

# Swiss Re's strategy, capital management and performance

John Dacey, Group CFO

Goldman Sachs European Financials Conference, Frankfurt, 6 June 2018

# Today's agenda

Overview and Group strategy

Business Units strategy

Capital management

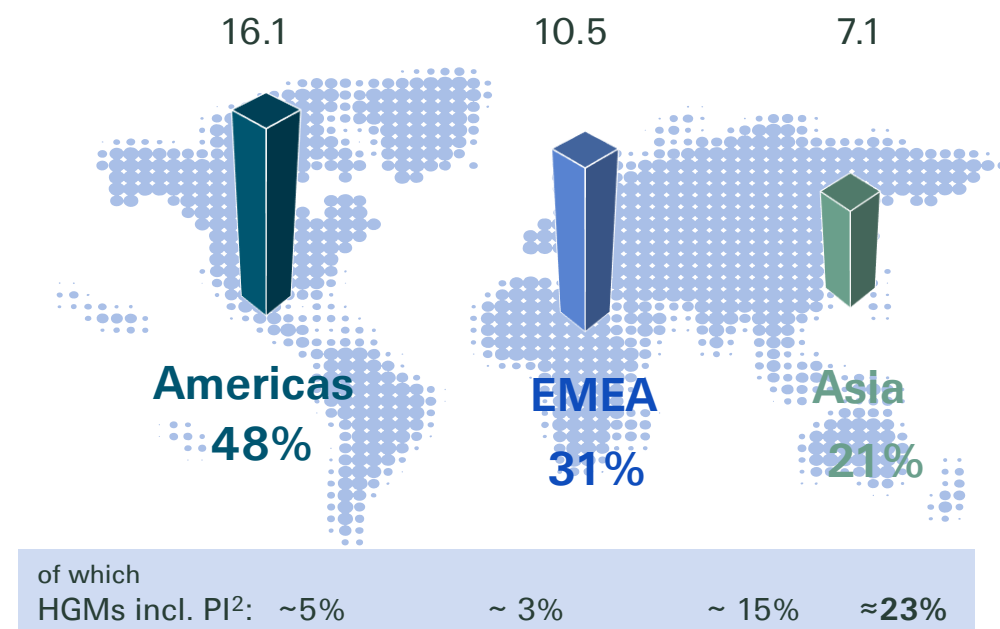
Wrap-up

# Overview and Group strategy

# Swiss Re is well diversified across geographic regions and business segments

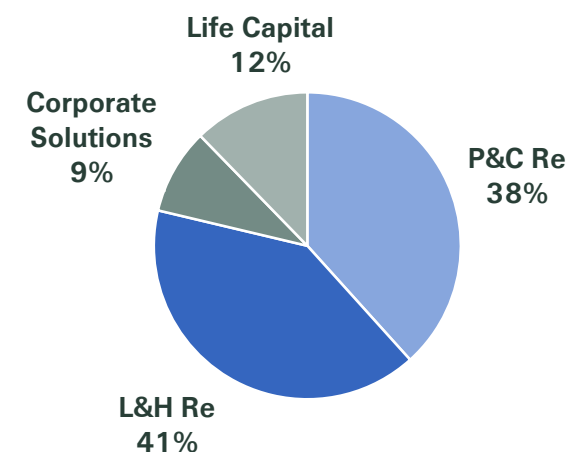
## Net premiums earned<sup>1</sup>

by region (in USD bn, 2017)



## Economic Net Worth<sup>3</sup>

by business segment (in %, 2017)



Swiss Re benefits from geographic as well as business mix diversification and has the ability to reallocate capital to achieve profitable growth

<sup>1</sup> USD 33.7bn as at 31 December 2017; includes fee income from policyholders; does not reflect the exposure to HGMs through Principal Investments (PI)

<sup>2</sup> Based on additional pro rata net premiums from Principal Investments (PI) including FWD Group (14.8%), New China Life (2.5%) and SulAmérica (14.9%)

<sup>3</sup> Share of Swiss Re Group's Economic Net Worth deployed across Business Units (excl. Group Items), 31 December 2017

