

# News release

## Change in the re/insurance industry is accelerating – scale, efficiency and risk knowledge become more important

- Swiss Re expects further rate increases for loss-affected and underperforming businesses and broadly stable rates elsewhere as capital remains abundant
- In Swiss Re's view, the upward trend in rates needs to continue to reach a long-term sustainable reinsurance market
- Change in the industry is accelerating, impacting the entire re/insurance value chain
- Swiss Re is leveraging its R&D capabilities, technology and scale to support clients in managing increasing risk complexity, wealth of data and changing protection needs

Monte Carlo, 8 September 2019 – Swiss Re expects further rate increases for loss-affected and underperforming businesses and broadly stable rates in other areas, amid continued capital abundance in the reinsurance market. To ensure a long-term sustainable reinsurance market, further rate increases are needed. The hurricane season that is now upon us highlights the importance of having prices that adequately reflect the risks.

Fast-paced change creates challenges and opportunities for the industry, which is facing growing and ever-more complex risks, a wealth of data and a highly competitive market. In this environment, Swiss Re supports clients with its risk knowledge and builds on strong partnerships and technological innovation to meet the increasing need for insurance protection.

Swiss Re's CEO Reinsurance Moses Ojeisekhoba said: "The industry is changing for a variety of reasons. We are confident that, with our continued focus on the needs of our clients, the scale and diversification of our business, and our risk knowledge and R&D capabilities, we are in the right strategic position to address change proactively."

Swiss Re achieved profitable growth in its reinsurance business in the first half of 2019, underpinned by a strong increase in P&C treaty premium volume and price quality improvement across a broad-based portfolio. The natural catastrophe business has been one of the main drivers of P&C growth for Swiss Re this year. Large transactions, where Swiss Re combines its expertise and reliable balance sheet to meet client-specific capital management needs, have been another growth area.

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Edouard Schmid, Chairman Swiss Re Institute and Group Chief Underwriting Officer, said: "The recent experience of hardening rates in reinsurance mainly reflects the response to higher loss occurrences and adverse trends in natural catastrophe markets and other affected segments. Our deep knowledge, experience and diversification make Swiss Re a strong partner for our clients in underwriting natural catastrophe risks while generating attractive returns on capital."

**The re/insurance industry is changing at a faster pace than ever before**

The abundance of capital in the reinsurance market has impacted the entire reinsurance value chain, increased cost sensitivity, and is requiring reinsurers to find new ways of creating value for primary insurers.

The industry is also facing increasingly complex risks and a rapidly growing wealth of data. Some risks, such as secondary perils (eg wildfires, droughts, and floods) or cyber risks, are evolving and require new approaches, also to risk modelling. Increasing liability insurance costs in the US are another emerging issue as re/insurers have to find a way to model and price the impact of social inflation. At the same time, it is a challenge for primary insurers to use the wealth of data available as this requires profound know-how, specific skill sets and the right resources.

The re/insurance industry is not only confronted with a changing risk landscape, but also with growing exposures as the world's population increases, people live longer and accumulate more assets, especially in areas prone to natural disaster. Swiss Re Institute's latest *sigma* estimates that the combined protection gap for the main risk areas – natural catastrophe, mortality and healthcare spending – reached a record high of USD 1.2 trillion in 2018.

**Swiss Re builds on its R&D capabilities, technology and partnerships to meet the increasing need for insurance**

The re/insurance industry needs to rethink access to affordable, relevant and effective risk management and insurance safety nets. Reinsurers have a crucial role to play in supporting clients along the entire value chain from innovation design to claims optimisation. Swiss Re is doing so by fostering partnerships with clients and companies from outside the insurance industry to develop innovative, technology-based solutions which help close protection gaps, tap into new sources of growth, and deliver better products and services to the end-consumer.

For example, parametric solutions can provide end-to-end pricing, policy administration and automated claim pay-outs for natural catastrophe events. This helps clients increase insurance penetration in previously underserved

markets in an efficient way and provides swift economic relief to policyholders.

Swiss Re has also developed a solid underwriting framework for cyber risks, a suite of solutions for clients, and invests in R&D to stay current with the rapidly evolving cyber risk landscape. In the field of data analytics, Swiss Re is partnering with companies from outside the insurance industry to access new sources of data which, in combination with existing in-house data, enable smarter pricing for its insurance clients, helping them grow and optimise existing portfolios.

Swiss Re's CEO Reinsurance Moses Ojeisekhoba said: "As a risk knowledge company that leverages technology and embraces innovation, Swiss Re will fully leverage its capabilities to support its clients in this rapidly changing environment. We see good opportunities as we partner with our clients to meet the growing need for insurance protection. These partnerships are key, as in the end, we're only as successful as the partnerships we have built."

#### **Media conference and call**

Swiss Re will hold a media conference in Monte Carlo with a dial-in possibility today on 8 September 2019 at 13:00 (CEST). If you plan to dial in, you are kindly requested to call ten minutes prior to the start using the following numbers:

From Switzerland/Europe:	+41 (0) 58 310 50 00
From Germany:	+49 (0) 69 505 0 0082
From UK:	+44 (0) 207 107 0613
From France:	+33 (0) 1 7091 8706
From USA:	+1 (1) 631 570 56 13
From Hong Kong:	+852 5808 1769

#### **Swiss Re**

The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

For logos and photography of Swiss Re executives, directors or offices, go to <https://www.swissre.com/media/electronic-press-kit.html>



For media 'B-roll' please send an email to [media\\_relations@swissre.com](mailto:media_relations@swissre.com)



### 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 cyclical nature 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 carry forwards, 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. The Group 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.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.