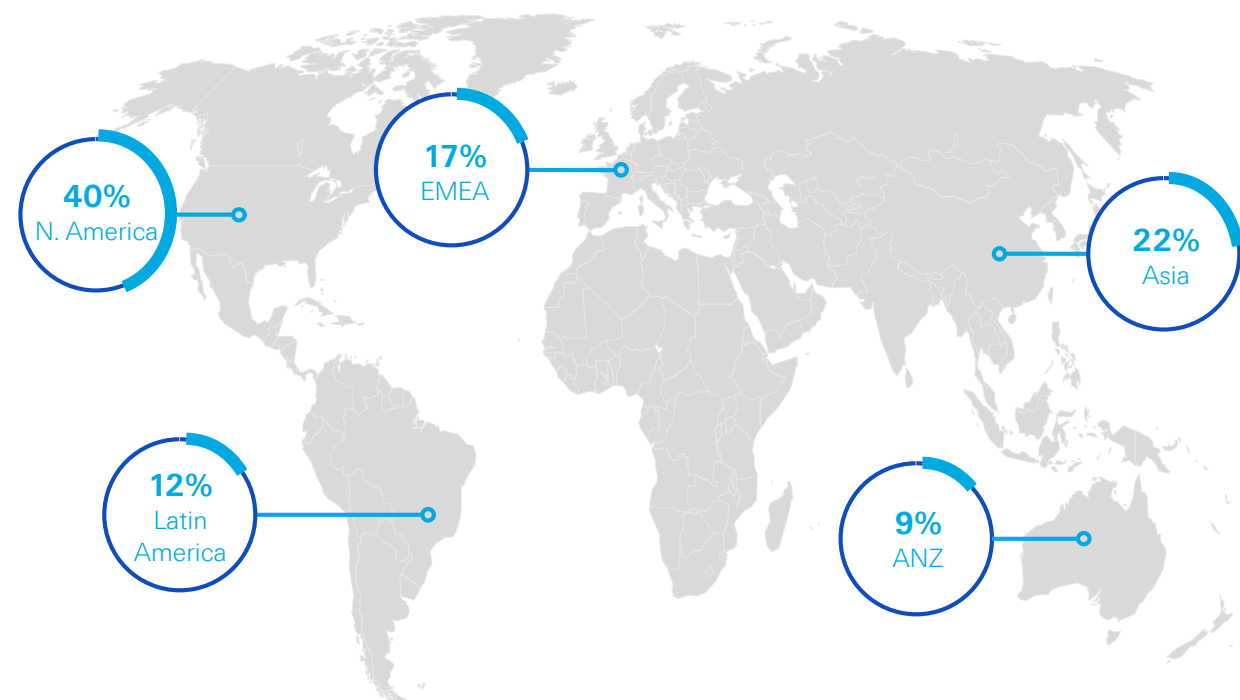
## Our Nat Cat reinsurance market share



- Swiss Re's market share reduced after 2012 but has been growing again since 2017 – in line with the pricing cycle
- Swiss Re is now the #1 player globally
- Swiss Re has leading shares in Japan and Australia

Swiss Re is a market leader in Nat Cat

## Our annual expected loss by geographic region



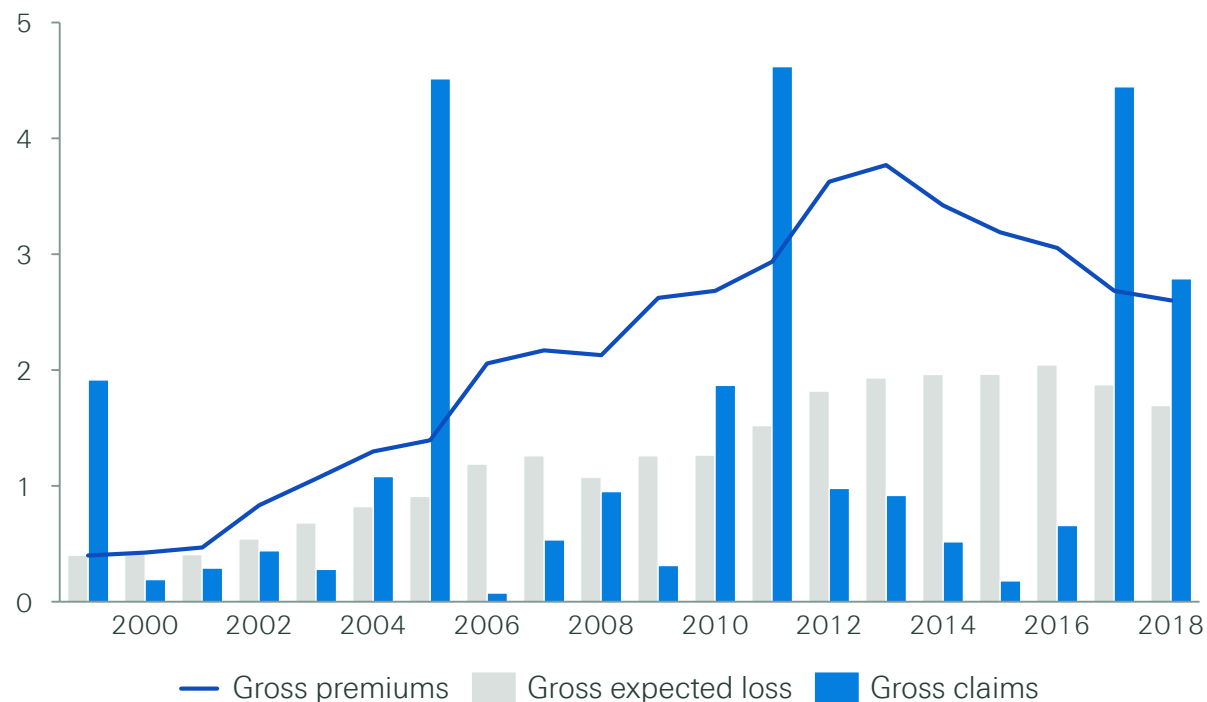
Broad global diversification of Nat Cat exposure



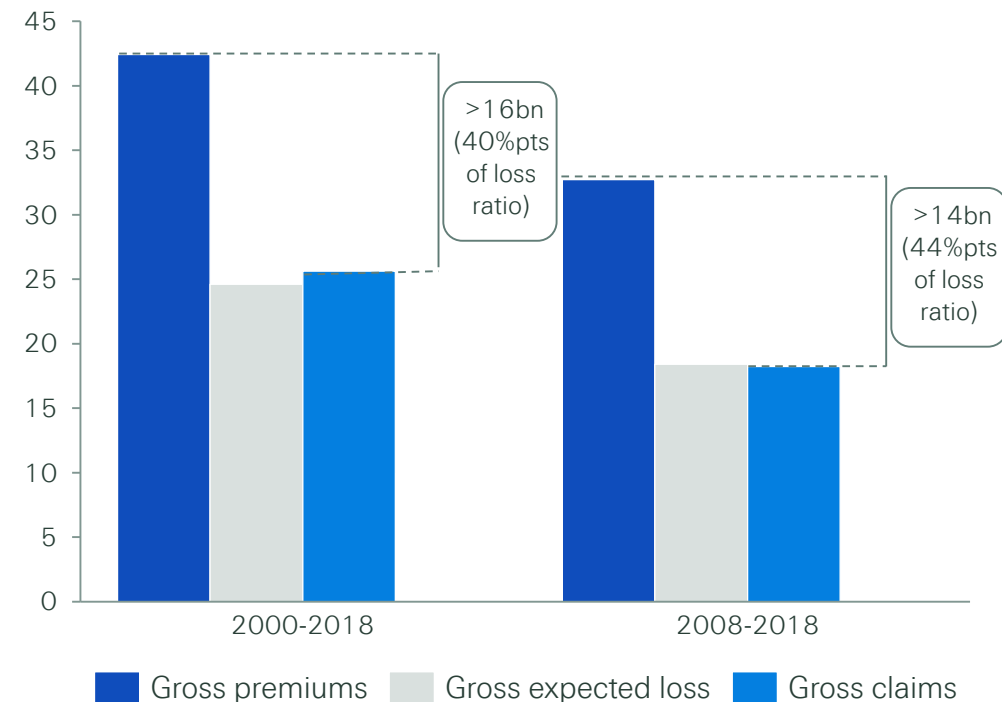
# We have a track record of solid costing accuracy...

## Over the cycle, our Nat Cat costing is accurate: Actual losses are closely in line with our expectations

Annual Nat Cat claims and expected losses vs. premiums, USD bn



Cumulative Nat Cat claims and expected losses vs. premiums, USD bn



Robust alignment of expected claims versus loss experience across various time periods



# ...supported by substantial proprietary R&D

## Impactful and evolving R&D efforts...

### Learning from risk taking experience

Close connection to underwriting and claims  
Long history of claims insights

### Superior proprietary research

R&D targeted to where it is most impactful  
Current focus: TCNA and climate change

### Rapid feedback loops

Vulnerability updates post 2017 hurricanes  
Model updates post 2017/18 typhoon losses

## ...leveraging consistent global infrastructure

### Swiss Re's global multi-peril risk model



- 190+ perils models, unparalleled coverage (e.g. Flood Australia, China, India, US, Canada)
- Advanced by team of 40+ scientists

## ...for differentiating outcomes

Underwriting decisions leverage our R&D

Steering based on integrated risk view across entire value chain

Expanding access to risk pools in partnership with our clients (e.g. US flood offering with 10+ clients)

Differentiated underwriting decisions and client access thanks to fully embedded in-house R&D

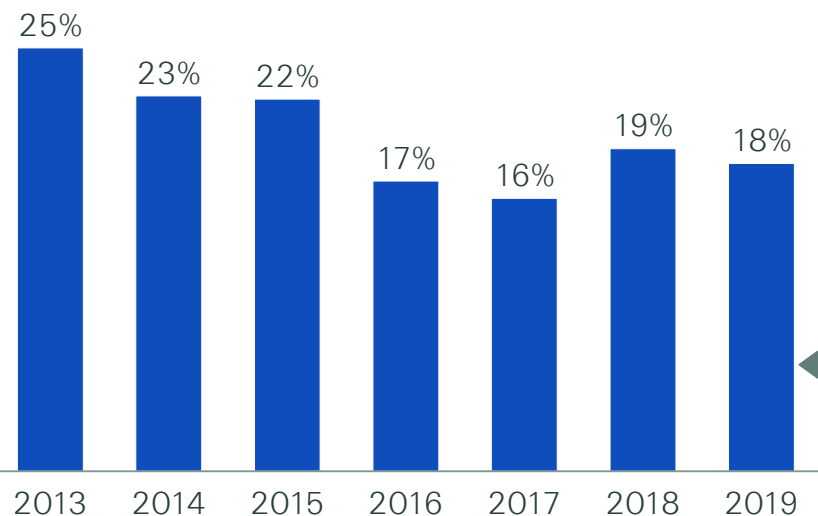




# Swiss Re's Nat Cat portfolio delivers attractive returns, benefitting from substantial diversification

## Profitability of Nat Cat book is well above our hurdle rate...

Nat Cat return on economic capital, % (new business, as costed)<sup>1</sup>



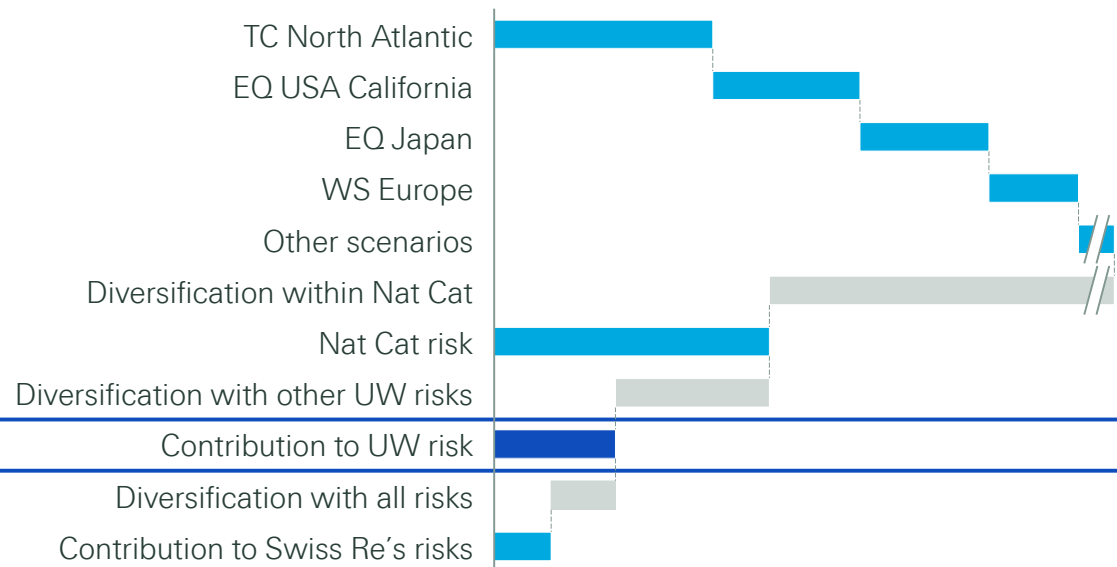
Undiversified return  
(e.g. collateralised reinsurers)

- Even at the low point of the Nat Cat pricing cycle, Swiss Re's profitability remained well in excess of our hurdle rate
- Substantial growth in 2019 was achieved at relatively stable rates

## ...supported by our global and diversified business model

Contribution to tail risk

Illustrative

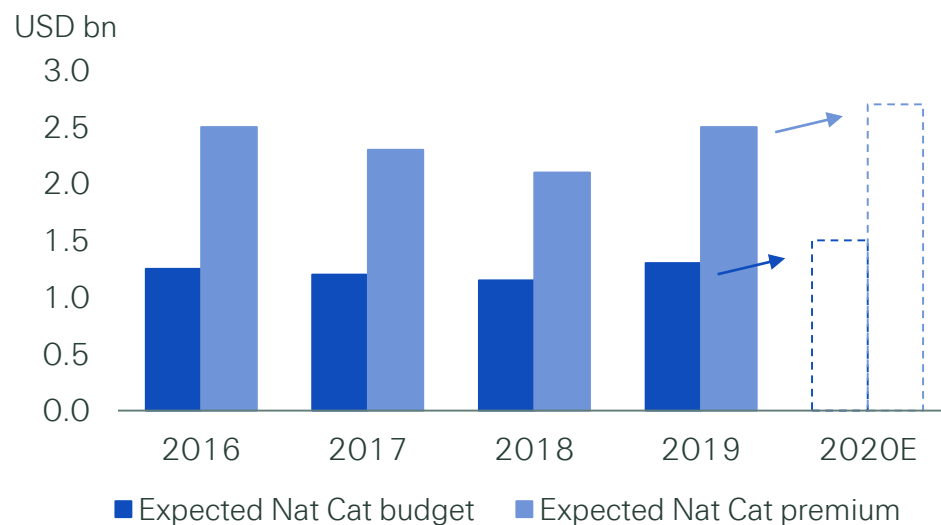


- Benefit of broadly diversified Nat Cat book, and diversification with other underwriting and financial risks
- TC North Atlantic contribution post-diversification is only approximately 10% of its original standalone risk



# We expect an uplift in earnings generated by profitable growth of our Nat Cat portfolio

## Nat Cat budget expected to increase for 2020



Note: Takes into account profit sharing agreements, reinstatement premiums and impact of late cedent reporting. Budget is net of retro.

