

Underwriting priorities

Edi Schmid, Group Chief Underwriting Officer



Competitive advantage achieved through underwriting priorities

Underwriting priorities

- Target liability portfolio as basis for active steering of deployed capital
- Sound capital allocation to the most attractive risk pools
- Investment into R&D
- Access existing and new risk pools
- Knowledge-based underwriting capabilities

Competitive advantage

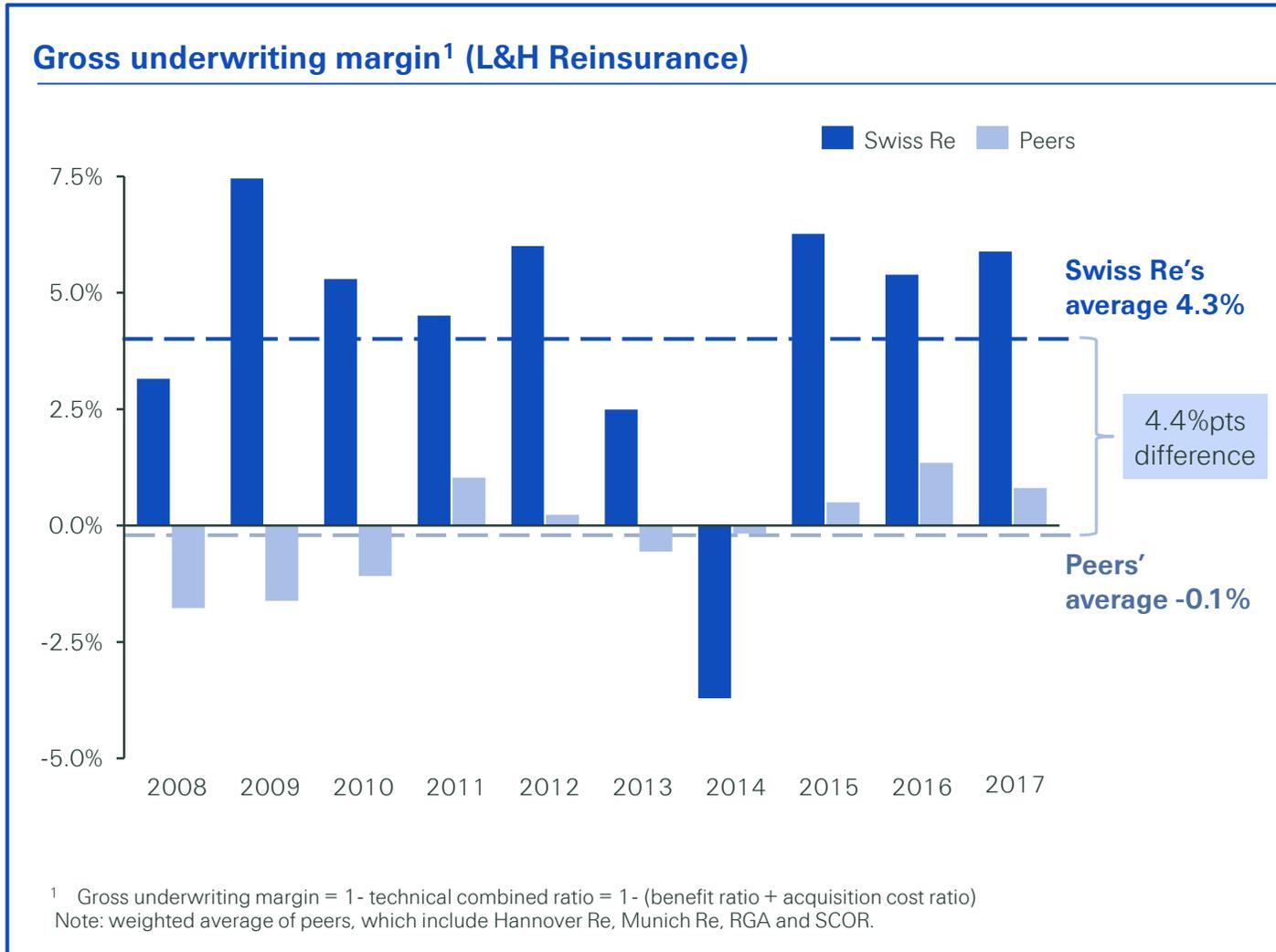
- Beta: Allocating capital to the right risk pools
- Alpha: Selecting better risks at better economics
- Forward-looking view on risk pools
- Smart analytics leveraging big data
- Broadly diversified underwriting book