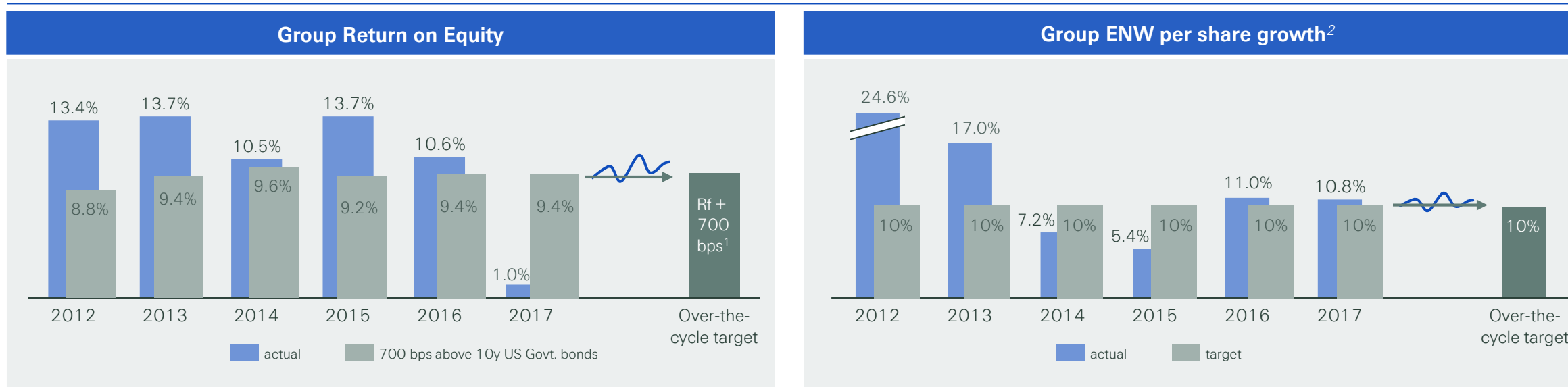


Based on three differentiation drivers we have built leading insurance businesses



# We are committed to our over-the-cycle Group financial targets

## Group targets over-the-cycle



- Group ROE was below the over-the-cycle target in 2017, reflecting USD 4.7bn of estimated losses from natural catastrophes
- Group ENW per share growth target achieved in 2017, driven by a strong performance of our L&H businesses and investment activities

<sup>1</sup> 700 bps 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 target 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)

# We are benefiting from a more positive current environment and promising long-term opportunities

## Current market environment improved

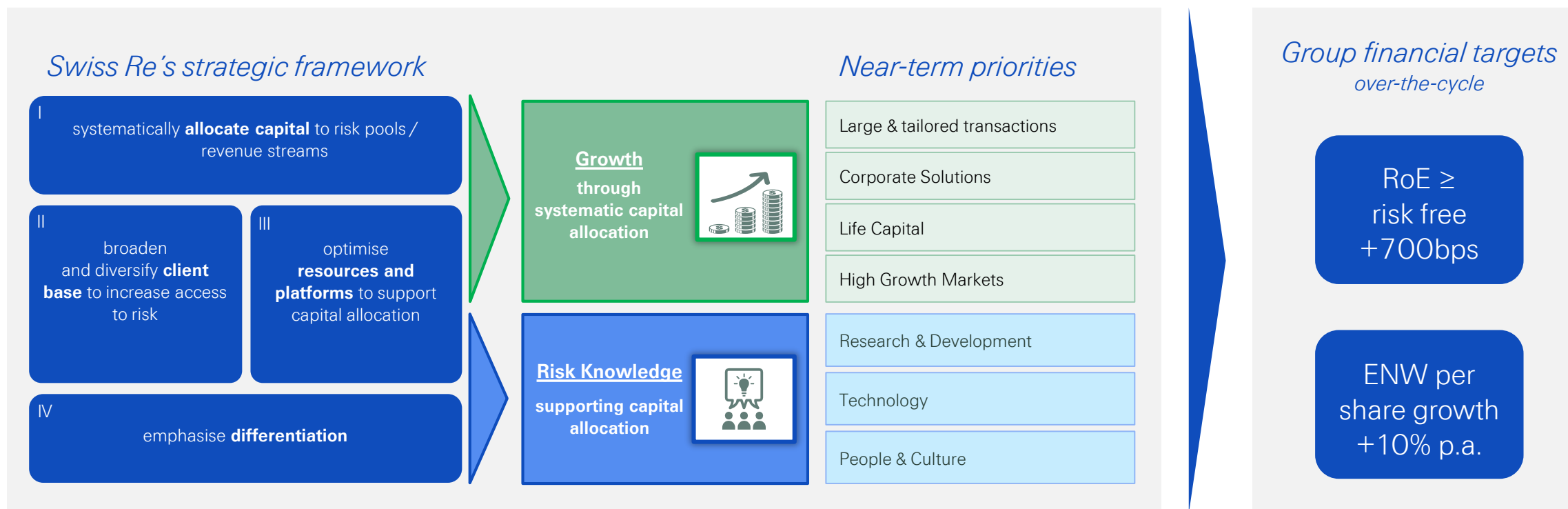


## Long-term opportunities remain



<sup>1</sup> Source: Swiss Re Institute; expected premium growth per annum in reinsurance in nominal USD terms over the next five years