### Budget expected to increase less than change in capital deployed

- Year-on-year increase in Nat Cat capital deployed was 36% at July renewals
- Our growth is more focused on peak scenarios – the increase in shortfall and capital deployed is therefore greater than the increase in expected premiums/losses

### US GAAP earnings expected to rise in spite of higher budget

- ...even assuming flat pricing, given volume growth and commission income
- Volume of Nat Cat business written in 2019 YTD is expected to increase pre-tax earnings by ~USD 150m

### Earnings volatility not expected to increase notably

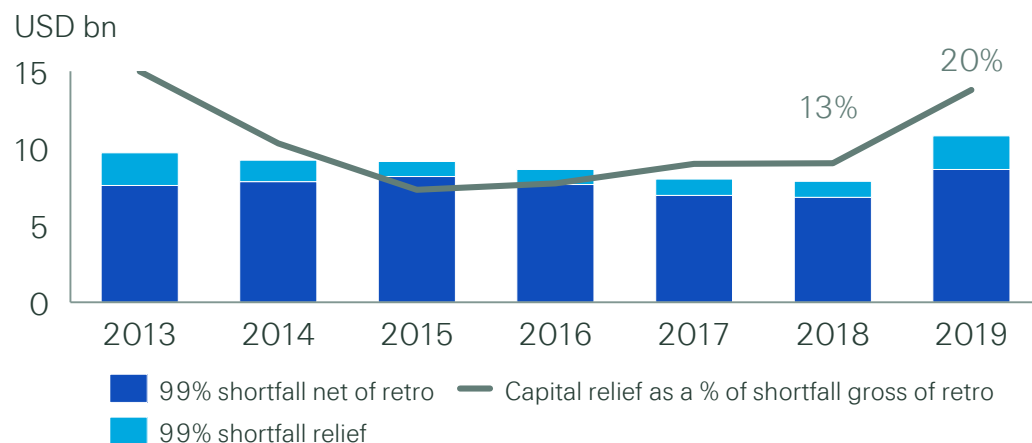
- Growth mainly in peak scenarios rather than Nat Cat working layers
- Net growth expected to enable more diversified Nat Cat portfolio

Nat Cat growth expected to lead to clear bottom line benefits in the coming years



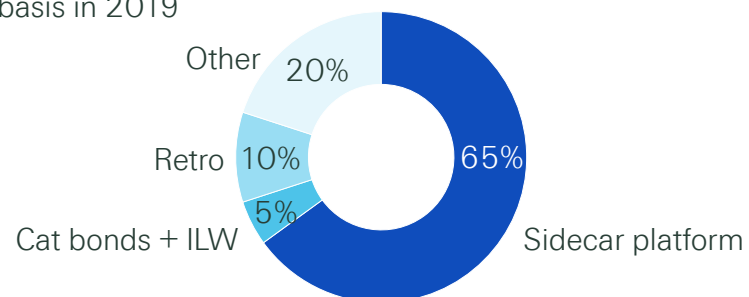
# Alternative Capital Partners (ACP) allows Swiss Re to grow our Nat Cat portfolio in a risk-controlled manner

## Increased Nat Cat risk exposure supported by more active use of hedging tools<sup>1</sup>



## Breakdown of capital relief from various hedging tools

99% shortfall basis in 2019



## We manage our net risk exposure by ceding excess risks to third-party capital investors

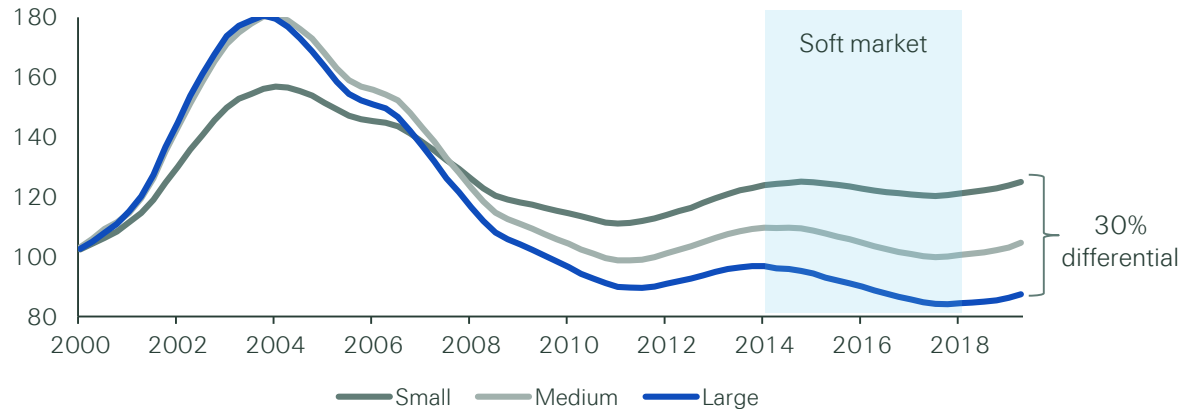
- ACP enables Swiss Re to recapture Nat Cat market share and to proactively manage risk exposure per peril
- The business we write offers attractive returns on capital for both ACP investors and Swiss Re shareholders
- Through risk sharing, Swiss Re earns a commission towards covering our operating expenses
- Hedging of TC North Atlantic enables the business to grow in other perils and therefore improve diversification of risk retained on our balance sheet
- Sidecar platform contributes the majority of the capital relief



# US Casualty market trends have deteriorated through a soft market

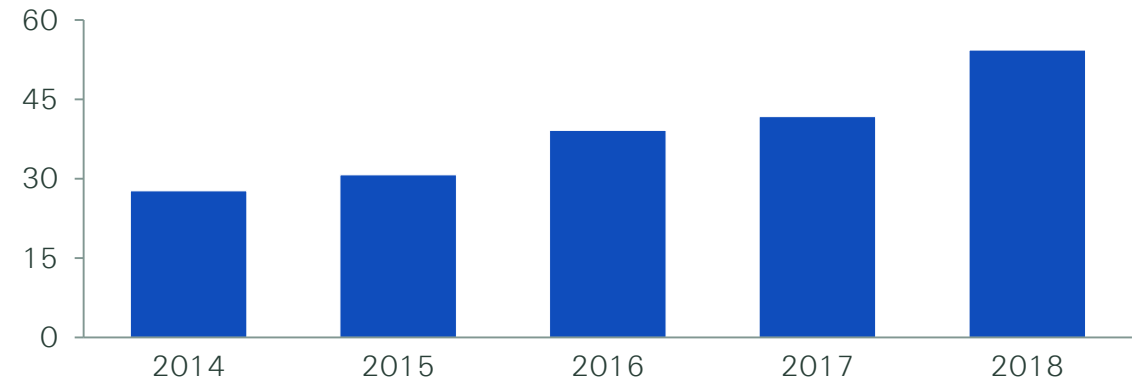
## US Commercial P&C rates stagnated for several years...

% premium change, new and renewed policies, by size of corporate accounts<sup>1</sup>



## ...while the average size of large tort verdicts has been rising...

Top 50 US tort verdicts: median verdict value, USD m<sup>3</sup>



## ...litigation finance has expanded, driving lawsuit frequency...

- Large corporates and law firms increasingly use third-party capital when pursuing multi-million-dollar lawsuits
- Funds investing in litigation are raising sizeable amounts (~USD 9bn currently committed according to Swiss Re Institute)
- Among US law firms, use of litigation funding increased by >400% between 2013 and 2017, and a further ~20% in 2018<sup>2</sup>

## ...and attitude of the US public and jurors has become more critical<sup>4</sup>

**72% of jurors** believe that if a case makes it to the courtroom, it must have some merit

**42% of jurors** would decide a case based not on the law but on what they believe is fair

**64% of the public** in the US has a negative perception of large corporations

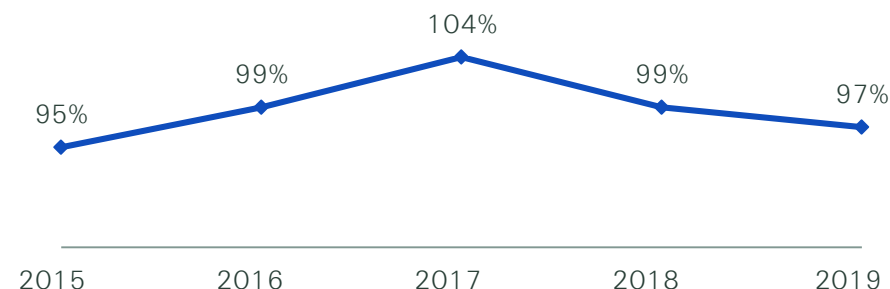


# We have taken targeted actions to improve profitability and manage risk in our Casualty portfolio

## Casualty actions are ongoing to continually manage our book

<b>1. Top-down steering</b>	Specific strategies for each sub-portfolio defined based on forward-looking view of the business <i>e.g. reduced appetite for US Liability and US Commercial Motor</i>
<b>2. 'Raise the Bar' initiative</b>	Roadmap with specific profitability targets, achieving technical results improvement in all regions <i>e.g. reduced commission ratios overall</i>
<b>3. Active residual risk management</b>	Continuous trend monitoring with feedback loop into costing tools <i>e.g. introduction of Large Corporate Risk (LCR)<sup>3</sup> tracker and costing load for social inflation</i>
<b>4. Client-specific actions</b>	Pro-active client engagement to address profitability issues or reduce participation if required <i>e.g. working with certain clients to rebalance portfolio</i>
<b>5. Reserve adequacy</b>	Continuous feedback loops between underwriting, claims and reserving teams <i>e.g. reserves strengthened to reflect observed adverse trends</i>

## Economic combined ratio – Casualty Reinsurance<sup>1</sup>



## US Casualty reserve strengthening<sup>2</sup>

USD m

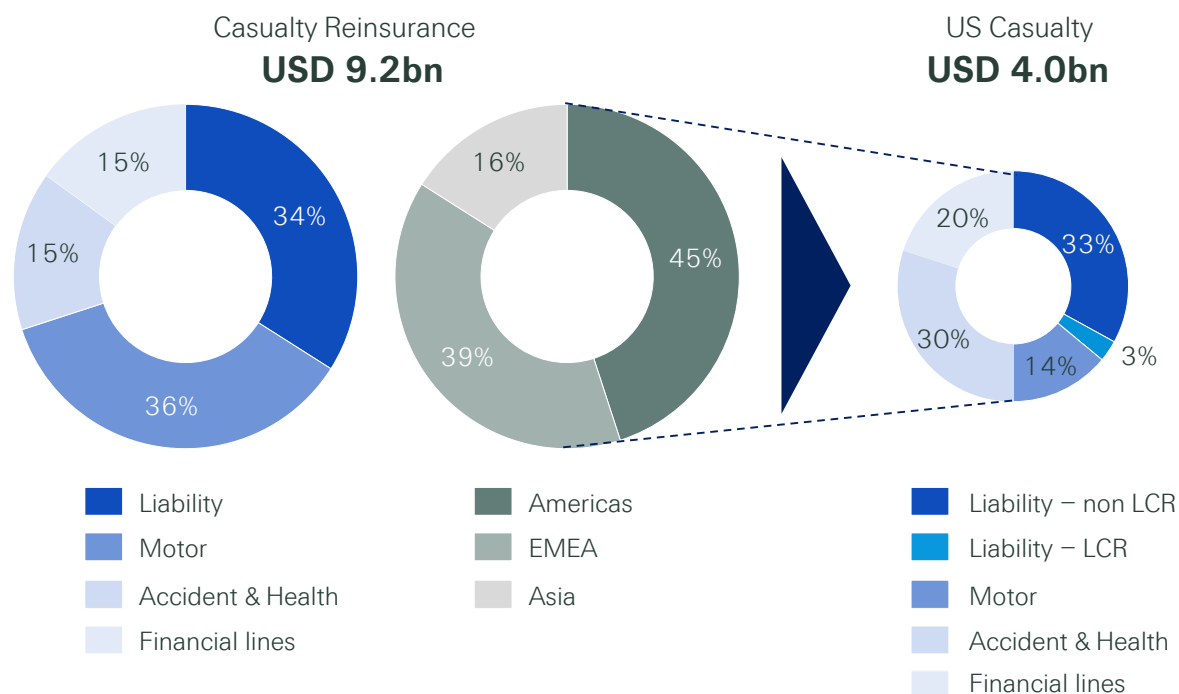




# Our Casualty Reinsurance portfolio is well diversified, giving us scope to absorb volatility...

## Casualty with broad mix accounting for 52% of P&C Re premiums

Casualty Reinsurance, 2019<sup>1</sup> EVM premiums



## Exposure to US Large Corporate Risk (LCR) is well contained

- US Casualty portfolio covers many market segments and a broad spread of clients
- Within US Liability we have modest LCR exposure which we continue to reduce further
- Most of our Motor and Accident & Health (A&H) exposure is to regional and smaller clients

## Selective growth supports further diversification

- Premium growth in 2019 mainly driven by large transactions and EMEA business
- US large transactions in 2019 focused on SME business with short duration, low volatility and good performance track record

Swiss Re's Casualty portfolio includes a diverse mix of business, both within the US and in other regions



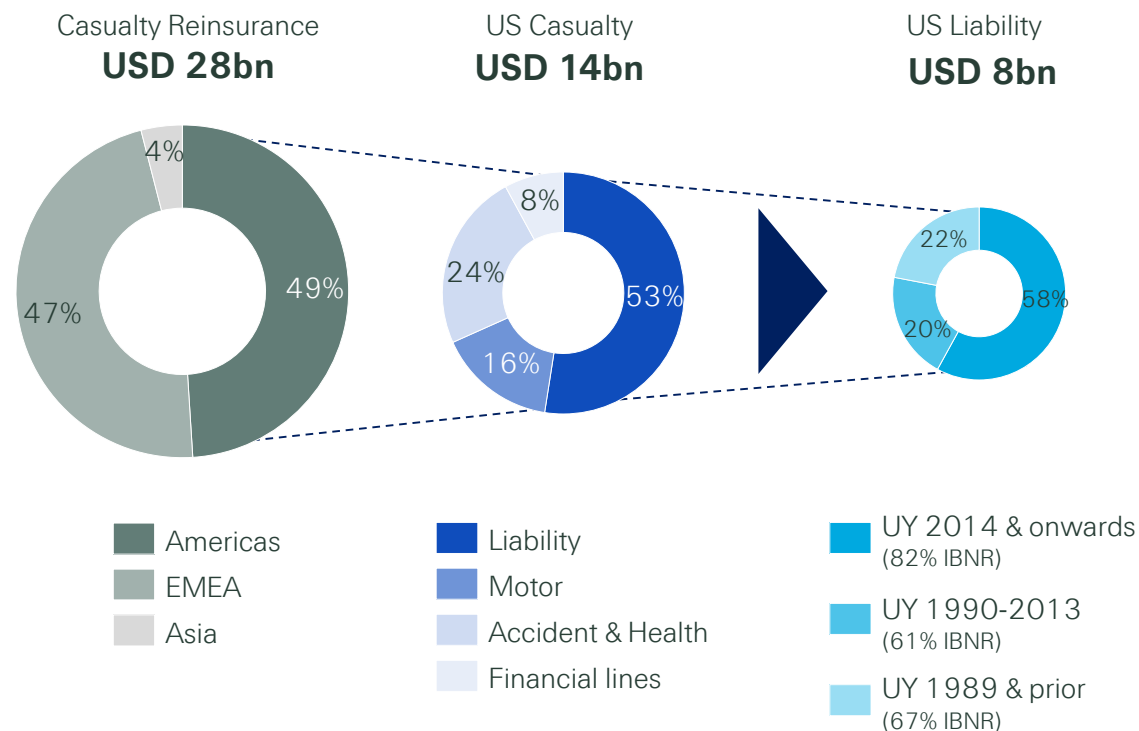




## ... and making US reserving risks manageable

### Casualty reserves make up USD 28bn of the USD 40bn P&C Re total

Casualty Reinsurance reserves, 2018 split



### Proactive measures on the most recent underwriting years

- Market concern is around US Casualty reserves, but not all areas subject to the same trends
- **US A&H** has recently experienced positive trends
- Adverse trend on **US Motor** was already identified several years ago and reserves have been strengthened accordingly
- USD 2bn relate to **US Asbestos & Environmental (A&E)** reserves, with no deterioration in reported claims. Survival ratio increased from 11.2 years in 2015 to 13.5 years currently, indicating caution
- Of the USD 8bn **US Liability** reserves, most relate to UY 2014 & onwards where IBNR ratio remains very high (82% on average)
- USD 1.5bn is estimated to be exposed to **US LCR** risks
- 60% of reserves relate to **proportional** business

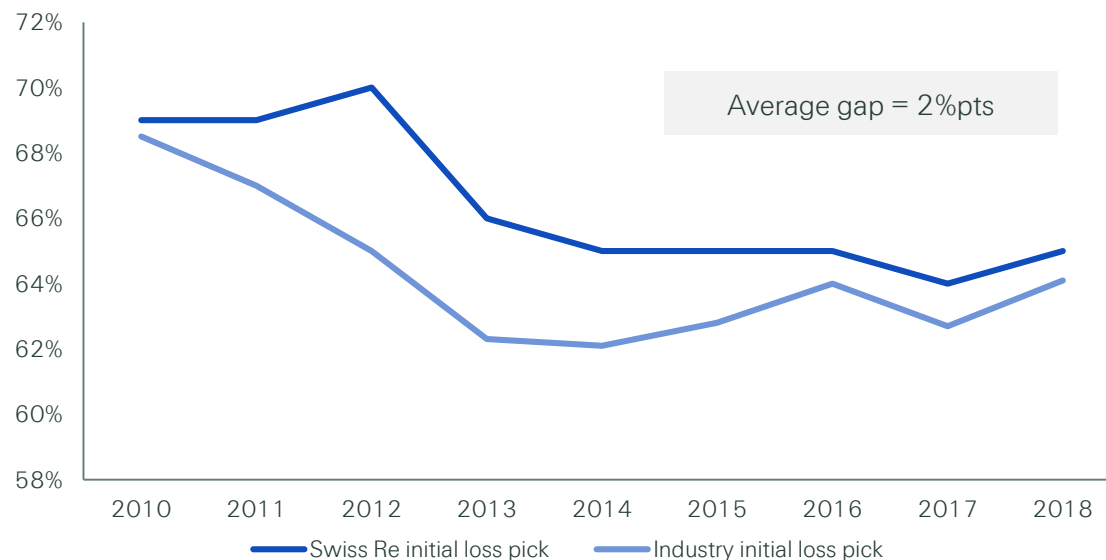
Segments exposed to elevated reserve risk make up a manageable portion of our overall large and diversified reserve book