Target liability portfolio optimises capital allocation

R&D as basis for continued underwriting outperformance

Focus on consistently achieving high underwriting margins

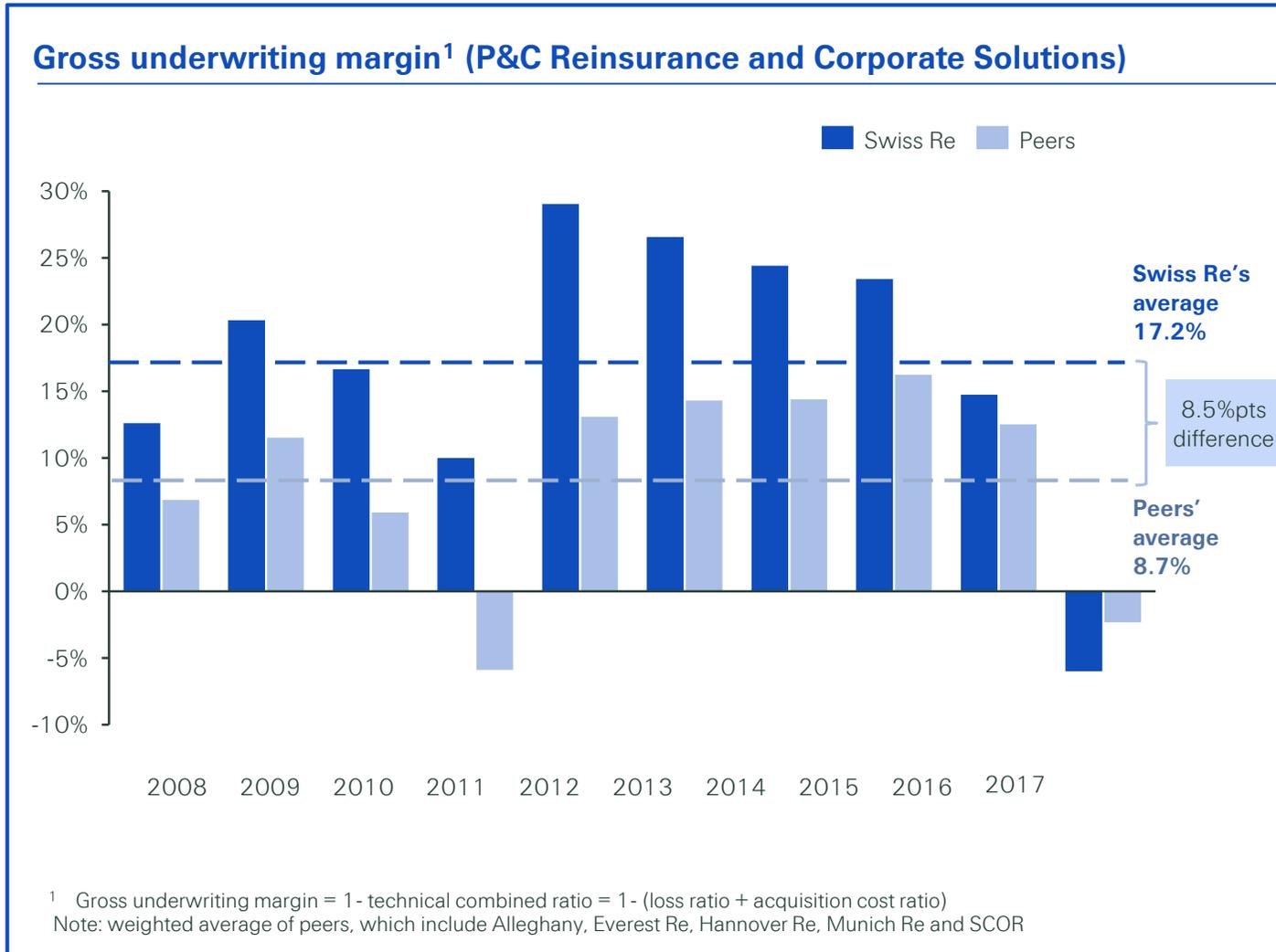
Outperformance in L&H Reinsurance has been pronounced



Key success factors

- Superior risk selection and portfolio steering drive outperformance in L&H Reinsurance
- Underwriting margin increased in 2017 in both, life and health segments
- Underperformance in 2014 is the result of decisive and timely management actions related to pre-2004 US individual life business

