

## **Swiss Re Ltd**

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Speech  
by

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Check against delivery.

Shareholders, Swiss Re employees, Ladies and Gentlemen,

Like in 2020, the only way we can address you today is electronically. Unfortunately, the ongoing pandemic leaves us with no other option.

Today is the last time I will be addressing you as Chairman of the Board of Directors. On this occasion, I would like to divide my speech into three parts: first, some thoughts on the overall geopolitical situation. Political momentum has intensified on all fronts and the associated risks have increased. Second, I would like to reflect on the somewhat more distant past – if you will allow me to do so in light of today’s occasion – and talk about some of the specific challenges that Swiss Re has addressed in recent decades. And third, I would like to share my outlook for the not-too-distant future – when we will hopefully be able to return to a normal way of life – economically speaking, but also as individuals and as a company.

Let me start with the overall geopolitical situation. From a political perspective, the global pandemic that we have been experiencing for more than a year now has resulted in significant changes to what was previously familiar and normal. Its impact on our current, common experience is similar in scope to that of the events that unfolded in 1989, the year I joined Swiss Re. The older ones among you may remember how the fall of the Berlin Wall that year also changed the world profoundly. At the time, this change was thought to be permanent and for the better. People celebrated the global victory of the free Western democratic system over the socialist planned economy. Some even referred to it as the end of history...

But today, in retrospect, disillusionment has set in. China has emerged as a powerful systemic rival. It has taken its place on the world stage and confidently replaced Russia as the West’s challenger. In 1989 a wall fell, whereas today, we see new walls being erected: tariff walls, trade policy walls, protectionist walls and also ideological walls. While globalisation was still in its infancy thirty years ago, today, the pandemic has led to a re-examination and re-shaping of global supply chains. Companies are moving important production steps back to countries that are geographically closer and considered less risky. The value system of liberal democracies, considered victorious 30 years ago, is subject to widespread scrutiny around the world.

When the Berlin Wall came down in 1989, people’s desire for freedom erupted in the wake of a long period of oppression. Today’s crisis once again serves as a reminder that freedom should not be taken for granted. We are currently experiencing just how important this is – also here in Switzerland. Government measures taken in light of the pandemic have made the exercise of many freedoms more difficult. In the political context, for example, think of the challenges faced during lockdowns by people wanting to collect

signatures to launch a popular initiative. Think of the freedom of assembly, the freedom to conduct business and many other freedoms.

Finally, recent events have given rise to a third, striking contrast with regard to growth and prosperity. Globalisation, combined with the enormous need for the formerly socialist economies to catch up, created powerful growth momentum in the 1990s. This was amplified by the emergence of the Internet and the onset of e-commerce. Let's not forget that Amazon was only founded in 1994.

Due to lockdowns, disrupted supply chains and depressed demand, we expect the COVID-19 pandemic to result in a significant global loss of prosperity and a sharp increase in inequality. The UN estimates that the pandemic has pushed more than 100 million people back into poverty. And perhaps most tragically, according to the UN Children's Fund (UNICEF), almost 170 million children around the world have not been able to attend school for over a year.

Ladies and gentlemen, this might lead you to ask: is there any good news? I assure you, there is!

With the new Biden administration in the US, we are seeing encouraging signs of a renewed desire for international cooperation and a commitment to multilateralism, which are incredibly important for a small nation like Switzerland.

Six months ahead of the big climate conference in Glasgow, we are also seeing a broad-based willingness to take decisive steps to mitigate climate change and transition to a low-carbon economy. In the coming decades, this transition will also be one of the key drivers for economic growth and investments in innovation.

As I have told you in previous years, Swiss Re has always been committed to joint, internationally coordinated approaches to solving problems, be they climate change, managing major risks or in relation to our industry's regulatory environment. And it will continue to uphold this commitment. Our CEO, Christian Mumenthaler, will talk about this in more detail.

In the second part of my speech, I would like to look at some of the challenges Swiss Re has faced in recent decades.

Ladies and Gentlemen, the moment when the news broke about the terrorist-controlled planes hitting the Twin Towers of the World Trade Center in New York on 11 September 2001, and the collapse of the towers, is one of those memories that remains etched in our minds for life. Everyone knows where they were at that moment and how they learned of it.