# Overall, our Casualty Reinsurance portfolio is prudently reserved and we expect this to remain the case

## We consistently reserve more cautiously than US P&C clients

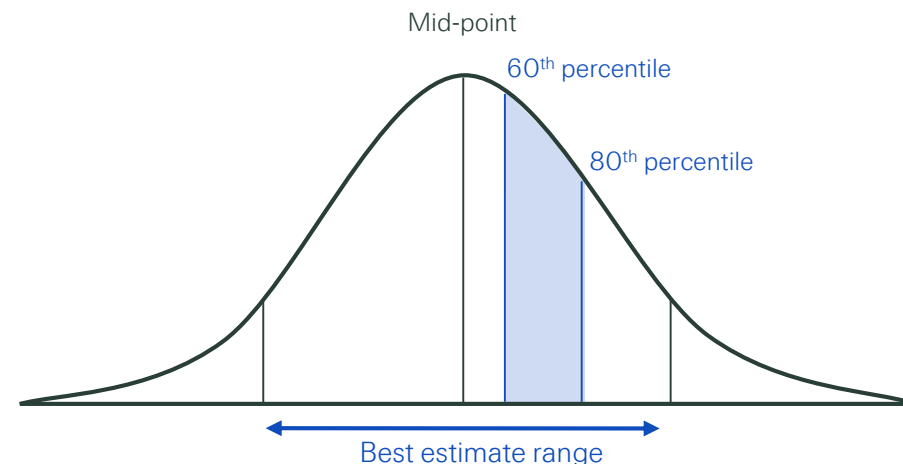
Swiss Re US Liability business<sup>1</sup> vs. US P&C industry initial loss picks<sup>1</sup>



Source: Regulatory filings of US insurance companies (Schedule-P), SNL

- Strong governance with continuous feedback loops between underwriting, claims and reserving teams allow timely updates
- For selected client segments, initial US Liability reserves have been booked up to 10%pts higher than costing

## Our Casualty reserves remain between the 60<sup>th</sup> and 80<sup>th</sup> percentile of the best estimate range



- Adverse trends impacting recent underwriting years have been identified and reserves strengthened accordingly
- Continuous improvement on older underwriting years where reserves have been released on various portfolios

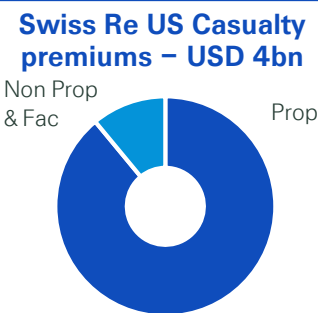


# Looking ahead, we see significant market hardening and expect to benefit from actions taken by primary insurers

- Commercial Motor shows strong (albeit slowing) rate increases reflecting recent claims inflation; terms and conditions (T&Cs) tightening
- Personal Motor rates still rising, though less so due to competition
- General Liability and Umbrella price levels have bottomed out and have shown increases since 2018
- In Excess Liability, firm underwriting actions have been taken by major market participants, e.g. restricting limits, raising attachments
- Market is tightening T&Cs around issues such as wildfire and opioids
- Reinsurers benefit directly from these underlying improvements

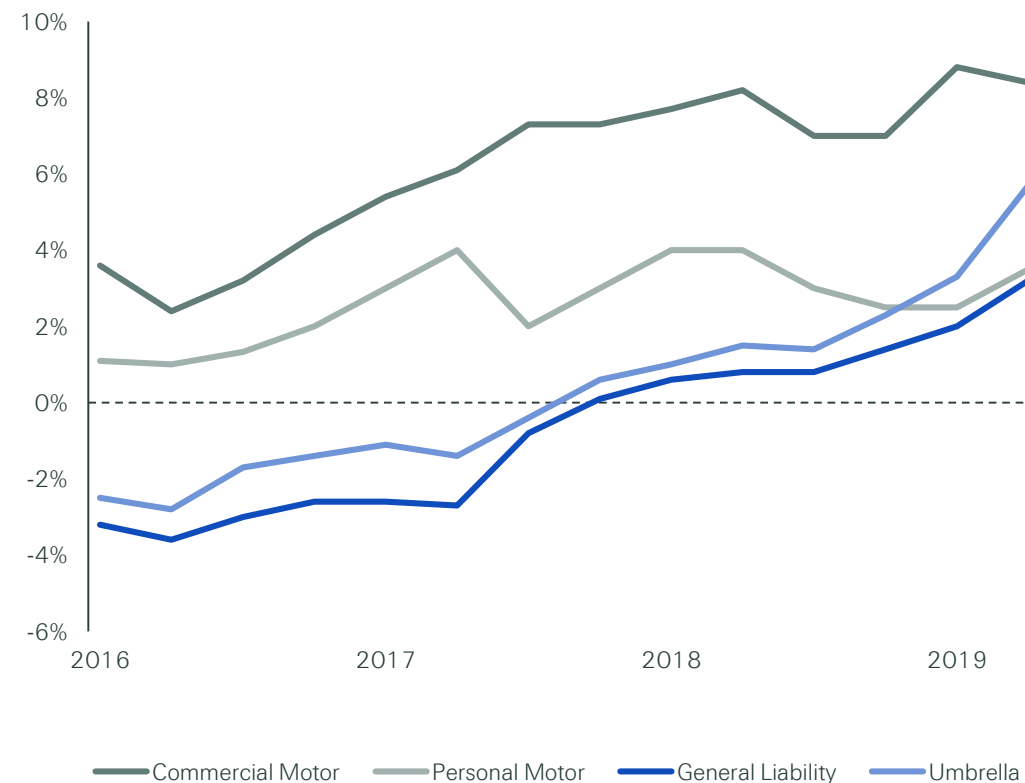
## 90% of Swiss Re's US Casualty business is proportional...

...we therefore benefit from primary market improvements...  
...and also continue to reduce our LCR exposures

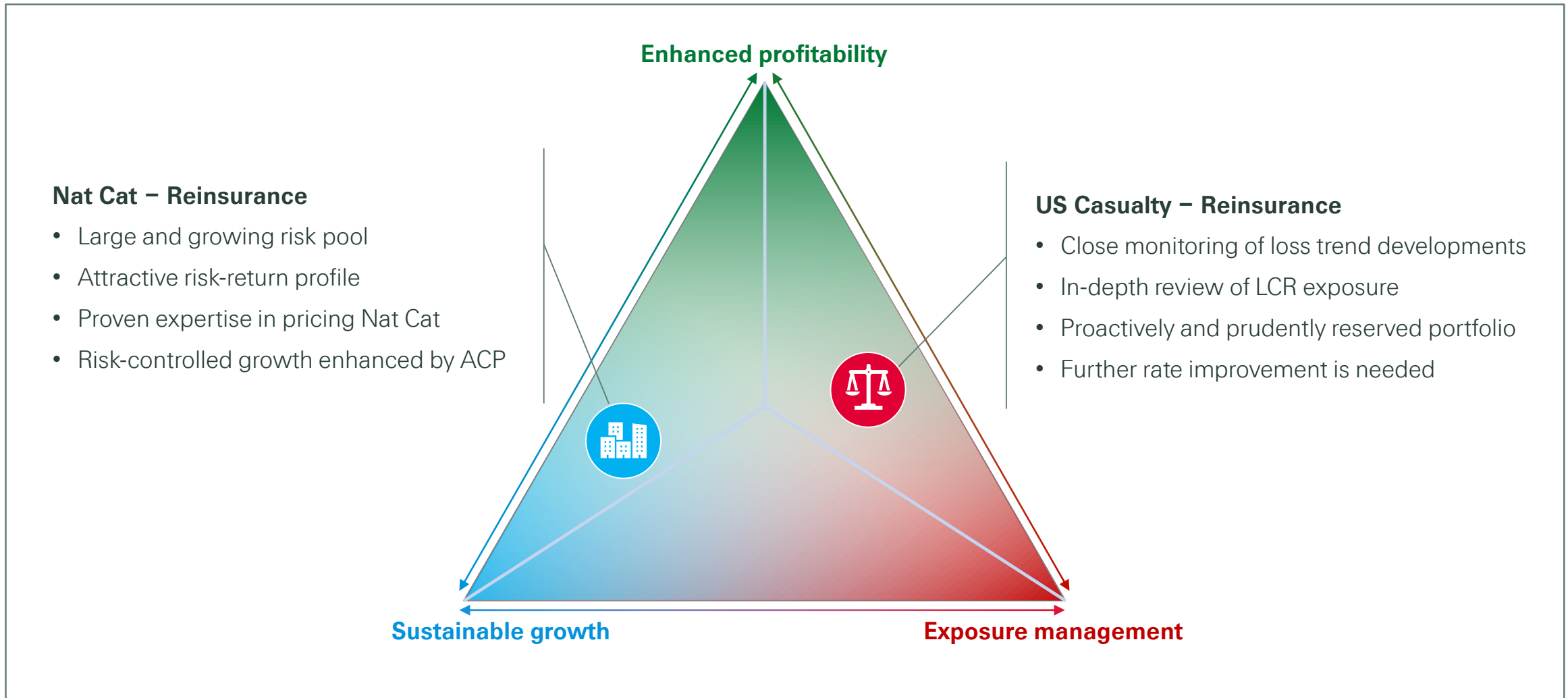


## Acceleration of rate increases across US primary Casualty lines

% premium change, new and renewed policies<sup>1</sup>



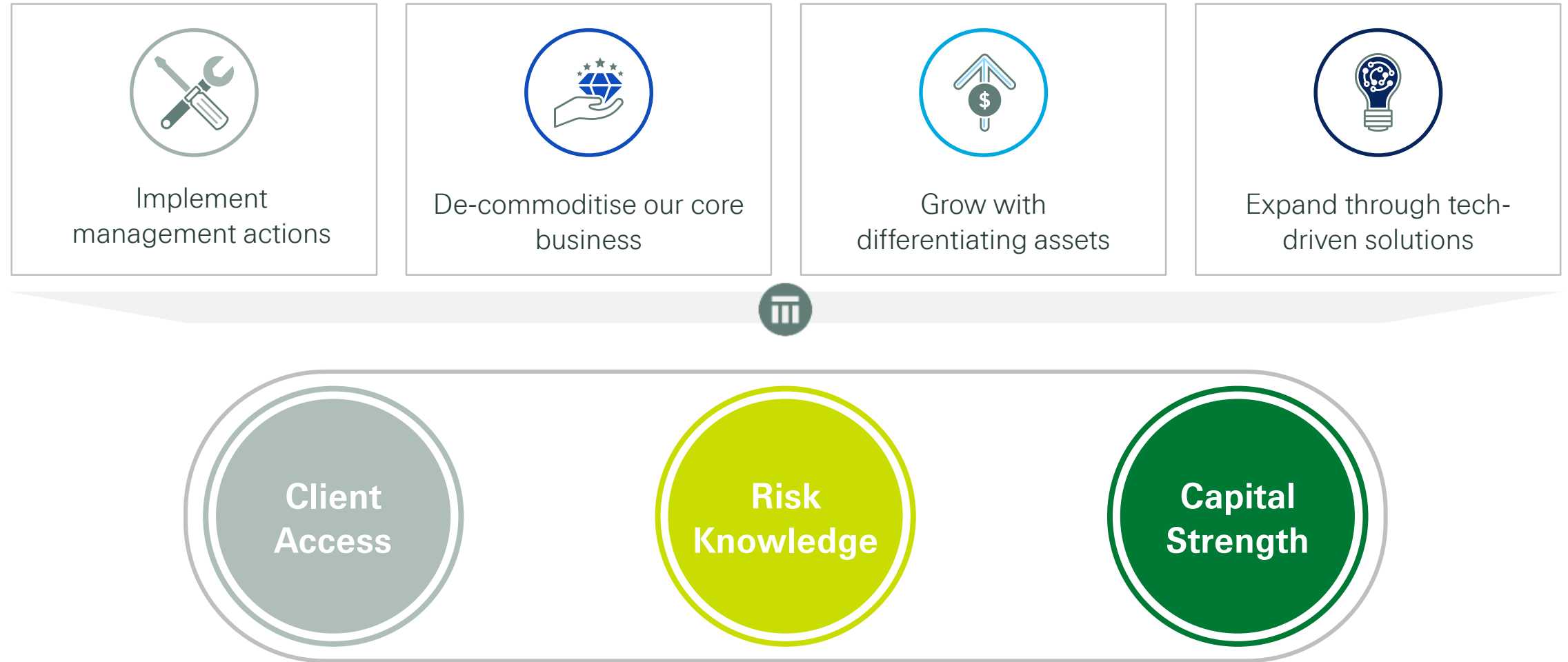
# Our robust portfolio management framework fosters the steering of our capital allocation



# Corporate Solutions

Andreas Berger, Chief Executive Officer Corporate Solutions

# Corporate Solutions remains key to Swiss Re's differentiation strategy

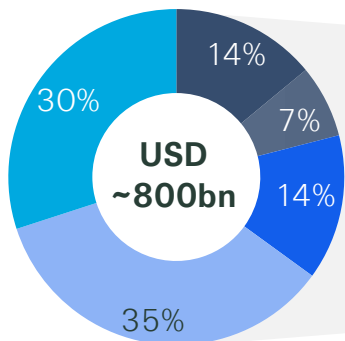




# Focused value proposition in a large pool of commercial insurance risks

## Commercial insurance market

Gross premiums written, 2019<sup>1</sup>

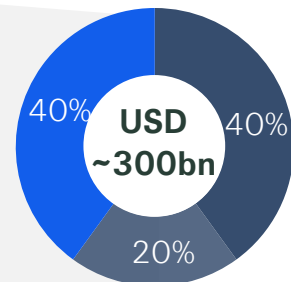


■ Excess Layers  
 ■ International Programmes  
 ■ Primary Lead  
 ■ SMEs  
 ■ Workers' Comp and Commercial Auto

**3%**

2010-19 commercial insurance market premiums CAGR, despite market softening

## Corporate Solutions' addressable market



## Our market presence

**Excess Layers:**  
Top 5 – 10

**International Programmes:**  
Entering now

**Primary Lead:**  
Market entry in 2016

**SMEs:**  
Only through JV  
e.g. Bradesco

**Workers' Comp and Commercial Auto:**  
None

## Our proposition

- ✓ Bringing international programme capabilities where few others excel
- ✓ Tackling complex risks with bespoke solutions

- ✓ Providing innovative, efficient products which reduce costs for clients who do not want to pay for complexity

- ✓ Serving only through innovative business models and joint ventures, e.g. Bradesco JV