Long-term higher underwriting margins than peers in P&C



Key success factors

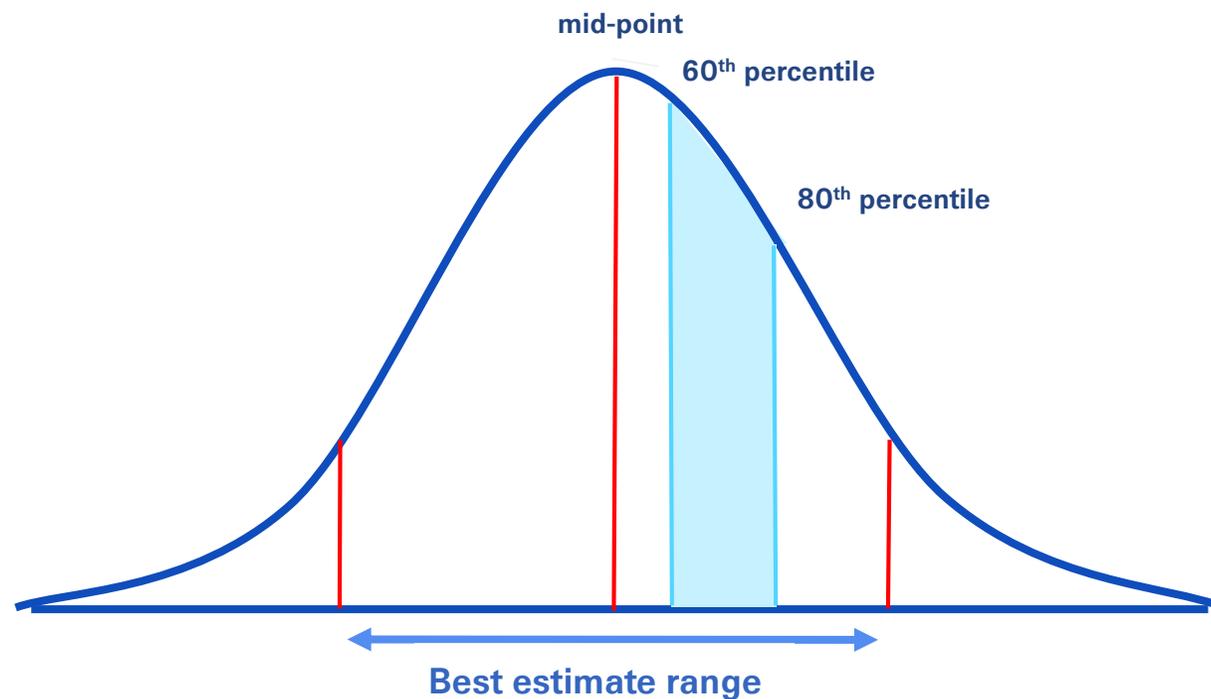
- Track record reflects superior risk selection (alpha) and active capital allocation (beta)
- Large & tailored transactions allowed for differentiated pricing
- Underwriting discipline maintained and expected to benefit from price improvements

Underwriting discipline and reserving linked via feedback loops, allowing reserves adequacy to remain strong

Reserving strength is demonstrated by being in the upper half of a range of best estimates

Possible distribution of P&C reserves (USD 53bn in 2017)

Illustrative



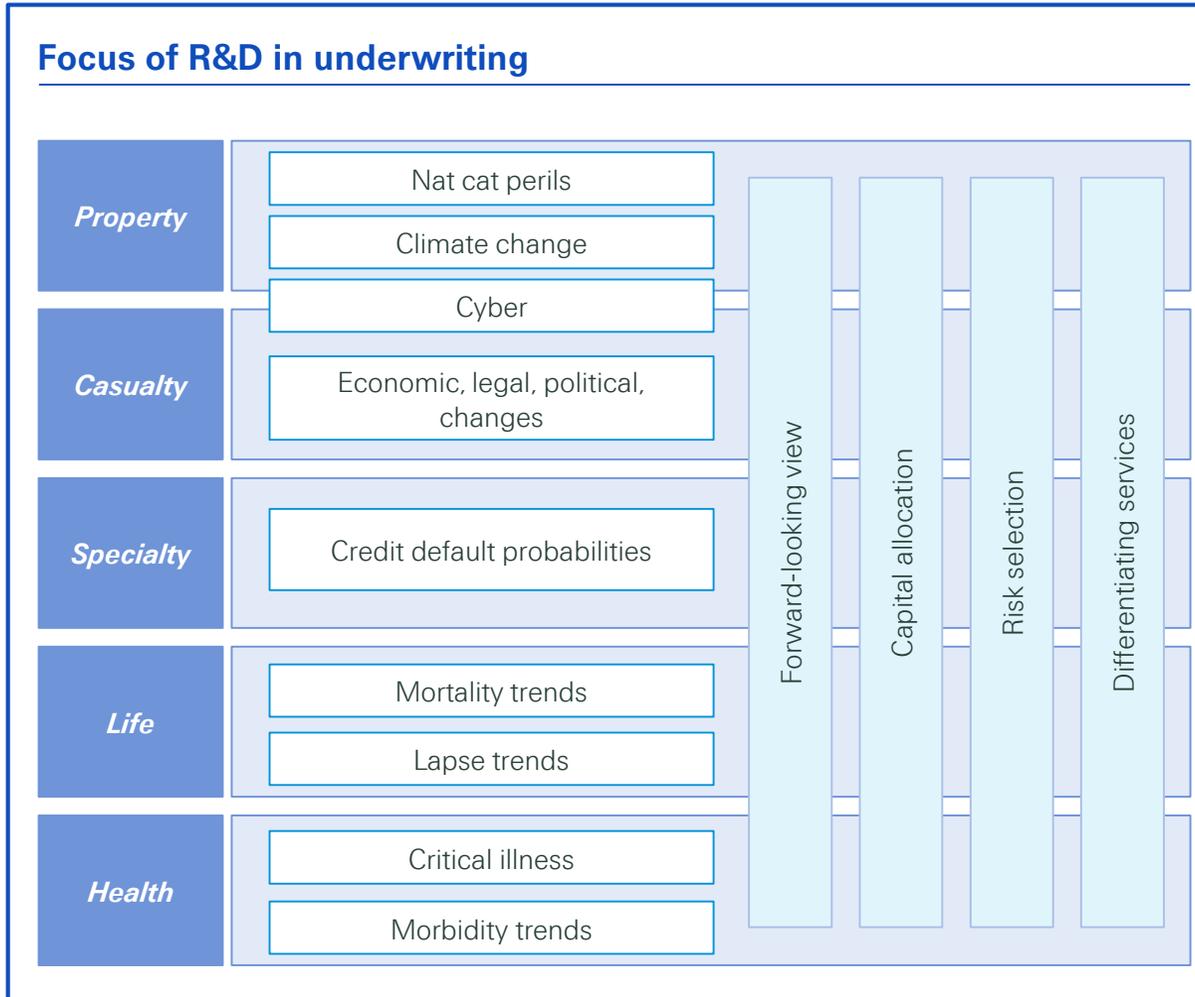
Swiss Re has robust reserving process and governance

