Swiss Re

Swiss Re Ltd

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Speech

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Check against delivery.

Gruezi, bonjour, welcome.

I'd like to extend a very warm welcome to all of our shareholders. I'm delighted to see you all here today.

Major catastrophe losses around the world made 2018 the fourth most expensive year in history for the insurance industry.

Sadly, we must assume that the devastation caused by future climate-related natural disasters will only increase in scale. Take tropical cyclones as an example: In 2018, a total of 29 storms were recorded in the Western Pacific region alone – a sharp increase on the long-standing average.

According to Swiss Re Institute estimates, natural catastrophes and man-made disasters caused 165 billion dollars' worth of damage around the world over the past year. Astonishingly, only around half of this damage was insured – even though the majority of the countries affected were industrialised nations. Swiss Re absorbed losses of three billion dollars last year as a result of these major events. And losses of 4.7 billion the year before. That's a lot of money. But at the same time, we're proud that our financial strength helps people to get back on their feet again after tragic events. And we are also taking our own climate responsibilities seriously. Our investment portfolios boast an almost 100% compliance rate with environmental, social and governance criteria – or ESG as they are known for short. We are also putting our money where our mouth is as far as underwriting is concerned. To name just one example, we no longer insure companies that generate more than 30% of their energy from coal.

Let's now get down to specifics and talk about what these major losses mean for Swiss Re.

We'll start with Swiss Re Ltd. As shareholders, you have a direct stake in the Group's holding company. Profits reported by the latter for the last financial year amounted to three billion Swiss francs. But as the holding company's result is not consolidated and consists primarily of the cash dividends from its subsidiaries, it does not tell us much about what really went on in terms of business performance.

The result for the Swiss Re Group is much more interesting: Despite the three-billion-dollar major losses I referred to previously, Swiss Re recorded profits of 421 million dollars in 2018.

It's also worth remembering that nearly 600 million dollars – and that's the pre-tax figure – was deducted from our earnings as a result of updates to the US GAAP accounting standards. Without this deduction, our profits for the past year would have amounted to 894 million dollars. The majority of our competitors do not follow US GAAP when publishing their results, which meant that they were not affected by the changes.

GAAP equity declined by around five billion to just under 28 billion dollars at the end of 2018. Half of this figure can be chalked up to costs associated with the dividend payout and with the share buyback programme that we completed in February 2019. The other half can be attributed to unrealised market losses in the investment portfolio. Stock market volatility in the fourth quarter had a role to play in this respect. But what matters most is that we continue to maintain strong economic capitalisation and a very strong solvency ratio, which far exceeds the target value. Our goal for the future is to ensure that surplus capital that is not required for other purposes based on our capital management priorities can be repaid to you, our shareholders. This is a message you have already heard from Walter Kielholz.

Ladies and gentlemen, I would now like to spend a little time discussing our various business units.

It should come as no surprise that **Property & Casualty (P&C) Reinsurance** was severely affected by the catastrophes that occurred last year and that I mentioned at the start of my speech. Total losses relating to major natural catastrophes are estimated at two billion dollars. Losses associated with man-made disasters accounted for a further 300 million dollars. The combined ratio in 2018 therefore stood at 104%, which was five percentage points higher than expected. P&C Re recorded profits of 370 million dollars.

The market environment continues to be as challenging as ever, which makes the disciplined underwriting strategy that we continue to follow all the more important. With this in mind, we must demand appropriate premiums for our insurance coverage and reject certain deals. This inevitably has an impact on our gross premiums, which remained more or less stable in 2018 at 16.5 billion dollars.

Our diversification strategy really comes into its own in the years when costly natural catastrophes occur. I am therefore delighted to report solid growth once again for **Life & Health Reinsurance**, mainly thanks to some major transactions and very high growth rates in Asia. Life & Health Re recorded profits of 761 million dollars in 2018, with return on equity also matching expectations at 11.1%.

Overall, the result for our reinsurance business is particularly heartening in view of the many catastrophes that occurred last year.

Performance figures for **Corporate Solutions** were impacted more strongly by the numerous catastrophes during this year than was the case with our reinsurance business. This was due partly to unexpectedly high losses, and partly to the fact that our reinsurance purchases for Corporate Solutions have been low.