Terrorist attacks are something that Swiss Re had already dealt with in the past. Swiss Re also had repeatedly covered losses caused by terror. The sheer scale of the attack on the World Trade Center, however, exceeded our scenarios many times over.

As the leading re-insurer of the World Trade Center, Swiss Re made large claims payments. At the same time, however, Swiss Re made a name for itself far beyond the industry by successfully defending itself in court against exorbitant, even excessive claims. Many other companies subsequently benefitted from this.

If we look at it from today's perspective, 9/11 is probably the insurance event that is most comparable to COVID-19. It demonstrated to the industry, but also to regulators and policymakers, that certain events can simply not be insured by private capital: namely, when their magnitude cannot be rationally defined and they are caused or exacerbated by political reactions of governments.

After 9/11, Swiss Re had to systematically exclude terrorism risk from its coverage. Today, insurers systematically exclude pandemic risk from their policies..But at the same time, we are developing new models – such as public-private partnerships – to expand the boundaries of insurability and ensure that our societies are better prepared the next time an event of this nature occurs.

Yes, Swiss Re has often responded to growing risks with innovation. Here is another example: as you know from previous years, claims burdens from natural events have been rising for decades. One of the main drivers of this is the global trend towards urbanisation, which is leading to ever-increasing concentrations of value in the world's growing mega-cities and urban regions. These are particularly exposed to natural hazards because they are often located by the sea or the mouth of a river, or near the earthquake-prone fault lines of the Pacific Ring of Fire. This development reached a peak during the extreme hurricane year of 2005, when hurricanes Katrina, Rita and Wilma in the southern US caused the largest natural catastrophe losses ever recorded in insurance history.

To address this challenge, we sought and found ways to more broadly spread such large risks early on, or in other words, to have more shoulders to spread the burden across. The solution lay in tapping the capacities of global financial markets for such peak risks. The new product was called insurance-linked securities.

Swiss Re played a key role in the development of this innovative form of investment and has also been a leading issuer, investor and orchestrator of such securitisations for many years. They are attractive for investors because their performance is not as directly correlated to the economic cycle as other investments. The capacity of the global financial markets to absorb such large risks is enormous and far from exhausted. This is good news,

because claims burdens continue to increase. And for Swiss Re, this means it will remain an attractive business segment in the future.

At the beginning of my speech, I mentioned globalisation. Globalisation led to a period of dynamic growth, especially in the Asia-Pacific region. It was already clear 20 years ago that the main source of growth in the insurance industry, but not only, would shift to Asia. We therefore resolutely seized this opportunity and have continuously expanded our presence in the Asia-Pacific region, both in terms of personnel and capital. Swiss Re Asia Inc. in Singapore has served as our headquarters in Asia since 2018, and we now employ around 2 800 people in the region.

Ladies and gentlemen, as shareholders, you can expect Swiss Re to generate a return on the capital provided to us. From a business perspective, this means that we always consider where the capital will yield the best return, or in other words, which risk pools are most attractive for us.

By creating the Swiss Re holding structure in 2010, we were able to significantly improve our ability to channel capital into attractive areas both swiftly and in a targeted manner. This gave Swiss Re the opportunity, in a way that is clearly recognisable to investors, to react quite flexibly to changing return expectations, to allocate capital or – as in the case of the sale of Reassure Inc. in 2020 – also to free up capital again. In recent years, for example, we have continuously and successfully invested in life reinsurance. Due to the positive rate developments, we have this year also started to gradually increase our exposure in the non-life segment.

This capital allocation process continues internally up to the risk pool level. It is a challenging process that requires a great deal of discipline because statements must be made about the expected future revenues for the individual risk pools.

With the establishment of Swiss Re Institute in 2017, we specifically strengthened our ability to source information that serves as a basis for decision-making when determining attractive risk pools and assessing options for our capital allocation. Under the leadership of our Group Chief Underwriting Officer, Swiss Re Institute bundles the knowledge of approximately 400 Swiss Re experts and analysts across the firm. This powerful lens not only sets us apart from the competition, it also makes us a very attractive partner for our clients.