- Reserving process provides transparency on best estimate of ultimate claims
- Strong governance around reserving in all regions and lines of business, independently assessed at Group level to be in the 60th to 80th percentile of the best estimate range
- Reserves remain strong and resilient to inflation
- Strong feedback loops between underwriting, claims and reserving teams allow rapid update on reserves and pricing adjustment
- Reserving at Swiss Re is not a way of managing capital nor creating artificially high reserve buffers

Managing inflation

- Inflation drivers are closely monitored: medical costs, wages, social costs, other claims relevant items
- Claims inflation assumptions made in costing are included in initial reserves
- As experience emerges, costing assumptions are replaced by projections of experience and reflected in reserves

R&D in underwriting is a key contributor to Swiss Re's success



CatNet – our natural hazards online information tool

Magnum – our automated L&H underwriting solution

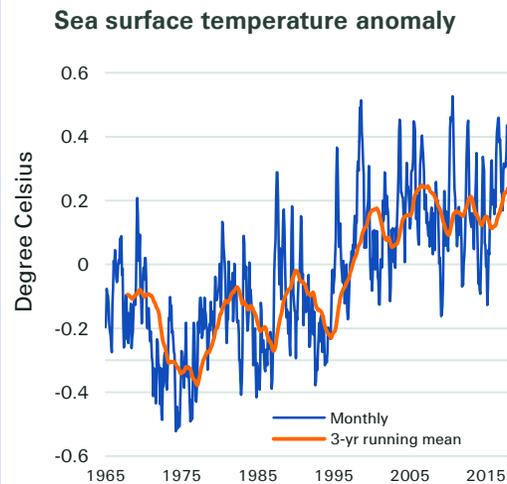
Dynamic pricing platform for parametric insurance

Liability Risk Drivers – our forward looking costing tool

Our focus areas in underwriting R&D address key market developments

Nat cat perils

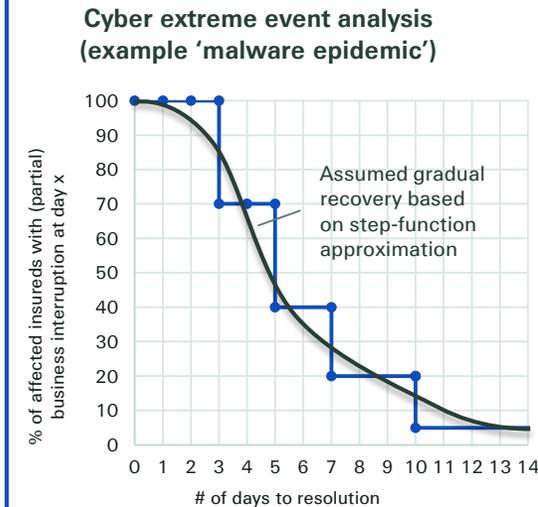
Measuring correlation between sea surface temperature and hurricane activity



- Correlation reflected in our proprietary nat cat model and considered in our costing and scenario assessment

Cyber

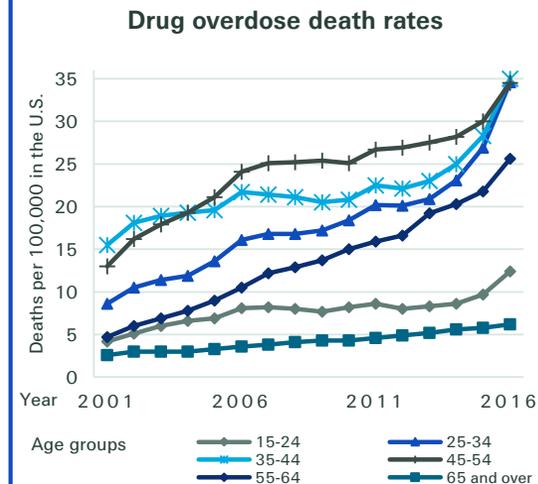
Assessing cyber extreme event scenarios and quantifying the insured loss (PML estimation)



- Understanding which cyber scenarios constitute threats from an insurance point of view
- Developing methodologies to estimate exposure and insurance claims – for both explicit and non-affirmative cyber covers