Not targeted

## Segmentation



**Large Corporates**  
(turnover > USD 500m)

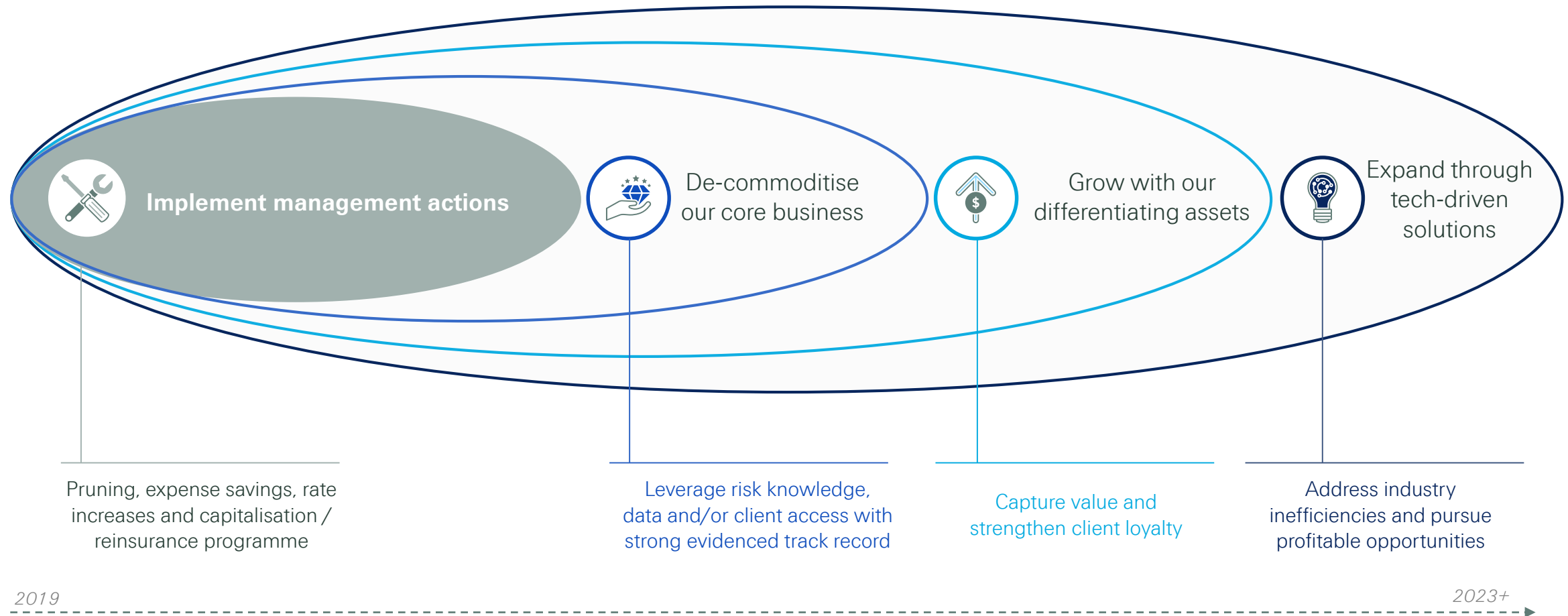


**Mid Corporates**  
(turnover >25m)



**SMEs**  
(turnover <25m)

# We are building on Corporate Solutions' strategic priorities

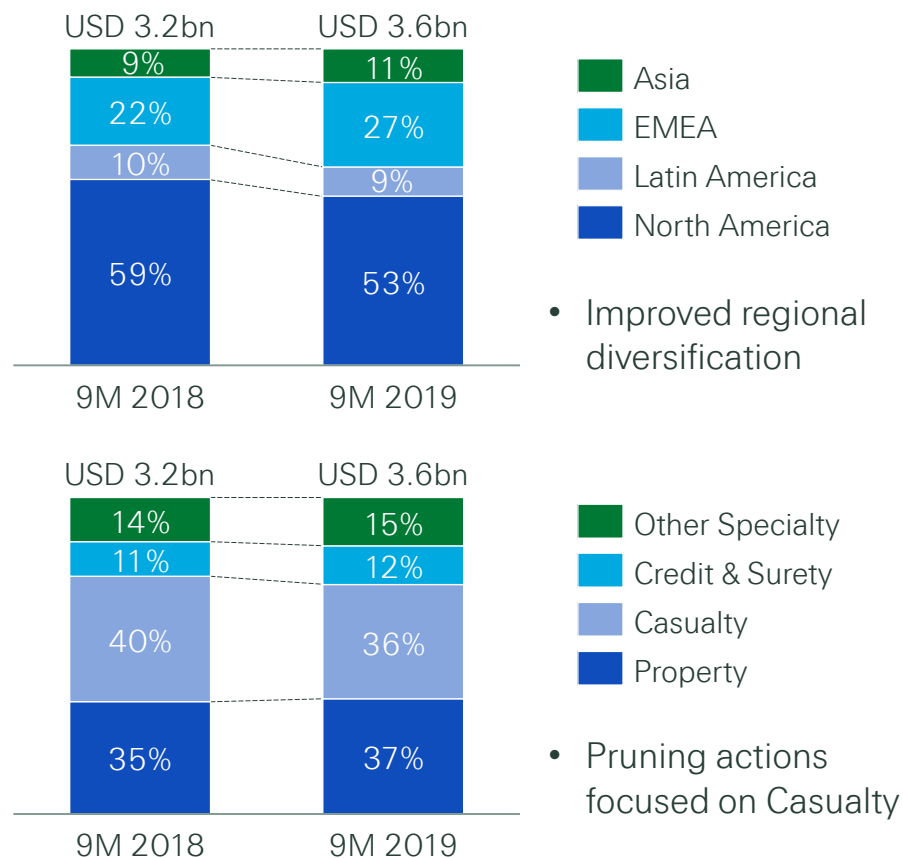




# We are rebalancing towards a more diversified global portfolio

## Portfolio split by region and sub-line

% of gross premiums written



## Portfolio development year-on-year

Gross premiums written, USD bn

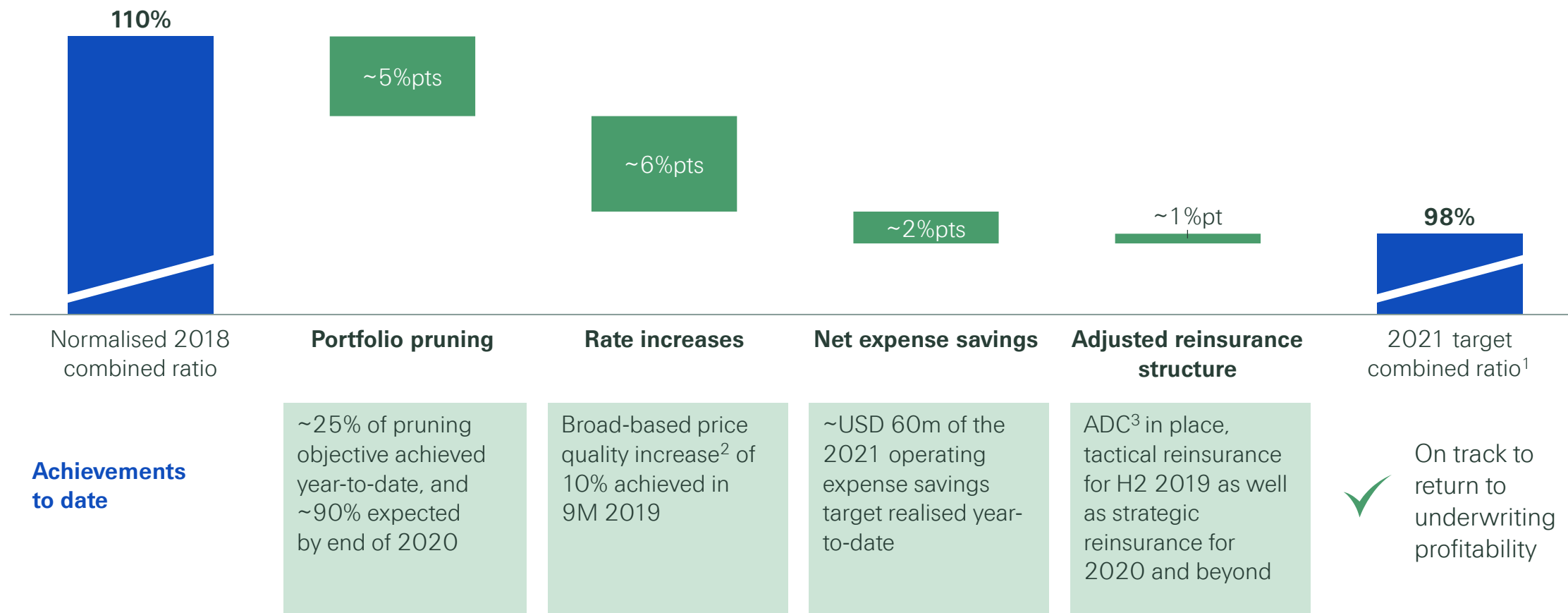


- Pruning activities mainly related to North American Lead Umbrella and Excess & Surplus Casualty book
- Price increases of 10% driven by strong improvements in Property
- Exposure growth in targeted lines, mainly driven by large transactions in Property and continued growth in Credit & Surety and A&H
- 2019 gross premiums written expected to be USD ~4.8bn
- Continued decrease in wholesale business<sup>1</sup> written



# Good progress with the implementation of our management actions

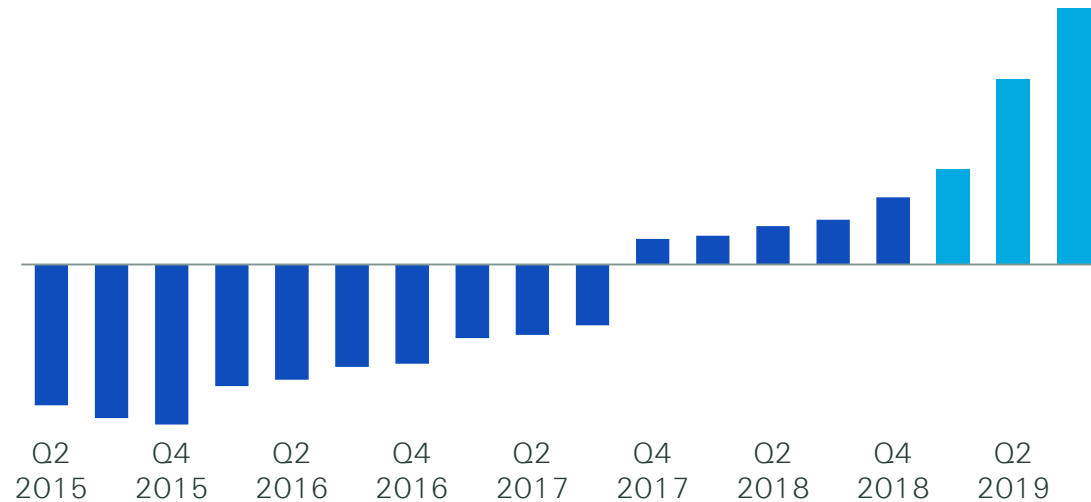
## Expected combined ratio development





# Pricing momentum for Corporate Solutions remains strong

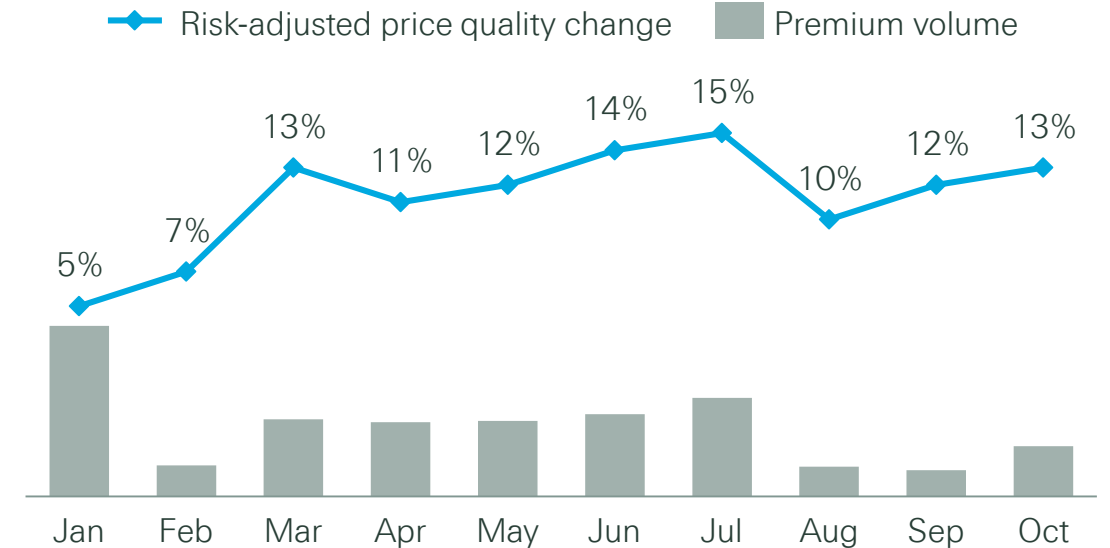
## Commercial insurance market prices are increasing since 2018



Source: Marsh LLC

- Average commercial insurance market pricing increased by 8% in Q3 2019, the eighth consecutive quarter of pricing increases
- Steady increases in prices expected over the next 12 months following prolonged soft market environment

## Corporate Solutions is seeing even stronger pricing momentum<sup>1</sup>



- Strongest increases in loss-affected Property lines
- Casualty with modest rate increases given exit from worst performing segments
- Specialty correcting but changes vary between sub-lines
- Terms and conditions (T&Cs) tightening

Price increases of 10% achieved in 9M 2019 for Corporate Solutions portfolio



# De-commoditise our core business

We will **not be a commodity provider of capacity** and will maintain **underwriting discipline**



## Line of business Superior insights

### Property & Energy

- Proprietary Nat Cat model offers differentiated view of risk to market; market-leading innovative capabilities (e.g. parametric solutions)

### FinPro

- 20+ years close relationships with large accountants and lawyers created unique data asset; other Professional Indemnity – specialist team solely focused on construction niche

### Credit & Surety

- Leading player in Bank, Trade and Infrastructure, US Contract Surety uniquely written on relationship basis vs. per contract, creating stickier and higher margin relationships long-term

### Aviation

- Highly selective underwriting; loss ratio outperformed market in 9 of last 10 years

### Accident & Health

- Loss ratio consistently ~2-4%pts better than market on acquired business

### Engineering

- Strong cycle management with focus on sustainable portfolio performance – managed to steer clear of most of the large construction losses that hit the market during recent years

### Casualty

- Ongoing restructuring and rebalancing towards a more diversified global portfolio

Focus on particular sub-segments and niches where Corporate Solutions has differentiated risk knowledge, data and/or client access with strong evidenced track record





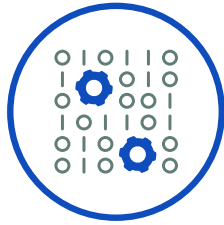
# Capturing value from differentiating Corporate Solutions' assets



## International Programme Lead

Leverage market-ready, state-of-the-art tech platform to gain market share in the international programme lead business

+50% YTD growth rate on international programmes



## Innovative Risk Solutions (IRS)

Highly structured risk solution based on differentiated capabilities

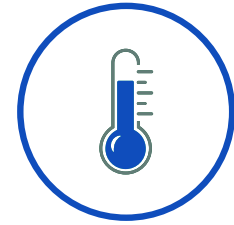
USD 325m of GPW  
e.g. digital parametric risk transfer for Nat Cat risk



## High-growth market joint venture plays

Enter in selected distribution partnerships (i.e. JVs) to efficiently gain access to the high-growth markets

Banco Bradesco JV  
(GPW<sup>1</sup> of ~USD 200m in 2018)



## Weather / Environmental and commodity markets

Create highly bespoke deals to meet particular customer needs leveraging insurance and financial instrument capabilities

5% of total portfolio  
e.g. LatAm Hydro deals

Emphasise differentiated nature of Corporate Solutions' assets to capture value and strengthen client loyalty in hardening market



# Pursue opportunities to develop innovative tech-driven solutions

## Corporate Solutions will pursue strategic tech initiatives for the future

- Use of technology to drive clear differentiation in the market and generate new income streams (e.g. fees)
- Leverage Swiss Re Group capabilities that can be deployed at scale in multiple ways, applying the unique combination of risk and technology know-how
- Act as orchestrator by combining insurance know-how, superior technological capabilities and Group's ability to engage other insurers

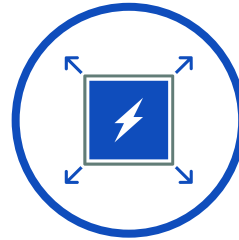


## Strategic priorities



Addressing customer pain points and industry inefficiencies through tech-driven tools and platforms

e.g. IPA<sup>1</sup> platform, Brokerslink agreement



Disrupting current inefficient insurance value chains through digital solutions

e.g. digital Marine proposition, ONE Form<sup>2</sup>

Continued investment into current and future capabilities to address industry inefficiencies and access profitable risk pools



# Forming a focused, profitable and resilient commercial lines business

## Clear financial targets

---

- ✓ Establish stable foundation and restore underwriting profitability of our book
- ✓ Reduce earnings volatility and improve resilience vis-à-vis future pricing cycles
- ✓ Fit for purpose operating model and cost structure with de-commoditised core business
- ✓ Unlock potential of strategic opportunities: Capture value from differentiated assets and expand through tech-driven solutions