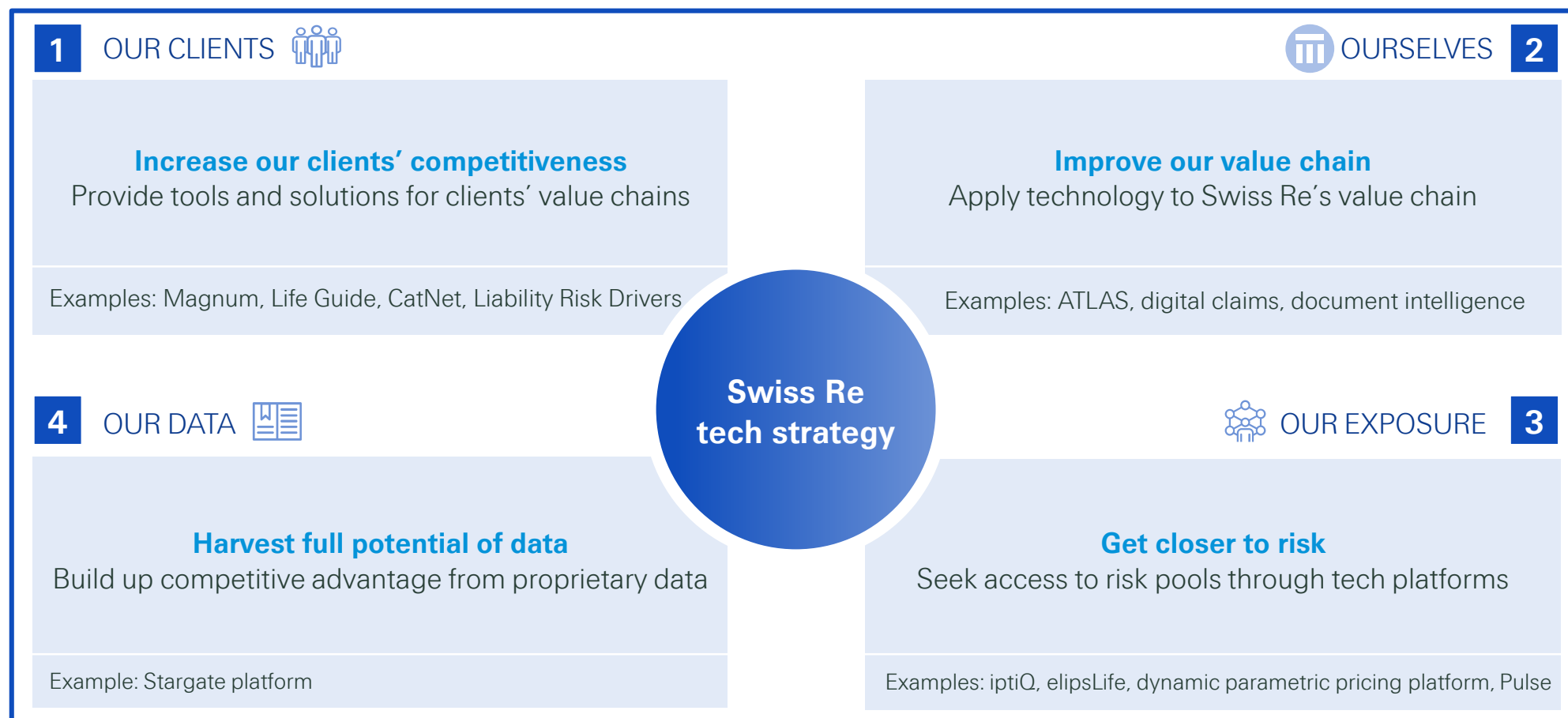
# Our near-term priorities remain unchanged



We are a risk knowledge company that invests in risk pools



# Swiss Re's tech strategy is embedded in our business strategy and ensures effective innovation management



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

### 3 Get closer to risk 📖

**Example: iptiQ** is our L&H B2B2C platform with industry leading end-to-end digital capabilities



#### A truly digital experience...



Sales: digital front-end platform



Omni-channel: accessible from various devices



Data & reporting: integrated & automated management information reporting



Underwriting: industry-leading automated underwriting



Self-service: empower customers to self-manage policies

#### ...with compelling competitive advantages



Cost efficient due to disintermediation of traditional insurance distribution and no retail distribution legacy