Mortality trends

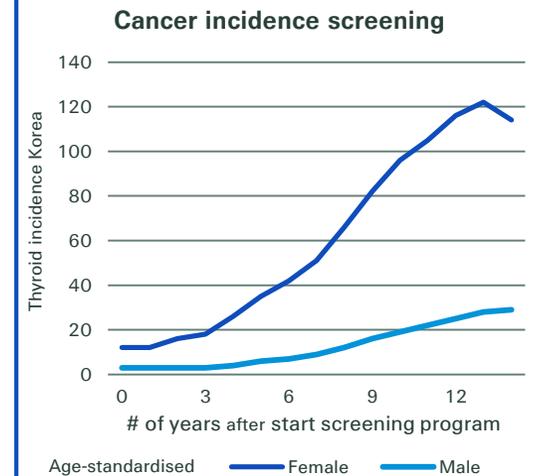
Assessing the growing impact of opioid epidemic in the U.S., Canada, UK, and Germany on mortality



- Incorporate research for better mortality improvement assumptions and life scenario assessment
- Recommendations on life underwriting practices with opioid use in the population

Critical illness

Monitoring of medical practice and disease incidence rates to steer business performance



- Adapt costing & business practice to address findings, e.g. exclusions of claims based on practices that lead to over diagnosis of non-critical disease status, or tighten range/description of diagnosis that lead to valid CI claims

Sources: Nat cat perils: NOAA, Mortality trends: CDC, CI: Korea cancer statistics

R&D driven insights into risk pool performance to dynamically steer and shape our Target Liability Portfolio

Illustrative

No.	LOB and Region	Portfolio Owner	Historical positioning		Current positioning			Future attractiveness		Target Liability Portfolio		
			Portfolio weighting	Actual vs expected performance	Portfolio weighting	Economic return	US GAAP return	Risk impact	Premium trends	Loss trends	Target weighting	Priority
1	Property Re Non proportional Americas	Name 1	OW		OW	Desirable	Desirable	Desirable	Green arrow up	Grey arrow right	OW/UW	Growth, Profitability
2	Property Re Non proportional EMEA	Name 2	OW		OW	Desirable	Desirable	Desirable	Grey arrow right	Grey arrow right	OW/UW	Growth, Profitability
3	Critical Illness Asia	Name 3	UW		Neutral	Desirable	Desirable	Less desirable	Green arrow up	Grey arrow right	OW/UW	Growth, Risk
4	Property Commercial Americas	Name 4	UW		UW	Desirable	Less desirable	Desirable	Green arrow up	Orange arrow up	OW/UW	Growth, Risk
5	Liability Re Americas	Name 5	UW		Neutral	Less desirable	Less desirable	Less desirable	Grey arrow right	Orange arrow up	OW/UW	Risk, Profitability

47 portfolios owned by senior leaders, overseeing and assessing performance of portfolios

Historical capital allocation versus market and UW performance

Strong insights into our positioning vs market, and core economics of each portfolio: **EVM, US GAAP, Risk**