Combined ratio target<sup>1</sup>

**98%**

in 2021 and  
further improvement  
expected thereafter

Unchanged ROE  
target of

**10-15%**

over-the-cycle



# Life Capital

Thierry Léger, Chief Executive Officer Life Capital



# Life Capital's three businesses continue to execute on their strategies



**ReAssure**

UK life & pension closed book  
consolidator



Group life, disability and income  
protection solutions provider

**iptiQ**

White-labelled individual protection  
solutions provider

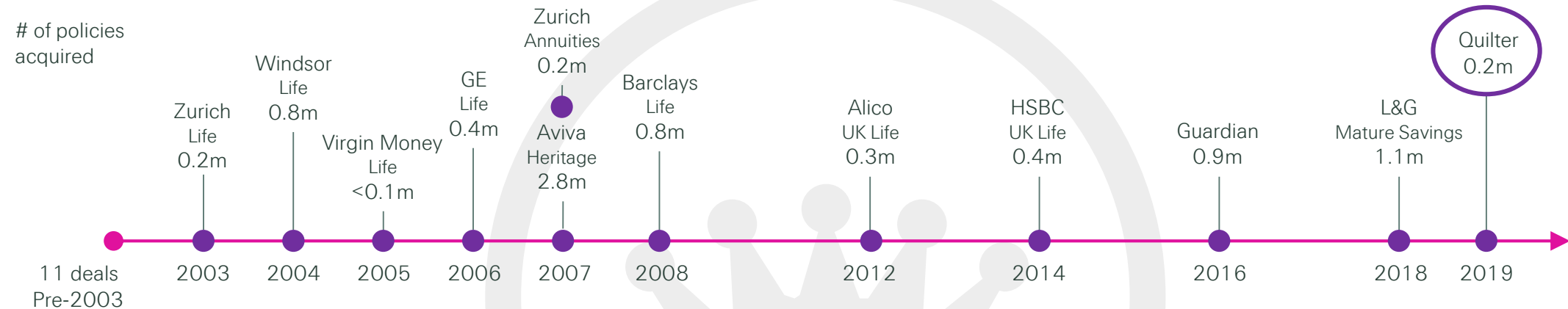


**Client  
Access**

**Risk  
Knowledge**

**Capital  
Strength**

# Swiss Re remains committed to supporting ReAssure's growth



## Quilter UK Heritage business acquisition

- Announced in August 2019 for GBP 425m with ~200k policies; GBP 12bn assets under administration; completion expected Q4 2019
- Expected surplus generation >GBP 500m, incl. ~GBP 200m synergies, of which ~40% are costs; IRR >11%
- Expected price to adjusted Unrestricted Tier 1 at completion to be ~80%<sup>1</sup>; 100% internally funded, with payback period of 4 years
- Focus on stakeholder outcomes: Superior customer outcome, execution certainty for vendor and attractive returns for shareholders

ReAssure has a strong track record in successfully acquiring and integrating closed books and a solid pipeline for future deals



# Solid ReAssure surplus generation and strong capital position

## Attractive Surplus Generation target

**GBP 2.1bn FY 19-23E**

- Life Capital Gross Cash Generation target replaced by ReAssure Surplus Generation target from 2020
- Further strategic asset allocation changes to optimise risk-adjusted capital:
  - Implementation of equity hedging
  - Increase in private debt holdings
  - Diversification in credit exposure
  - BBB exposure reduced to 28% (as of end 9M 2019)<sup>2</sup>

## H1 2019 customer satisfaction

**88.6%**

- Leading ratings amongst consolidators across 4.1 m policies managed
- Integration of L&G acquisition in process; completion expected in Q1 2020
- Extend digital portal roll-out: ReAssure Now
- Focus on superior customer outcomes also drives shareholder value creation

## H1 2019 Solvency II ratio

**148%<sup>1</sup>**

- Strong Solvency II balance sheet despite low interest rate environment
- GBP 1.4bn headroom above Solvency II SCR, up from GBP 1.2bn in December 2018<sup>1</sup>
- Quilter acquisition self-funded
- Completion of L&G integration expected to release ~GBP 200m of capital (+8%pts)



# elipsLife continues to provide steady growth in group L&H through service and cost leadership

## Market focus

- Group Life & Health
- Biometric risks

## Business model

- Broker-led distribution
- Scalable platform

## Key success factors

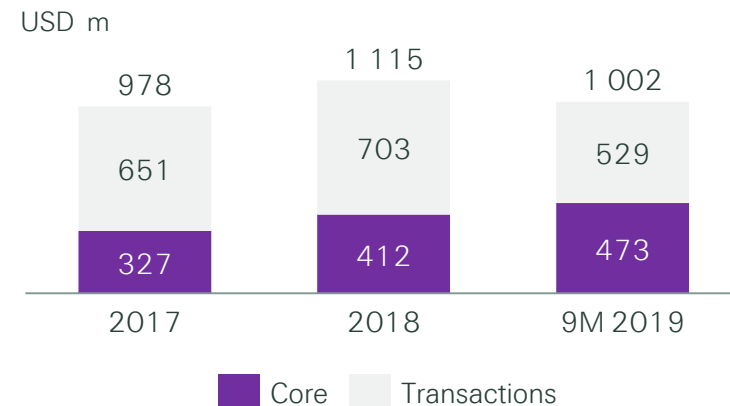
### Cost leadership

<18%  
Cost ratio

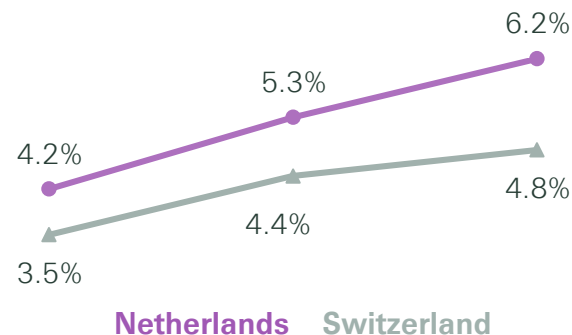
### Service leadership<sup>1</sup>

~96%  
Retention ratio

## Gross premiums written



## Market share

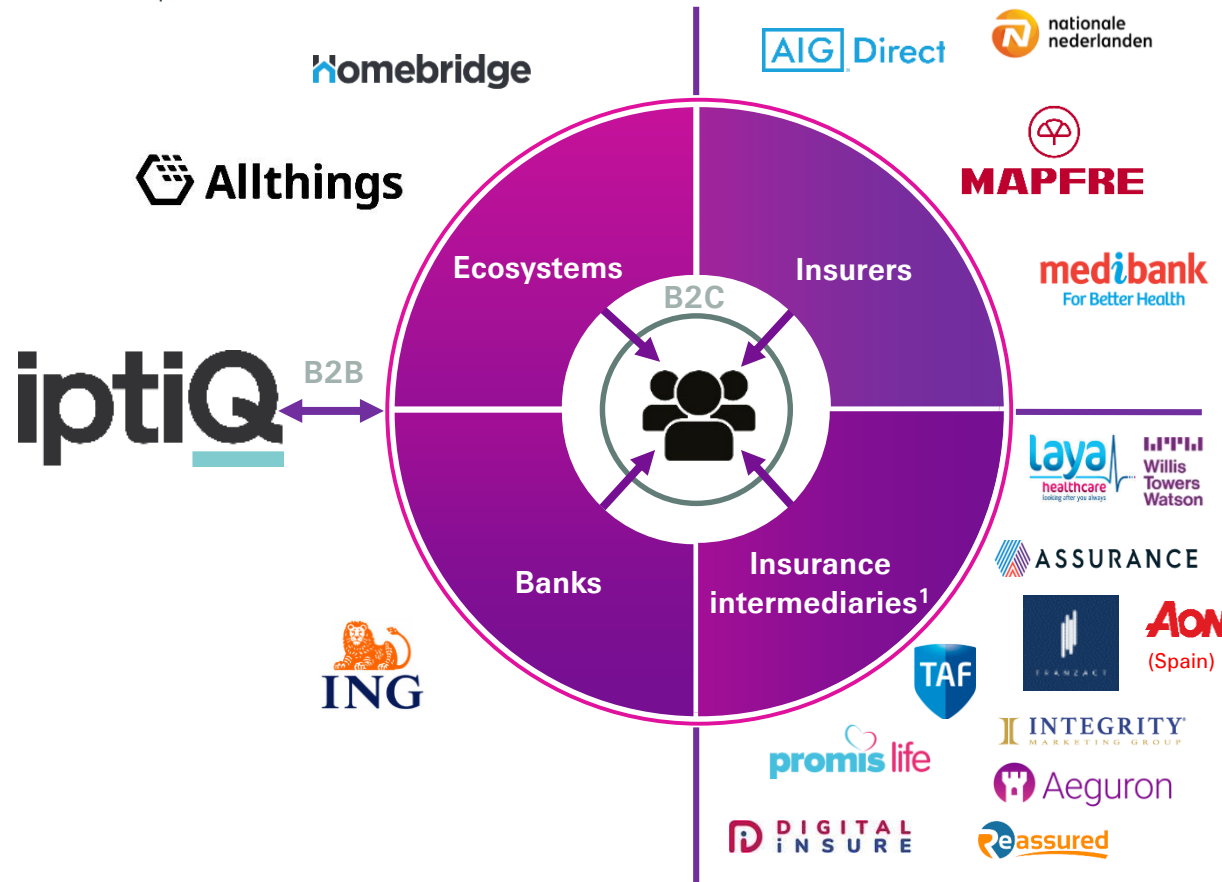


- Access to attractive risk pool
- Profitable business for several years in mature markets allowing to self-fund the expansion to new markets, including Italy, Ireland, Germany and US
- Cost ratio already below 16% in mature markets
- US market entry shows strong pipeline and first sales in 2019

# iptiQ applies cutting-edge technology to deliver insurance through partners

## B2B2C model...

Selected partners



## ...with strong distribution partnerships

### We offer

- Seamless integration with our partners (60-day onboarding)
- White labelled end-to-end insurance platform
- Risk selection and innovation built on Swiss Re risk knowledge

### We obtain

- Long-term relationships (>3-5 years)
- Access to customers through commission-based arrangements
- Risk premium directly or through reinsurance

# iptiQ continues to enhance its consumer platform with data-driven insights

## Efficient access through partners...

# distribution partners

28

Estimated consumer reach

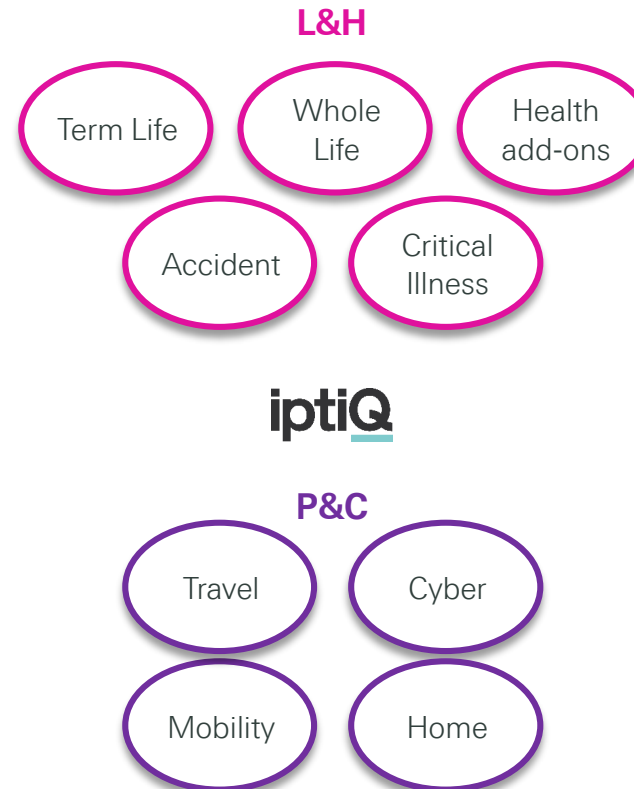
93m

Average annual premium per policy

~USD 700

360k customers as of 9M 2019

## ...with simple products at fair value...



NPS score ~10pts above industry average<sup>1</sup>

## ...and continuous innovation



Voice-enabled, replicating human interaction



Online assisted customer journey



Selfie-based age prediction and quote via facial recognition



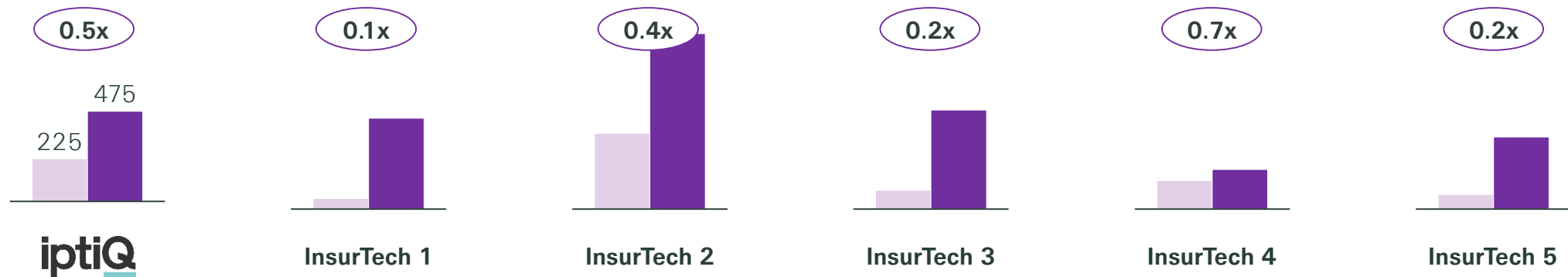
iptiQ Chatbot developed with assisted learning technology

~USD 40m p.a. technology spend

# iptiQ generates efficient growth from invested capital

## Gross premiums written (GPW) relative to capital invested since inception<sup>1</sup>

■ GPW ■ Capital invested ○ Ratio of GPW to capital invested

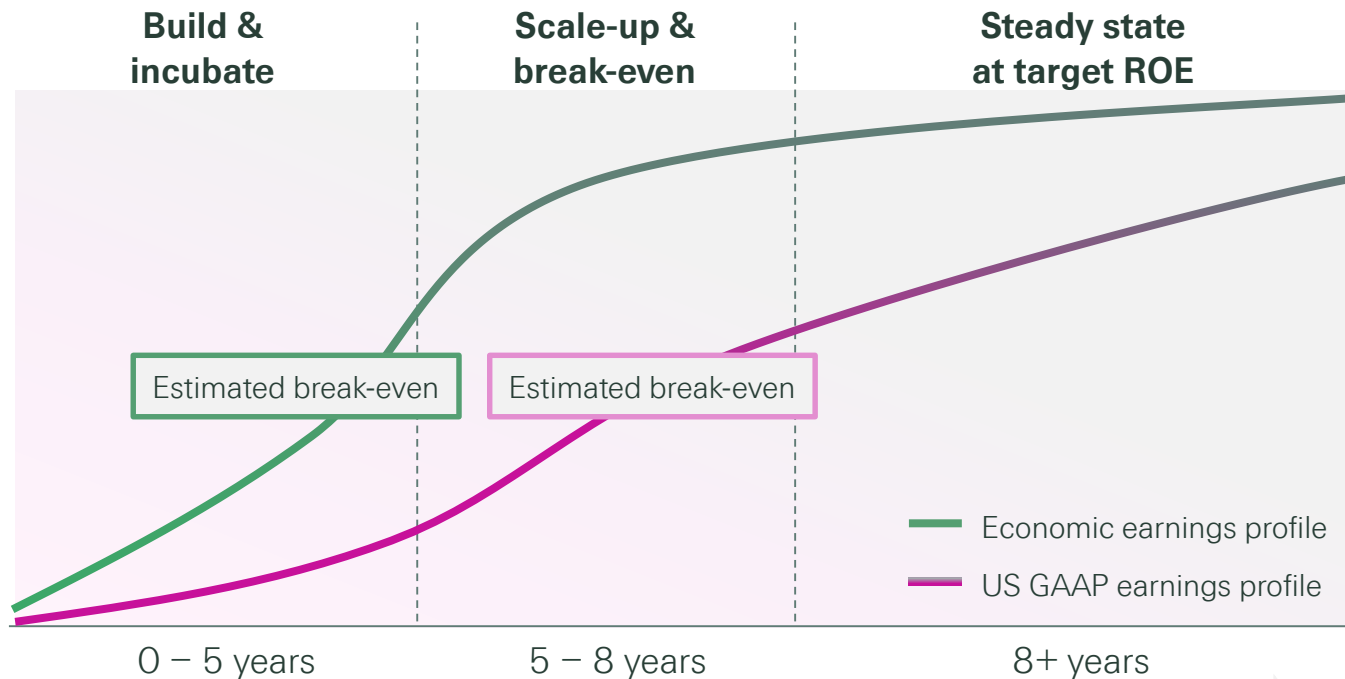


- Solid premiums to capital invested ratio of 0.5x for iptiQ compared to InsurTechs average of 0.3x, as we drive sales of higher value products
- Very strong growth in L&H protection annualised new business premium, also when compared to selected incumbents in their home markets
- Incumbents' new sales in L&H protection products is subdued, but they benefit from profits from large back books