Increasing productivity and efficiency in the provision of services is a constant challenge faced by every industry – including reinsurance. The insurance industry does not exactly have a reputation for being the world champion in efficiency, if you will allow me to put it in those terms. For every franc in premiums that the industry receives, around 40 centimes go to the production of services and claims management processes. That is too much!

Granted, the smallest share of these costs is actually incurred directly by the reinsurer. However, together with our clients, we are constantly looking for ways to make these industry processes more efficient.

We have made great progress on this front in recent years with the development of digital approaches. Did you know that Swiss Re is currently the global leader in insurtech patents, with around 70 active patents? Let me give you three examples:

We are proud of our iptiQ white label offering, which has been in place since 2016. It provides our partners with a fully digital infrastructure for primary insurance products. More than 500 000 policies have been purchased through iptiQ.

Magnum, our automated underwriting application for life and health insurance, processed over 9 million individual insurance applications in 2020. We have deployed it in over 30 countries, and it is available in 21 languages.

I would also like to mention our innovative parametric insurance solutions. They are often based on satellite data relating to weather patterns or other automatically measurable data. The insured case is triggered almost automatically when predefined parameters are reached, meaning the injured party receives the claim payment quickly and in a straightforward manner.

This brings me to the third and final part of my speech.

Shareholders, Ladies and Gentlemen, at Swiss Re, a major event like the pandemic, which has had both financial and operational consequences, is something we must always expect. During all my years in the business, external upheavals in the “real” world have repeatedly hit the “financial” world with force. And on each such occasion, Swiss Re has had to react – and has done so successfully. Risk is our business. And will remain so in the future! I would like to conclude with a few thoughts on this.

Our business essentially requires three things: brains, heart and capital.

Let me start with brains. If we want to continue to do business in this highly competitive international environment, we need to have the best minds. People from over 80 different nations work at our Headquarters in Zurich.

It is absolutely vital for us that we attract the best talents. That is why we invest in inspiring and attractive workplaces on the shores of Lake Zurich. By the way – you can rest assured, Ladies and Gentlemen, that we are not at all concerned about our offices remaining deserted in the future due to the current, global remote working experiment. As soon as the crisis is over, a new balance between presence in the office and remote working will be found. Spontaneous interactions, the exchange of ideas and joint, creative collaboration to develop products and solutions simply work much better when you can

meet with people in person. This is something we are also hearing from many of our employees around the world, some of whom have been working from home for more than a year now.

Now for the heart: we sell a service that is intangible: Resilience. Stability. Security. English-speakers would say that we sell peace of mind. As a result, our clients and partners must trust in the reliability of our promise of protection. We renew this promise with every policy we write. Thousands, even hundreds of thousands of times a year. And it means that if the insured event should unfortunately happen to you, we will pay! Quickly, reliably and without any fuss!

This has been Swiss Re's promise for over 157 years. And our excellent reputation is to a large extent based on this. We are very proud that virtually all client surveys around the world rank us as one of our clients' preferred partners. To put it simply, we are delighted that so many clients have taken us into their hearts. In some cases, they remain loyal to us for many decades. This gives me confidence about the future of Swiss Re.

Our highly motivated employees ensure this remains the case. But our solid capital base also plays a very important role here. It is the third pillar of our success as a company. Very few other reinsurers have an AA-rating, which is our seal of quality, so to speak. Maintaining this capital base and, if necessary, strengthening it, has always been very important to me. The fact that our capital position remains strong as we navigate the current pandemic therefore fills me with great satisfaction!

Before I hand over to our CEO, Christian Mumenthaler, I would like to express my sincere thanks to our employees for their great commitment throughout the last financial year. Seeing the drive and creativity with which teams have mastered these challenging times has been highly motivating. Having said that, I must add that in all my 25 years at the helm of the company, with only one interruption, I have always been able to count on my colleagues at all levels. They have supported me. And for this, I would like to thank both our current and former employees wholeheartedly.

In the fourth quarter of 2020, this commitment and drive led to a historic first in our almost 160 years as a company. Because we were working from home, our reinsurance contracts were renewed, for lack of a better term, "from our kitchen tables". Now that is a sign of resilience in action! Hats off to you, I am impressed by this accomplishment!

And now, I would like to take the opportunity to wish my successor as Chairman of the Board of Directors of Swiss Re, Sergio Ermotti, every success and sempre buona fortuna!

Thank you!