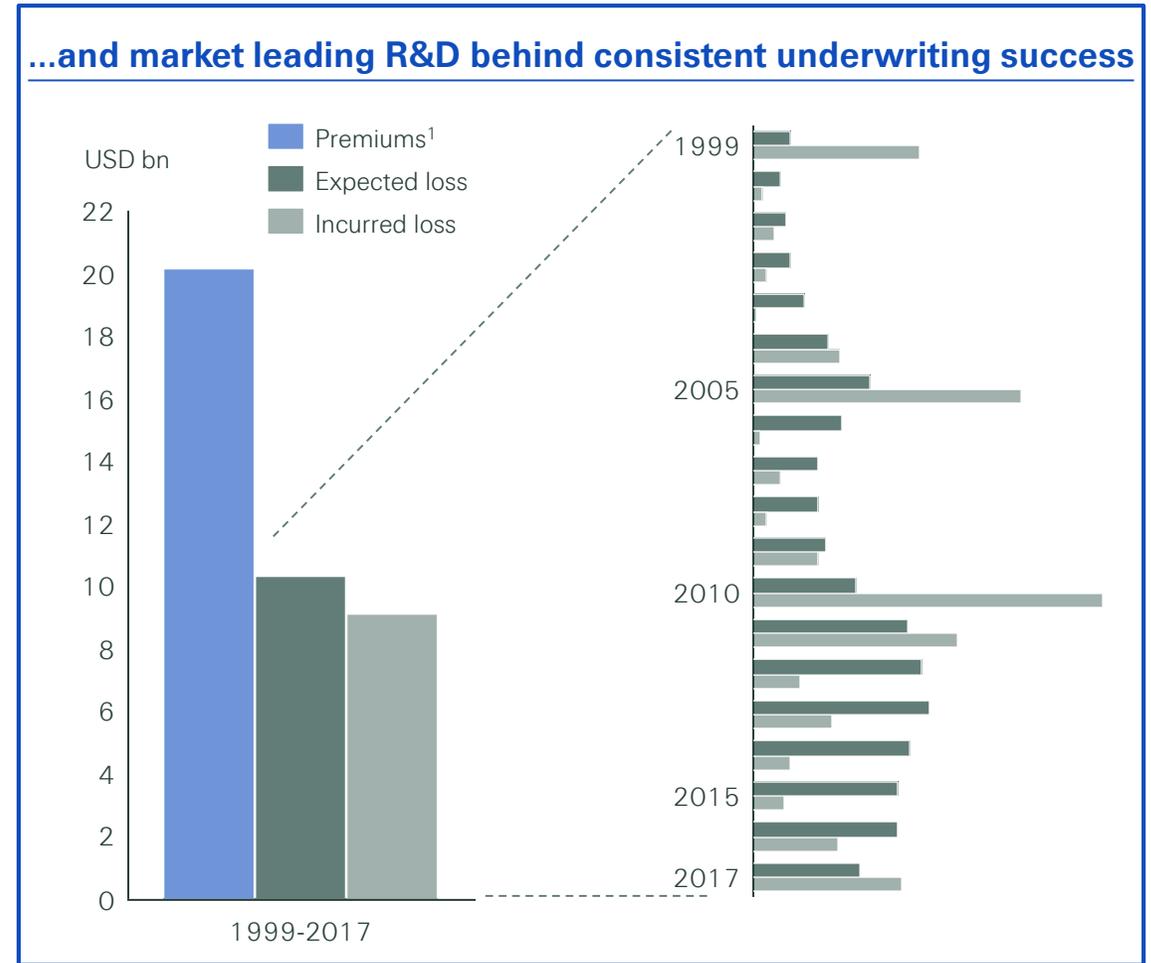
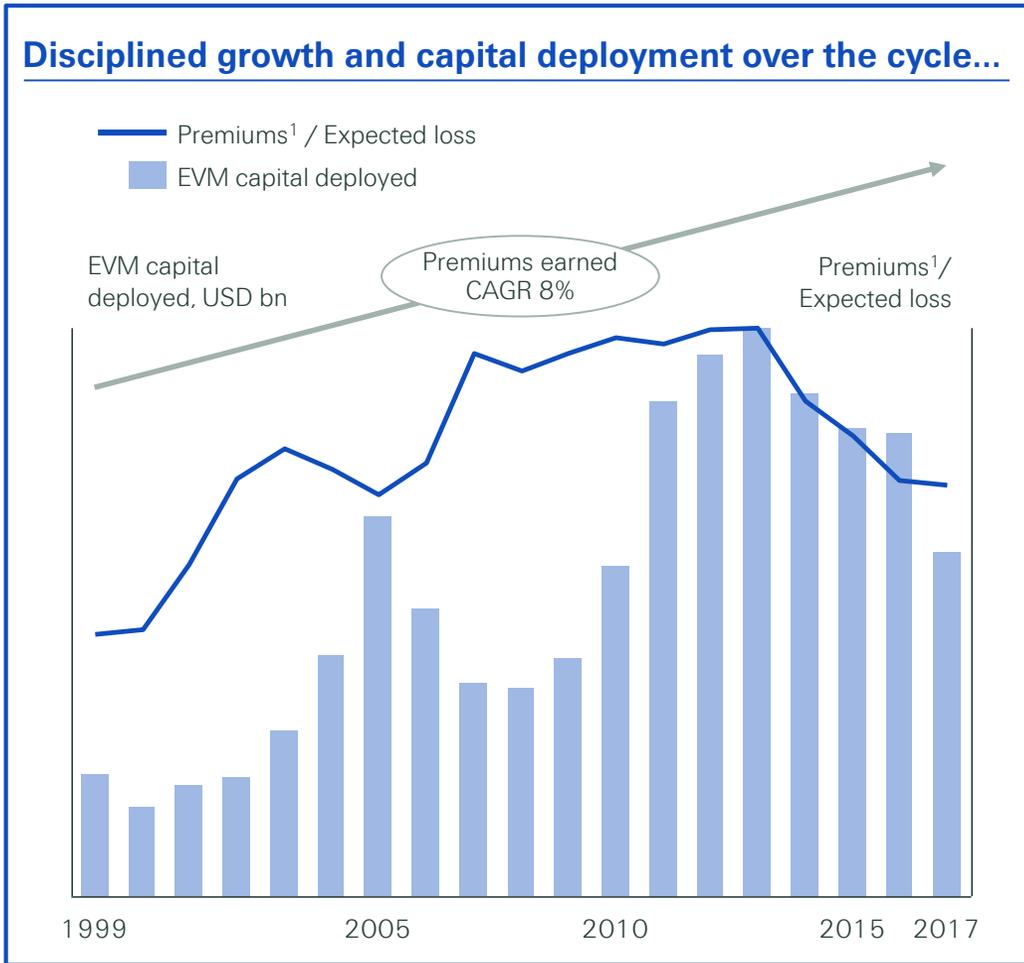
Portfolio-specific R&D quantifies future market trends