Corporate Solutions recorded a net loss of 405 million dollars in 2018 with a combined ratio of 117.5%. We nevertheless believe that the corporate client market holds huge long-term potential for us. Prices recovered over the course of the year somewhat and continue to rise.

Management efforts, however, still need to be stepped up, particularly in the field of underwriting, and we must do everything in our power to improve the performance figures of Corporate Solutions. In view of the current situation, the appointment of Andreas Berger as head of the business unit with effect from 1 March is a tremendous opportunity. Andreas has a proven track record in the insurance industry and brings with him over 20 years of experience.

Life Capital is our third business unit; ReAssure manages closed life assurance portfolios and iptiQ and elipsLife provide us with access to the life and health insurance market. Growth figures are encouraging for both iptiQ and elipsLife (our individual and group insurance business).

The gross premiums rose by around one billion dollars, to 2.7 billion dollars. Not least thanks to ReAssure, Life Capital was once again able to generate exceptionally strong gross cash, reporting a figure of 818 million dollars. It recorded profits of 23 million dollars.

Big things will be happening for Life Capital in 2019. You've no doubt already heard that we are examining the possibility of an IPO for ReAssure. Preparations for this are in full swing. The fact that the Japanese insurance group Mitsui Sumitomo increased its share in ReAssure to 25% last year was therefore particularly welcome news.

A successful IPO for ReAssure – which depends on an amenable market environment – will allow Life Capital to concentrate on the group insurance business and our digital primary insurance platform iptiQ.

So you've now heard about the figures. But as we know, they tell only part of the story. What they don't reveal is the fact that our industry is living through a period of major transitions. We've invested a lot in technology in recent years. I believe that this approach will deliver huge benefits for our business in the future. We are transitioning into a risk knowledge company that leverages its extensive expertise and its client relationships in order to offer insurance coverage to even more people.

I'd like to cite two specific examples for you:

iptiQ has allowed Swiss Re to build a network of primary insurers and other partners in the field of life, health, property and liability insurance sales. The number of policies sold per week via iptiQ grew fivefold in the last two years, and it has now become a leading platform in the digital insurance space. This means that many more people around the world can be reached.

And we have also invested in innovative solutions for our reinsurance clients.

It may be hard to believe, but only a sixth of US households are insured against flooding – despite the fact that the human and financial toll of floods is increasing year on year. 2018 saw the launch of our flood risk model in the US. Individual risk exposure is calculated on the basis of thousands of data points, such as the location of a building, the type of construction or the insured value. Providing accurate pricing enables our clients – insurers in the US – to provide a more affordable product to homeowners, ultimately resulting in more people being covered.

I will not take up much more of your valuable time.

Despite the major losses I have mentioned, we turned a profit in 2018, just as we did in 2017. It has only been possible with the help of my 15 000 colleagues around the world, who put all of their passion, skills and knowledge into their work on a daily basis. I'd like to take a moment to express my heartfelt thanks to them.

Allow me to comment briefly on the outlook: The latest renewals season has been encouraging. We were able to increase both premium volumes and prices on the reinsurance side. I anticipate that prices will continue to rise over the course of the year. We even saw increases in the corporate client segment. In the long term, we expect stronger growth as a result of developments in emerging markets, including China. And as a result of the new growth opportunities opened up by technology.

I'd like to say a few words about Mythenquai, and about the building works currently going on along Zurich's "insurance mile". These building works – which I hope have not inconvenienced you too much – are underpinning our commitment to this Zurich location. The work is a clear signal that we are not going anywhere.

Investing is what we do, even in challenging times. As you heard from our Chairman, the insurance industry is currently experiencing a period of structural change, and the market is being flooded with cheap money. The market environment will undoubtedly remain challenging, requiring us to make certain adjustments that will not always be painless. Like all other market participants, we will keep an eye on costs, but we will also continue investing in the future so that we can remain at the top of our field and stay true to our Swiss roots.

We have a lot of work ahead of us, and I am honoured to be at the helm of Swiss Re in these exciting times.

I'd like to thank all of the shareholders present here today for entrusting the management of your company to us all – my colleagues around the world, our executive team, and me.

Thank you very much.