# We incubate and operate dynamically growing start-up businesses...

## Financial returns profile

US GAAP and EVM returns profile – experience-based / illustrative



Maturity profile

**iptiQ** P&C  
**iptiQ** L&H US  
**iptiQ** L&H EMEA

**iptiQ** ANZ

- High upfront investments in build and growth
- Businesses need scale to achieve profitability
- Economic profit break-even is achieved more quickly than US GAAP
- Significant Economic Net Worth of ~USD 600m for iptiQ projected for year-end 2019
- Experience from incubating start-up business with accelerated time to launch down to 10 months with mature platform and resources



# ...which increase Swiss Re's economic value

## Estimating the current value of iptiQ, as applied to...

I

### ...high growth insurance companies

based on equity and value of new business<sup>1</sup>

**~USD 600m**  
2019<sup>2</sup> ENW



**~1.0x**  
ENW multiplier



**~USD 50m**  
Normalised 2019<sup>1</sup> EVM  
new business profit



**~10-15x**  
VNB multiplier<sup>3</sup>

II

### ...InsurTech start-ups

based on gross premiums written

**USD 225m**  
2019<sup>2</sup> GPW



**~5-7x**  
P/GPW multiple<sup>3</sup>

**~USD 1-1.5 bn**  
Total value



# Transition from closed book consolidator to dynamic primary B2B2C business continues, with significant value in the open books

## Key objectives

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- ✓ Life Capital expands the Swiss Re Group's access to attractive risk pools
- ✓ Swiss Re remains committed to supporting ReAssure's growth, with mid-term intention to deconsolidate
- ✓ elipsLife continues to provide steady growth in group L&H through service and cost leadership
- ✓ iptiQ, our digital B2B2C business, is built on and complements Swiss Re's core strengths

**GBP 2.1 bn**

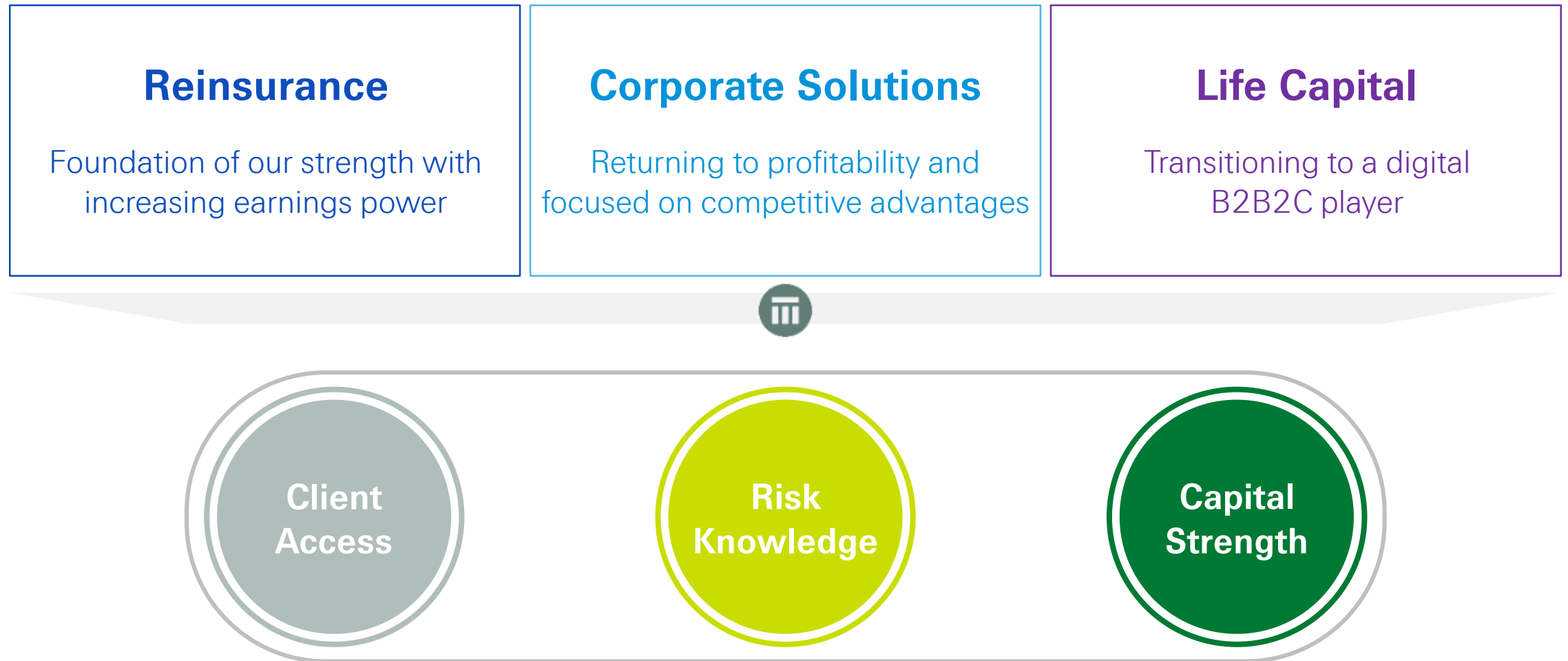
ReAssure Surplus Generation  
target 2019-2023

**Dynamic  
growth**  
of open books

# Wrap-up

Christian Mumenthaler, Group Chief Executive Officer

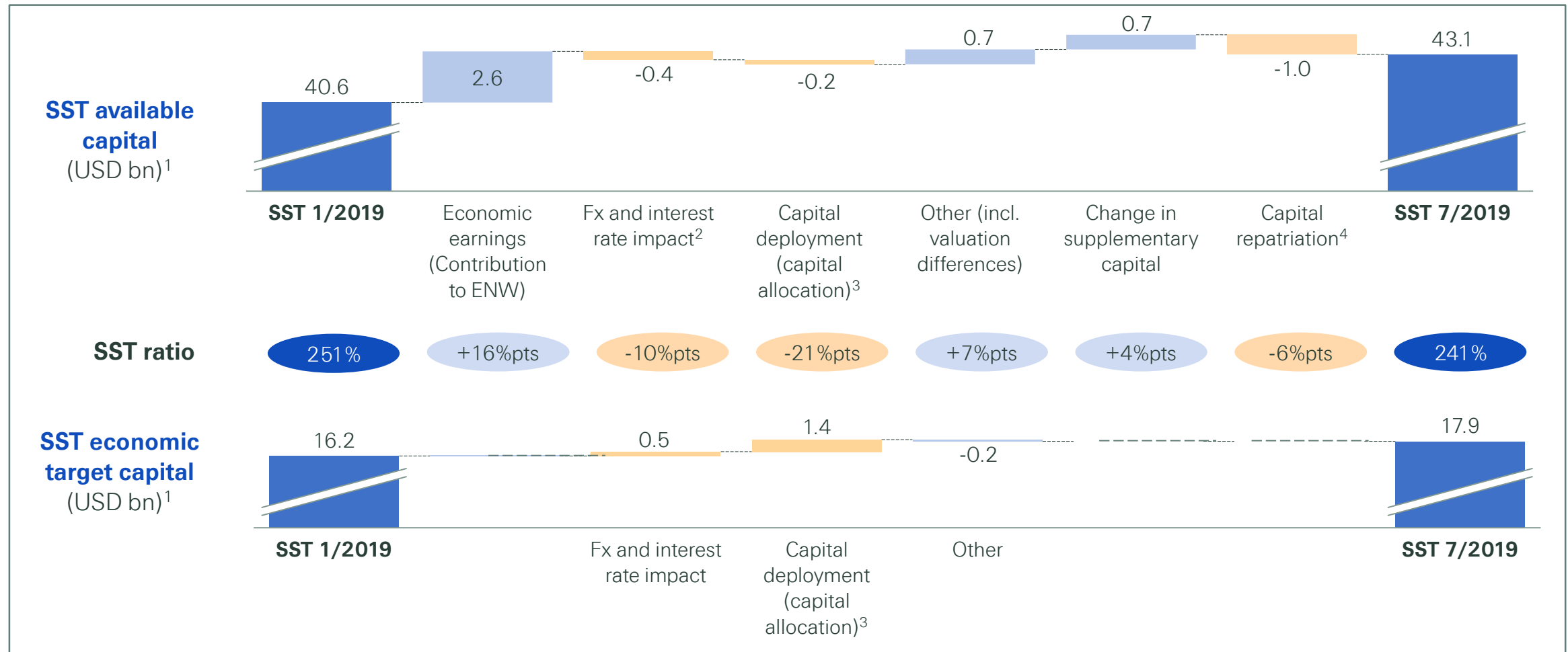
# Swiss Re's success is built on three key differentiation drivers





# Appendix

# Group SST capital generation is supported by strong economic earnings



<sup>1</sup> SST available capital: SST risk bearing capital – MVM; SST economic target capital: SST target capital – MVM

<sup>2</sup> Foreign exchange impact on SST available capital and interest rate impact on valuation differences between EVM and SST

<sup>3</sup> SST available capital: change in MVM from business update; SST economic target capital: change in shortfall from business update and market moves e.g. in credit spreads

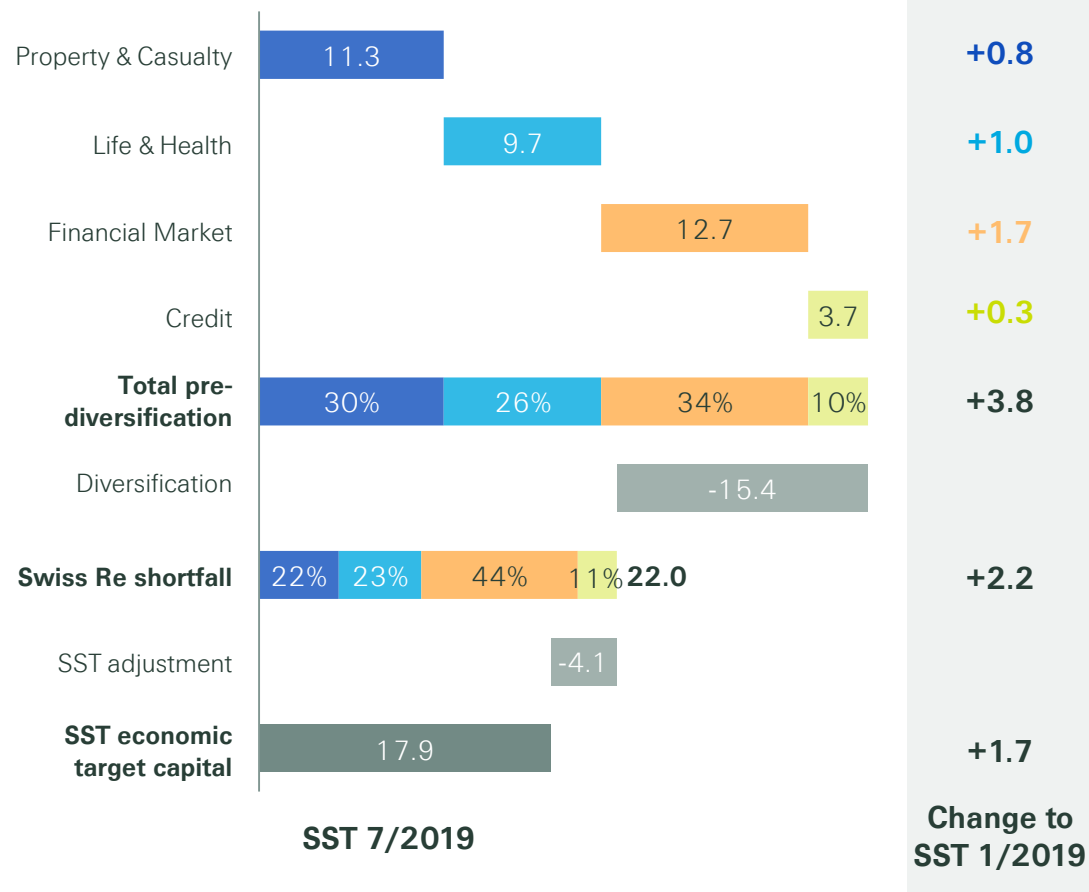
<sup>4</sup> Capital repatriation reflects a pro-rata placeholder for the ordinary dividend expected to be paid in 2020 and the remainder of the ongoing 2019/2020 share buy-back



# Swiss Re Group deployed significant capital during H1 2019 with balanced growth in exposures

## Group SST economic target capital

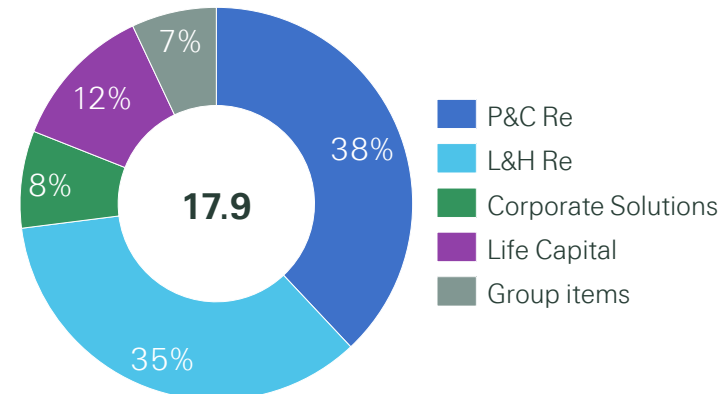
USD bn



- Increase in P&C risk driven by strong renewals above what was already reflected in SST 1/2019
- Overall L&H risk increase mainly driven by growth in Asia and lower interest rates
- Financial market risk increase due to market developments, reflecting lower interest rates and tighter credit spreads, as well as lengthening of the credit portfolio duration
- Credit risk increase due to slight growth in Credit and Surety business