Targeted approach for growth, profitability (margin) and risk

UW = underweight; OW = overweight

desirable neutral less desirable

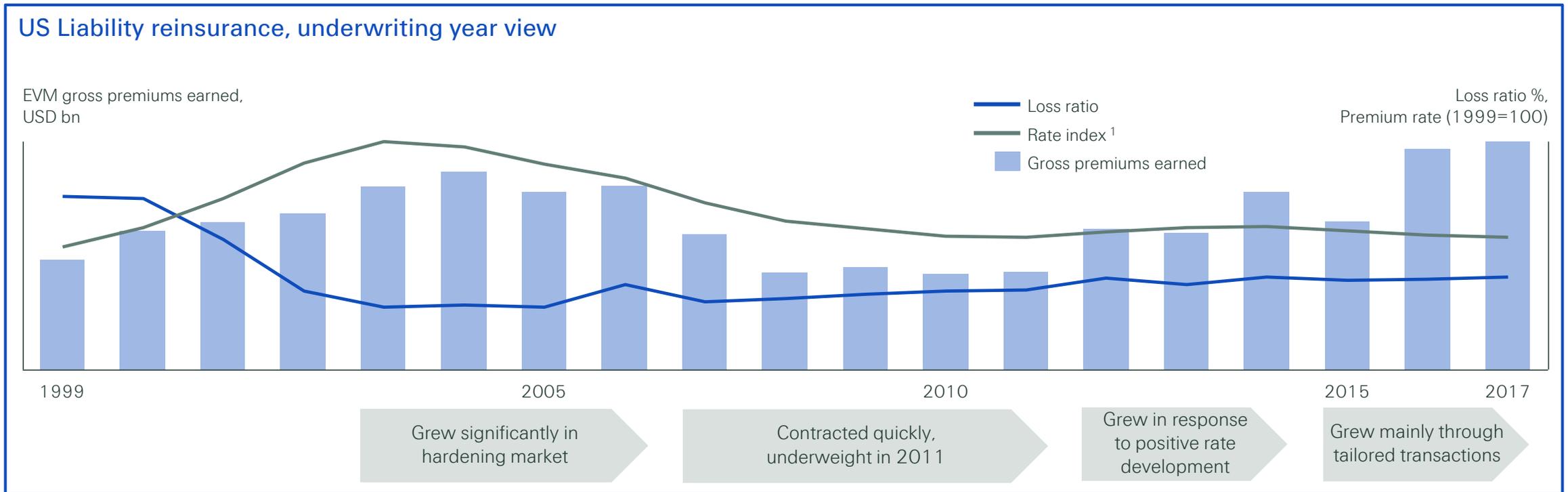
Nat cat – Long-term growth through active portfolio management and distinctive R&D



Note: Data is presented on an underwriting year basis for P&C Reinsurance. The chart shows Cat XL business. There is additional Nat cat exposure in proportional and per risk treaties

¹ Gross premiums written net of commissions

US Liability – Recent growth through tailored transactions followed by strong push for rate improvements

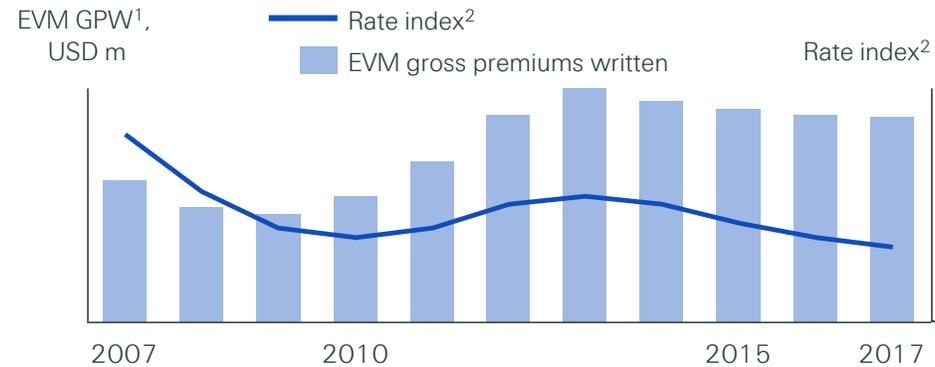


- Disciplined underwriting with increased focus on profitability and risk management
- Rate improvement at 1/1/2018 renewals and further rate increases expected
- Mid-market growth envisaged as large verdict trend against large corporations continues
- Liability reserves remain strong

Note: Data is presented on an underwriting year basis for P&C Reinsurance
¹ The Council of Insurance Agents & Brokers (CIAB) rate change, General Liability

Corporate Solutions Property – Solid underwriting performance driving long-term profit

Disciplined market participant...