## Swiss Re shortfall by segment

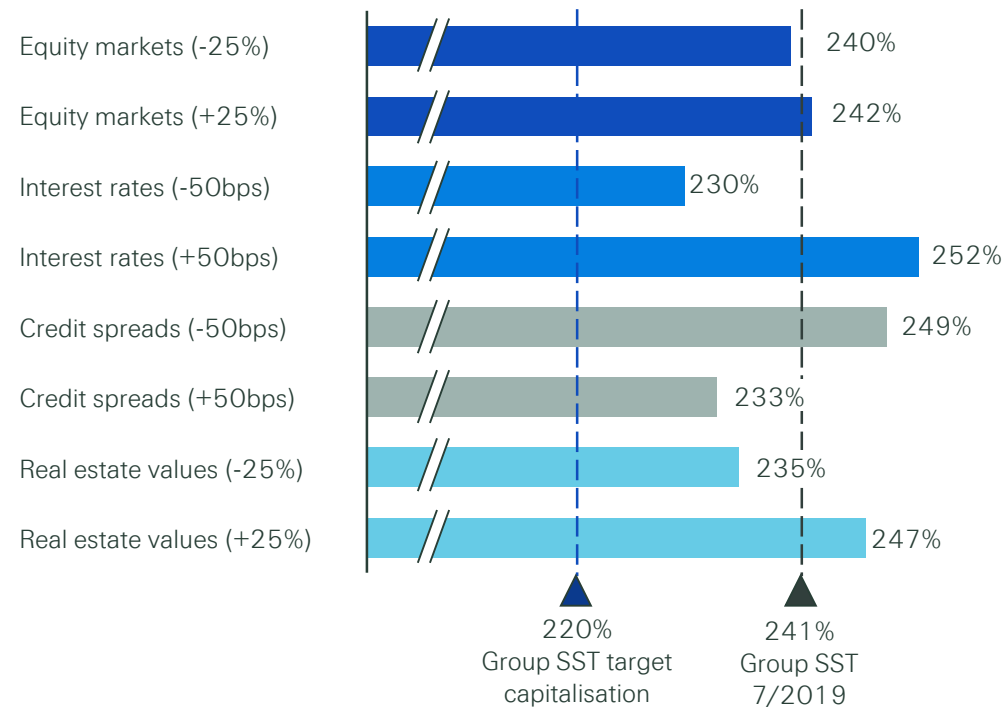
USD bn



# Our capital strength is resilient to market moves and insurance events

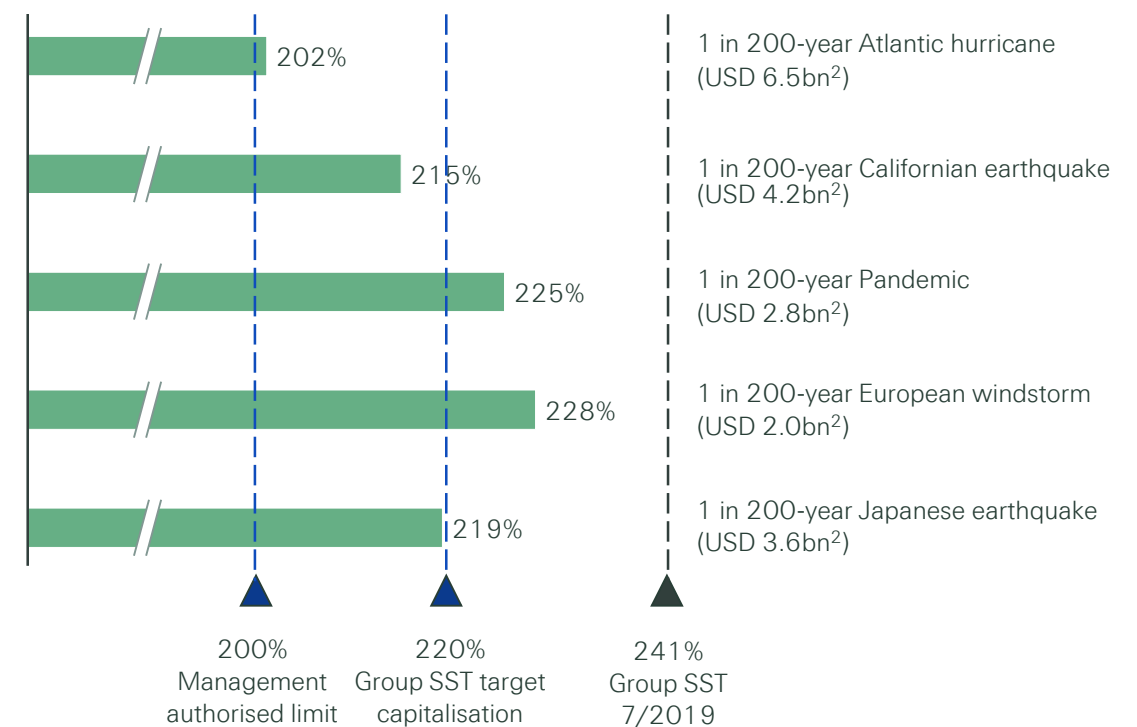
## Financial market sensitivities

Resulting estimated Group SST ratio 7/2019



## Insurance stresses

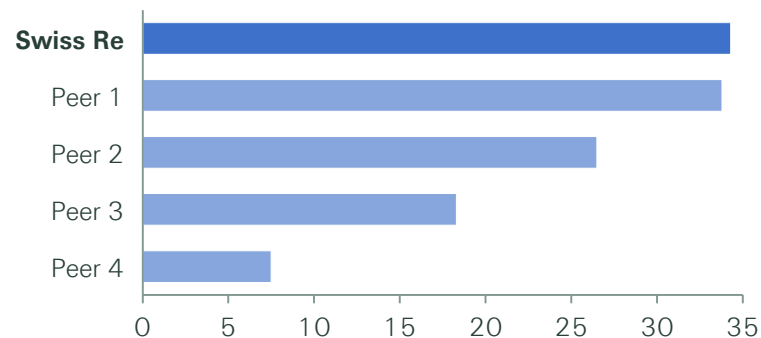
Resulting estimated Group SST ratio 7/2019<sup>1</sup>



# Swiss Re has a long tradition in cat bonds and sidecar platforms

## Swiss Re has been active in the Cat bond market for a long time...

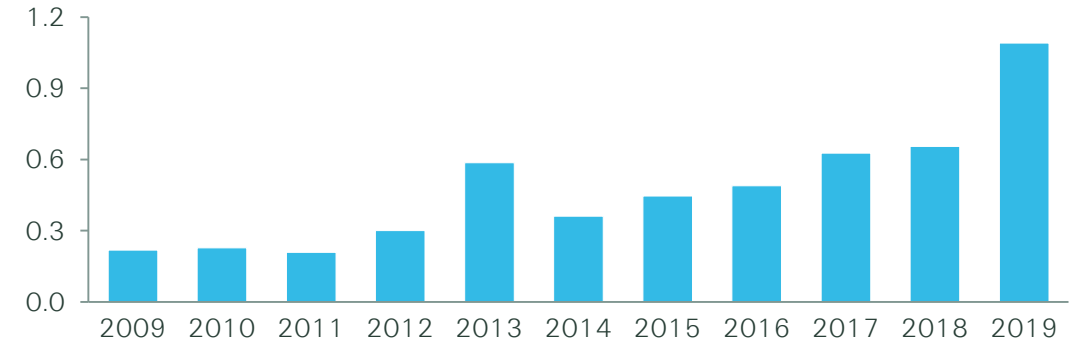
Leading underwriters<sup>1</sup> in the cat bond market since 1997  
(in terms of notional amount, USD bn)



- Swiss Re has a **long track record** in the cat bond market with a history of market innovation and cat bond firsts
- As one of the pioneers of the market, structuring and placing of the first industry index cat bond and the first parametric cat bond, each in 1997
- Structuring and bookrunning of the Pacific Alliance earthquake cat bond for the World Bank (largest sovereign cat bond on record - USD 1.4bn)

## ... with a long history of sharing Nat Cat risks with our partners

Size of Swiss Re sidecar platform  
(cover placed in USD bn)



- Swiss Re shares its Nat Cat business through the Sector Re sidecar platform since 2007
- Swiss Re seeks to establish **long-term partnerships**
- There is **strong alignment of interest** as Swiss Re retains a significant share of the underlying risk

# Our differentiation in Reinsurance is recognised by our clients

## Leading provider of products and service propositions



for P&C  
Insurers



for P&C  
Brokers



for L&H  
Clients

Reinsurance's Business Capability Index rankings from most recent global NMG studies

## Engagement based on clients' needs and business potential

**Right service for right client**  
using behavioural segmentation

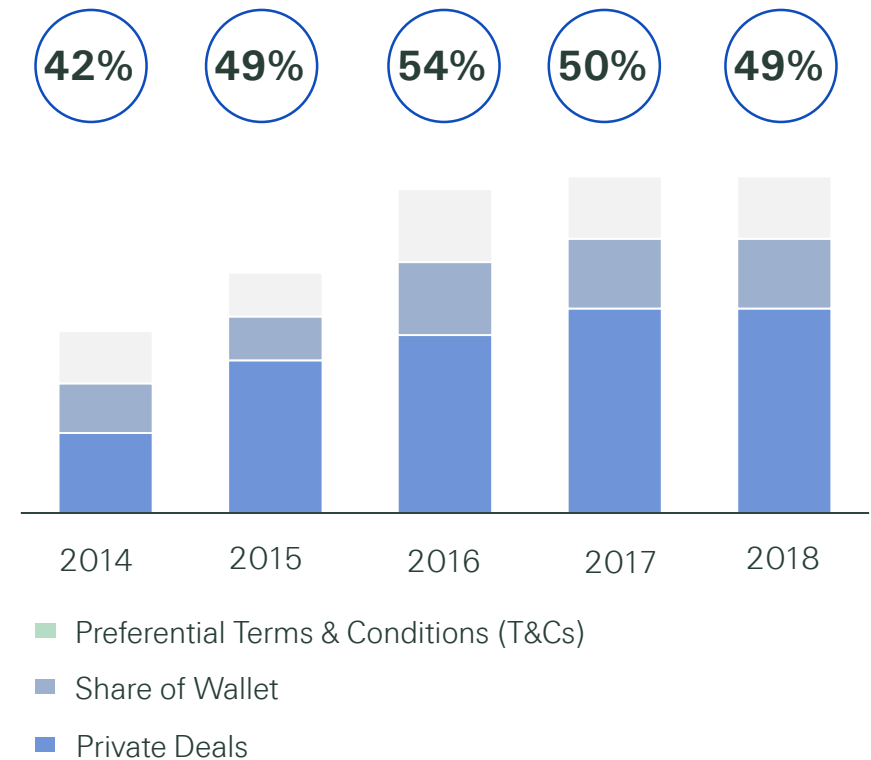


Low touch client



High touch client

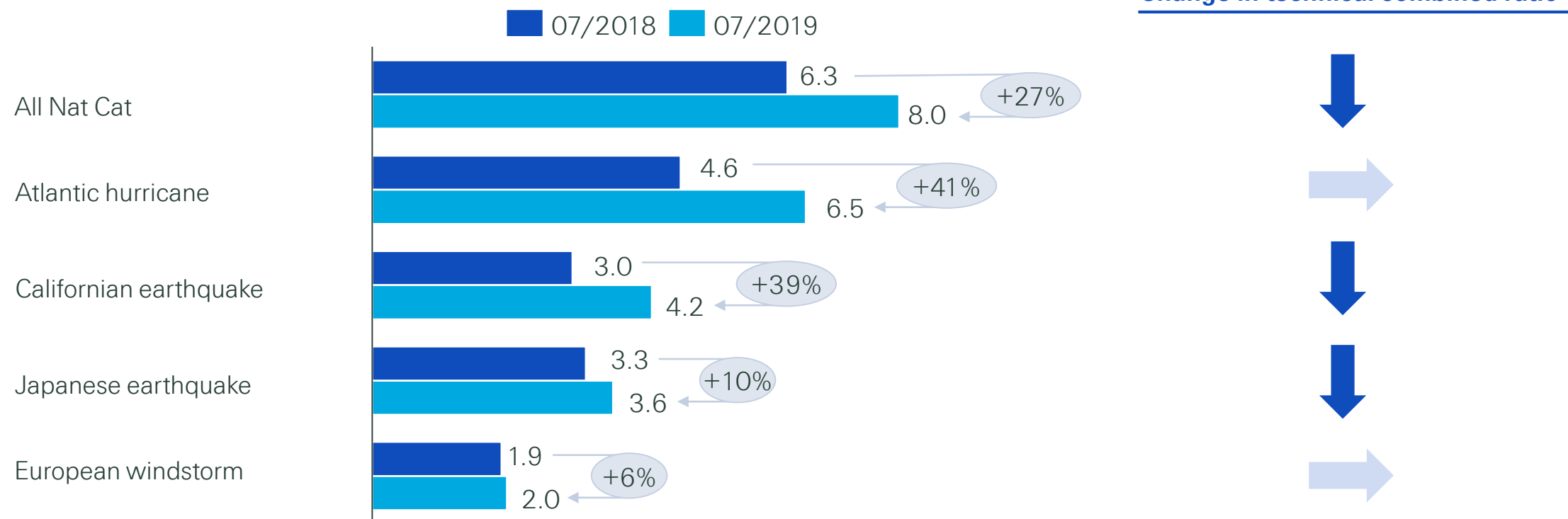
## Approximately 50% of our EVM profit is from differentiated business





# Growing Nat Cat risk exposure in 2019 has been achieved at improved economics

99.5% VaR in USD bn, net of retrocession



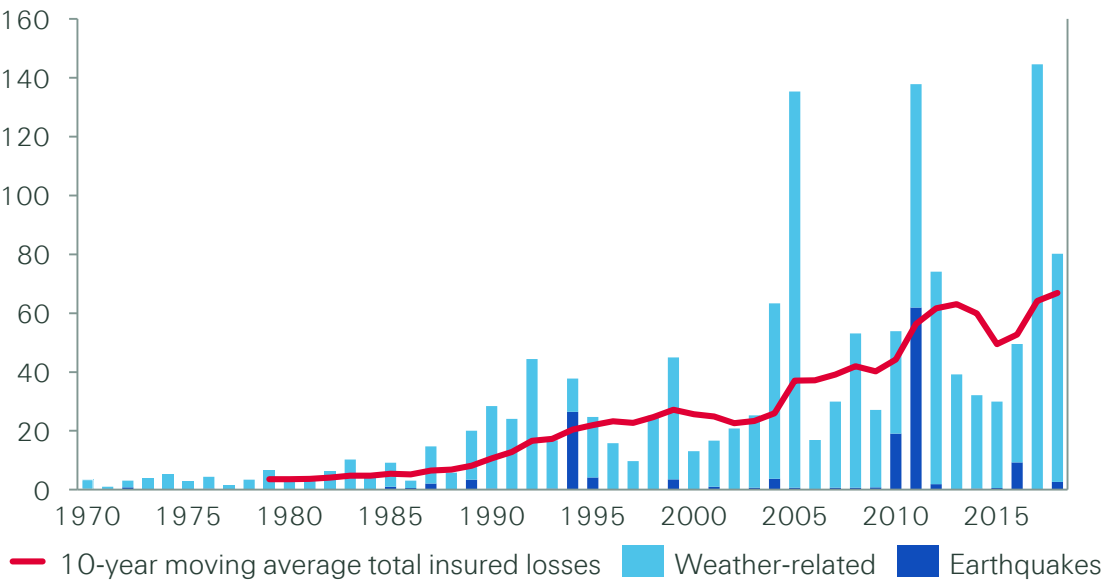
- With Alternative Capital Partners (ACP), we significantly increased our use of third-party capital to support our Nat Cat growth
- Across most peak scenarios, our gross exposure increased by more than the net exposure
- Economics of Swiss Re's Nat Cat portfolio improved, with a reduction in the technical combined ratio



# Swiss Re is continually adapting to a dynamic Nat Cat risk landscape

## We observe increased volatility from Nat Cat perils

in USD bn, at 2019 prices



- Continuously increasing mean loss burden on an absolute level
- Cyclones, winter storms and large scale floods are core weather risk contributors
- Substantial volatility around a well understood mean

## We explicitly factor the main risk trends into our modelling

### Key macro risk trends

- Urban development:** More insured values in higher concentration at exposed locations
- Socio-economic impact on claims outcome:** Policy holder behaviour, litigation
- Climate change accelerating extreme weather:** Heat, drought, wildfire, rain

	Portfolio relevance	Explicit modelling
Urban development: More insured values in higher concentration at exposed locations	+++	
Socio-economic impact on claims outcome: Policy holder behaviour, litigation	++	
Climate change accelerating extreme weather: Heat, drought, wildfire, rain	+	

- The higher mean loss burden is primarily driven by macro factors other than climate change, e.g. urban development
- Perils like wildfire and torrential rain are sensitive to climate change impact...
- ... while cyclone and winter storm occurrence is dominated by natural variability

We are adapting to macro risk trends, with ongoing research initiatives enhancing our risk understanding





# Continuously refining Swiss Re's US Liability risk appetite to reflect social trends

## Market challenge

## Potential market impact

## Swiss Re mitigating actions



**Large jury awards and settlements for injuries**



- Maintaining a diversified portfolio across sub-lines of business and risk classes
- Progressively reducing exposure to Large Corporate Risks (LCRs), which is ongoing
- Expanding into smaller and more regional clients to balance our exposures



**Opioids**



- Very low appetite for pharma manufacturers and products in recent years
- Underwriting guidance and dedicated claims code for opioids established



**Increase of suits in US by states Attorneys General**



- Leading market-wide dialogue to promote awareness
- Working with clients to identify severe cases and push for early resolution



**New latent claims, e.g. talc**



- Raising awareness through internal and client insight sessions
- Reducing risk appetite for US Liability business given new uncertainties around claims



**Reviver legislation (sexual abuse cases)**



- Working with clients to identify cases with "nuclear" potential and push for early resolution



**Mass violence / terrorism acts and large-scale criminal activity**



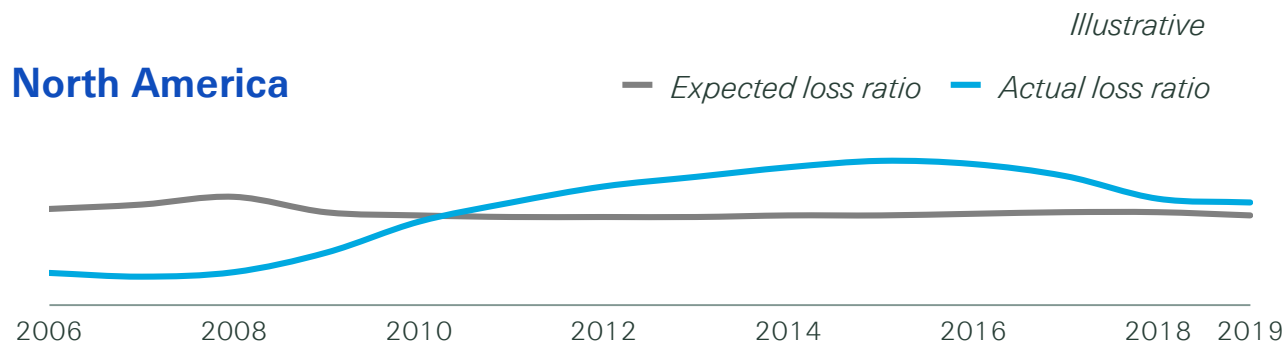
- Focusing on identifying severity potential, mitigation and prevention
- Reducing risk appetite for exposures heavily impacted by moral hazard