...with strong loss ratio performance



Active cycle management – long-term growth goal based on strict underwriting discipline

2007-17: Average economic profit margin: 13%,
Economic profit: >USD 1 bn

Strong technical underwriting:
average loss ratio < 50%

Swiss Re Group-wide balance sheet absorbs nat cat volatility where economically attractive

¹ EVM gross premiums written by underwriting year, gross of intra-group retrocessions, net of external cessions

² The Council of Insurance Agents & Brokers (CIAB) rate change

³ Loss ratio calculated as claims / gross premiums written

Critical Illness (Asia) – Profitable, strong growth market made possible by proprietary R&D

Strong underlying strategic fundamentals

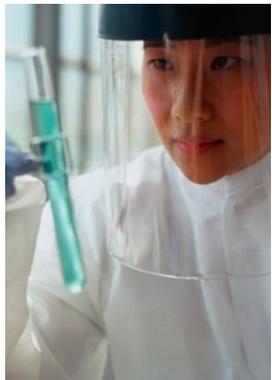


Secular demand growth from mega-trends (e.g. emerging middle class)

Technically demanding product

Margin management capability (e.g. differentiated risk charge per market)

Market leading R&D in critical areas

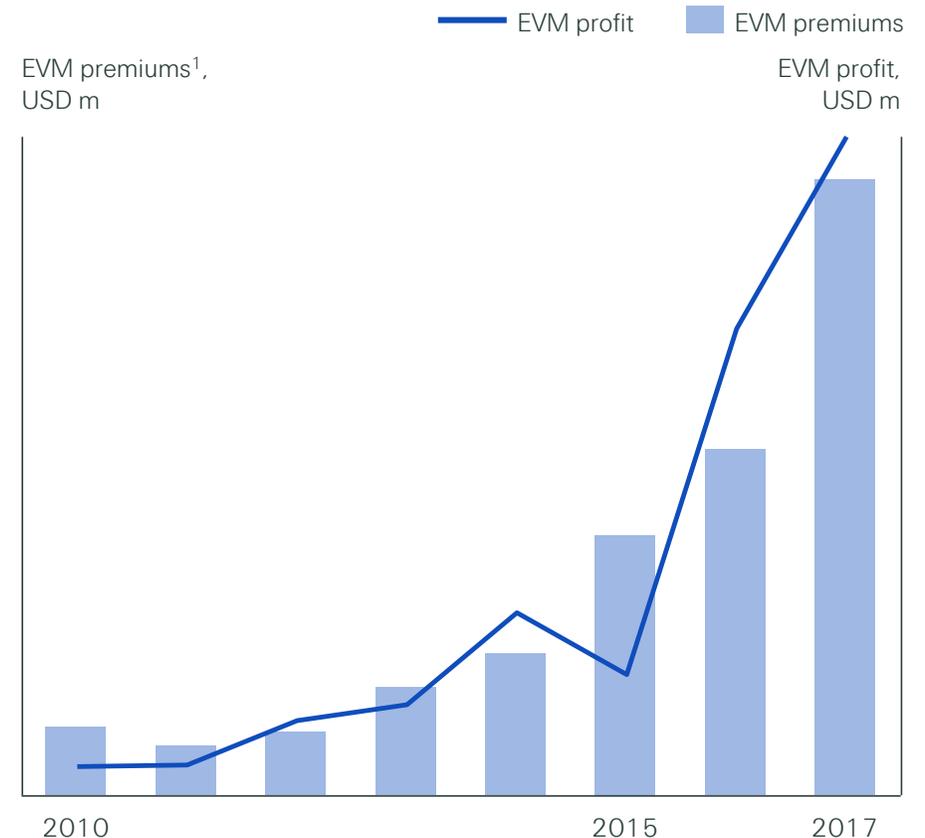


Over-diagnosis through emerging technologies (e.g. liquid biopsy)

Early warning system (e.g. detect trends in big data)

Global standards benchmarking

Creating a new, profitable and growing market



¹ PV premium for new business on EVM basis (net of all reinsurance)

As a knowledge company we invest in R&D which continues to be the basis of our underwriting outperformance

- Active monitoring of performance and trends to allocate capital to most attractive risk pools
- Advanced research and modelling capabilities to enhance risk selection
- Leverage technology to develop industry leading practices and tools
- Develop forward-looking perspective on risk pools



Optimise capital allocation

Create client value through differentiated services

Ensure access to existing and new risk pools



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 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.

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.

Corporate calendar & contacts

Corporate calendar

2018

20 April	154th Annual General Meeting	Zurich
4 May	First Quarter 2018 Key Financial Data	Conference call
3 August	Half-Year 2018 Results	Conference call
1 November	Nine Months 2018 Key Financial Data	Conference call

Investor Relations contacts

Hotline

+41 43 285 4444

E-mail

Investor_Relations@swissre.com

Philippe Brahin
+41 43 285 7212

Jutta Bopp
+41 43 285 5877

Manfred Gasser
+41 43 285 5516

Chris Menth
+41 43 285 3878

Iunia Rauch-Chisacof
+41 43 285 7844

Legal notice

©2018 Swiss Re. All rights reserved. You are not permitted to create any modifications or derivative works of this presentation or to use it for commercial or other public purposes without the prior written permission of Swiss Re.

The information and opinions contained in the presentation are provided as at the date of the presentation and are subject to change without notice. Although the information used was taken from reliable sources, Swiss Re does not accept any responsibility for the accuracy or comprehensiveness of the details given. All liability for the accuracy and completeness thereof or for any damage or loss resulting from the use of the information contained in this presentation is expressly excluded. Under no circumstances shall Swiss Re or its Group companies be liable for any financial or consequential loss relating to this presentation.