Adverse experience is captured in our reserving and updated economic pricing assumptions



# We expect improving trends across our Casualty Reinsurance portfolio

## North America

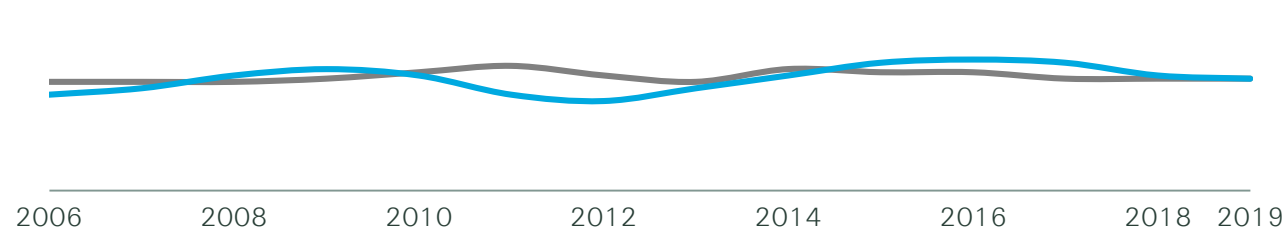


### Expected trends

- **Liability:** Primary rate rises expected
- **Motor:** Primary rate rises expected
- **Loss trends:** Frequency expected to flatten while severity is still elevated

**Our priority:** Caution and manage risk

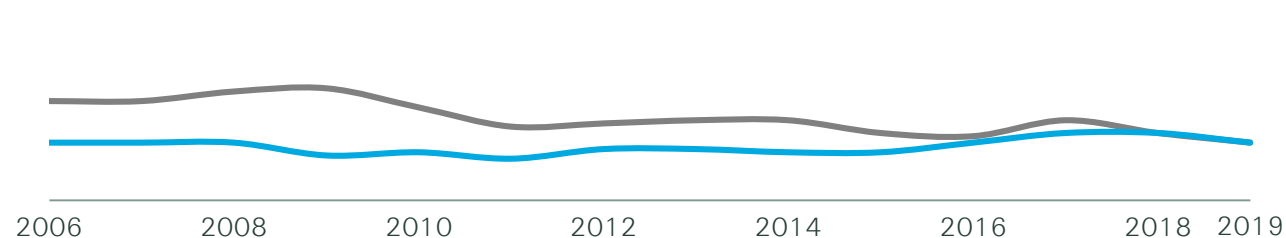
## EMEA



- **Liability:** Stable, some rises expected
- **Motor:** Improved premium rates expected driven by Western Europe
- **Loss trends:** Overall loss frequency and severity is expected to moderately increase

**Our priority:** Stability and margin management

## Asia



- **Liability:** Primary rates stable
- **Motor:** Primary rates stable
- **Loss trends:** Frequency expected to decrease for Motor and Liability but severity expected to rise

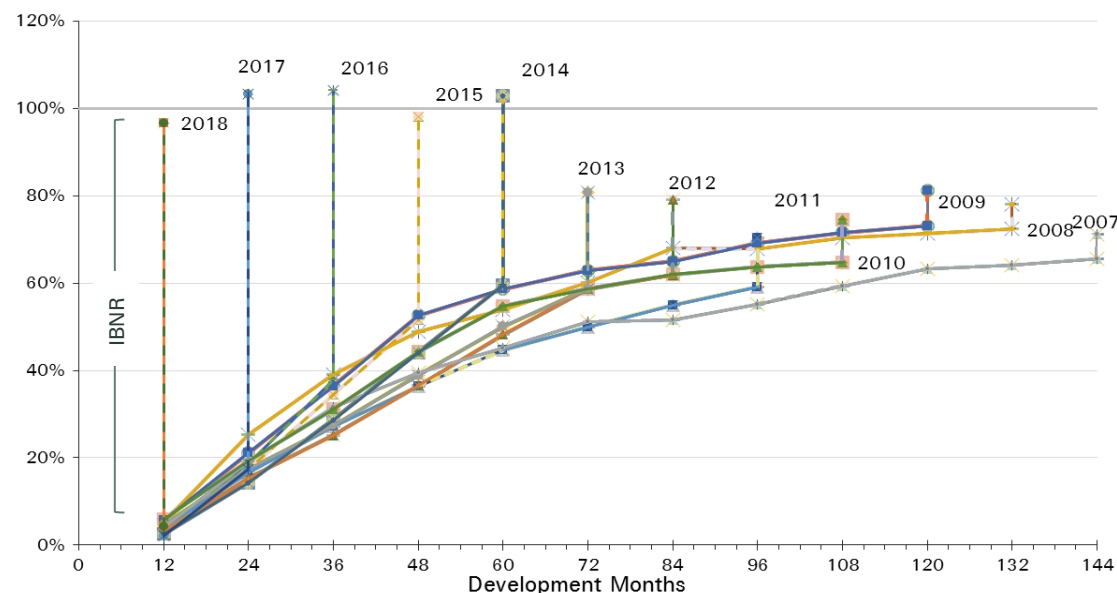
**Our priority:** Innovation and profitable growth



# High volatility of loss ratios for Corporate Solutions vs. Reinsurance mainly driven by impact of large individual claims

## Liability Reinsurance

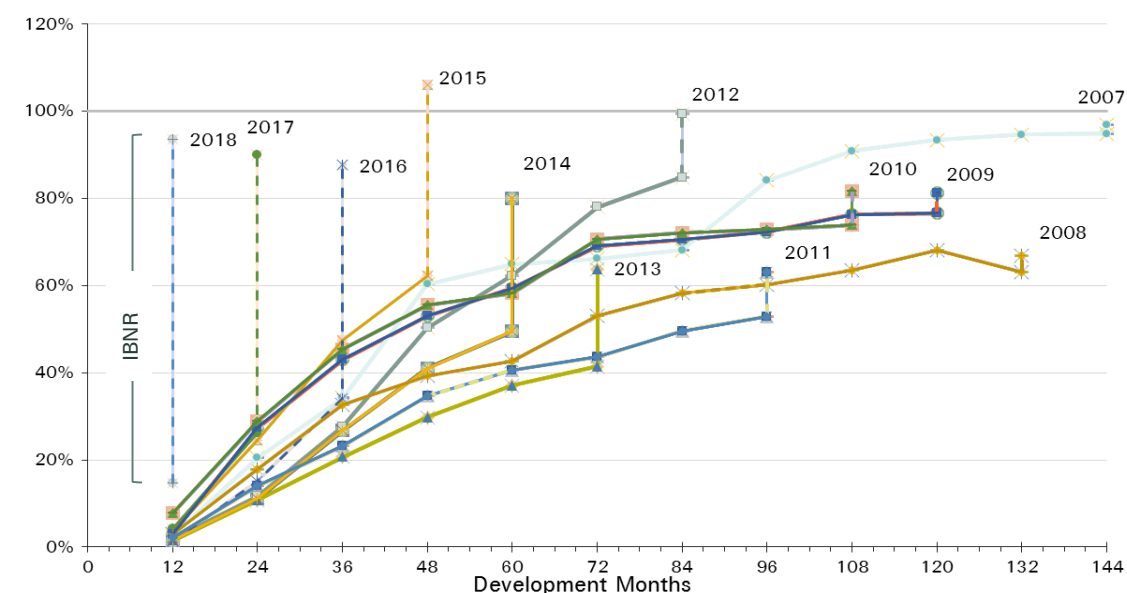
Reported Losses as % of Earned Premiums - Latest ten years



- Large diversified portfolio with smaller limits
- Trends impacting recent underwriting years have been captured and reserves strengthened accordingly
- Continuous improvement on older underwriting years where reserves have been released on various portfolios

## Liability Corporate Solutions

Reported Losses as % of Earned Premiums - Latest ten years



- Portfolio with higher limits and more volatility
- Higher concentration of Casualty risks and geographically less diversified
- Years 2015, 2017 and 2018 reflect impact of large losses

# Update on Corporate Solutions transformation

## Governance

- New leadership structure established to ensure 360-degree view on strategic topics and consistent execution
- Ensure clear accountability across all regions and functions
- Clear priorities focusing on management actions to return to underwriting profitability by 2021 and beyond, and focus on long-term strategic opportunities

## Portfolio pruning

- 80% and 90% of pruning actions will be reflected in gross premiums earned and written, respectively, by 2020
- Pruning portfolios include US General Liability, Special Risks, Agriculture, Marine, Aerospace, FinPro<sup>1</sup>

### Portfolio pruning and US GAAP impact (GPW)



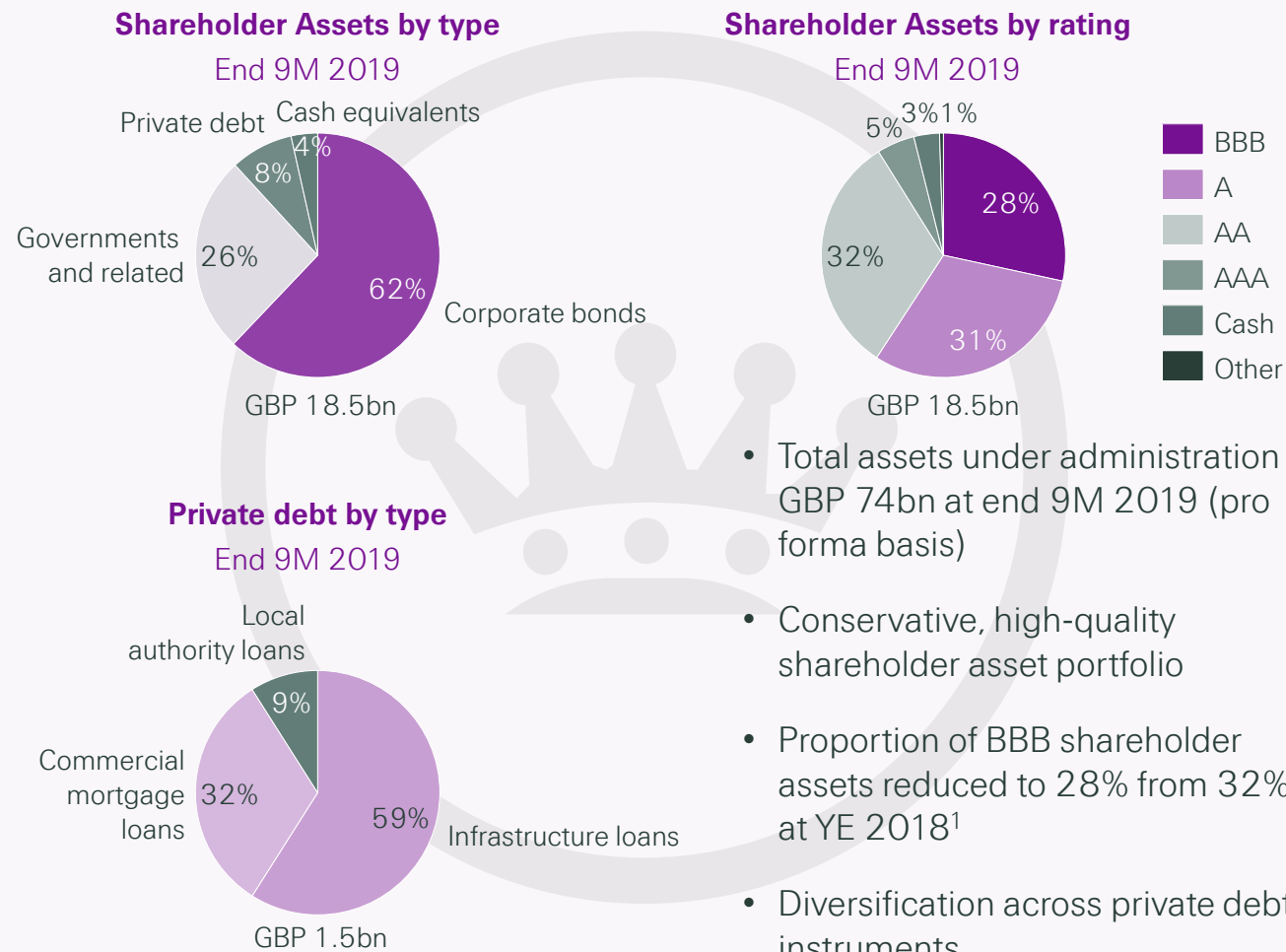
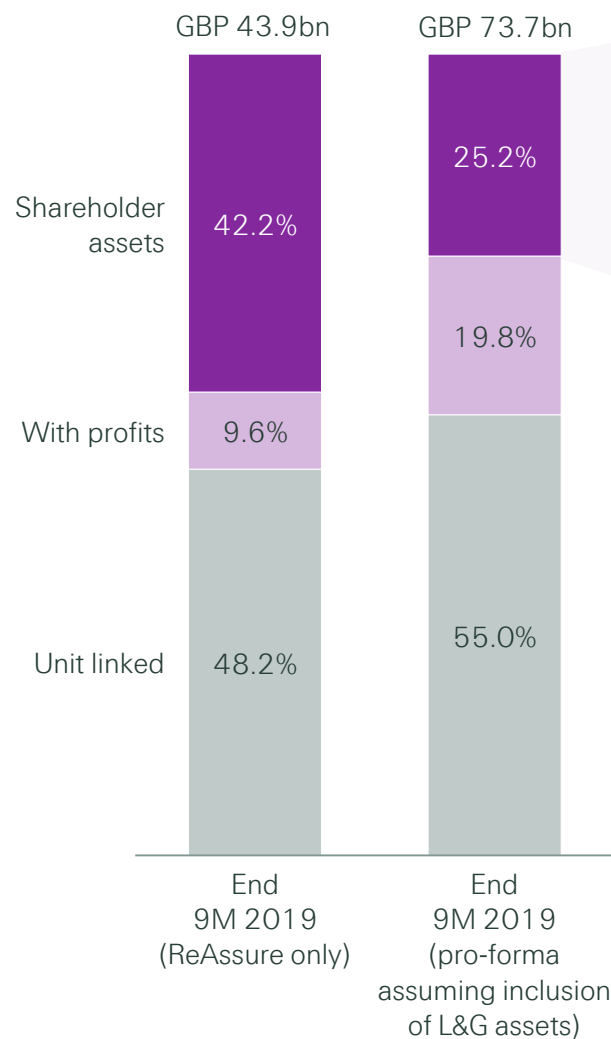
## Reinsurance structure

- Tactical reinsurance H2 2019 put in place with additional first event covers for Nat Cat (single event retention at USD 200m vs. USD 300m previously) and property per risk (USD 35m vs. USD 75m)
- Strategic reinsurance 2020 and beyond: Further optimise risk retention across all lines
- ADC cover with P&C Reinsurance put in place to protect back book
- Combination of measures ensure lower future earnings volatility and better capital protection

# ReAssure asset portfolio break-down

Based on ReAssure methodology for portfolio decomposition and on IFRS reporting

## Shareholder and Policyholder Assets



- Total assets under administration of GBP 74bn at end 9M 2019 (pro forma basis)
- Conservative, high-quality shareholder asset portfolio
- Proportion of BBB shareholder assets reduced to 28% from 32% at YE 2018<sup>1</sup>
- Diversification across private debt instruments



# Corporate calendar and contacts

## Corporate calendar

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### 2020

20 February

19 March

17 April

**Annual Results 2019**

**Publication of Annual Report 2019**

**156<sup>th</sup> Annual General Meeting**

Conference call

Zurich

## Investor Relations contacts

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# Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase”, “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 the Group’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:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclicity of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- 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 the Group’s investment assets;
- changes in the Group’s investment result as a result of changes in the Group’s investment policy or the changed composition of the Group’s investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- the Group’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 the Group’s financial strength or otherwise;
- any inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their values recorded for accounting purposes;
- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group’s ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realise tax loss carryforwards, the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on business models;
- failure of the Group’s hedging arrangements to be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting the Group’s ability to achieve improved ratings;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, 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;
- extraordinary events affecting the Group’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- 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, lower-than expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cybersecurity risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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