Knowledge based differentiation with industry leading R&D capabilities



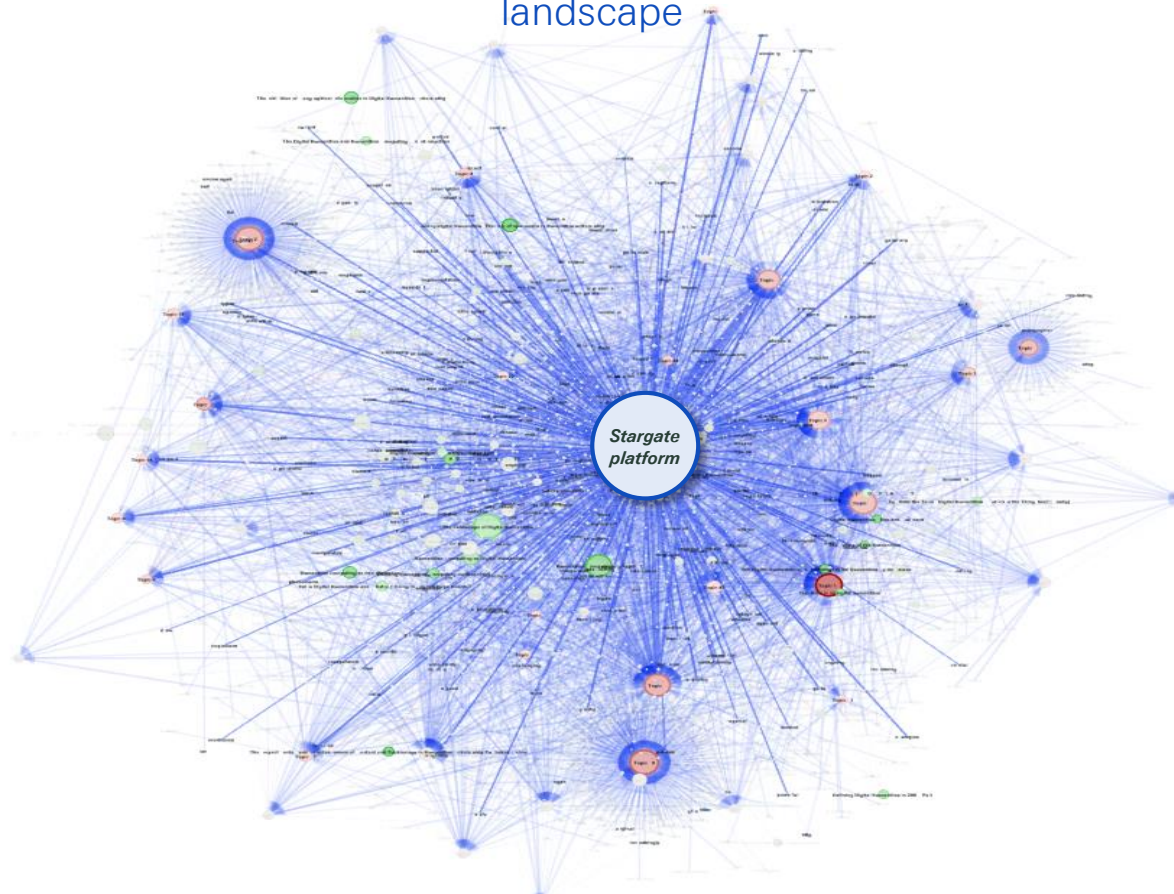
Balance sheet strength of Swiss Re Group to support growth

Fully digital B2B2C insurance solution allowing “plug & play” with any client and partner, enabling vast consumer access and contextual sales

## 4 Harvest full potential of data

**Example: Stargate platform** provides the opportunity to transform Swiss Re into a truly **data-driven knowledge organisation**

Stargate platform accelerates the integration of Swiss Re's data landscape



Scalable enterprise wide platform for integrating, analysing & deriving insights on massive data sets

### Data

Internal data  
Structured/unstructured

External data  
Weather, IoT/wearables

### Methodology

Analytics at scale  
Data integration/GDPR compliance

Machine learning  
Data visualisation

### People

Democratisation  
Data and analytics

Upskilled workforce  
2 000 users by 2020

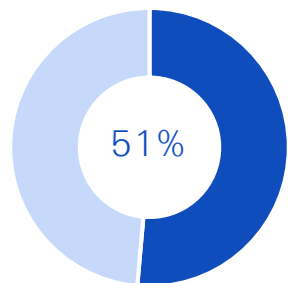
>50 initiatives across the group to be implemented by the end of 2019

# Business Units strategy

# Swiss Re's reinsurance client franchise represents the biggest source of our competitive advantage

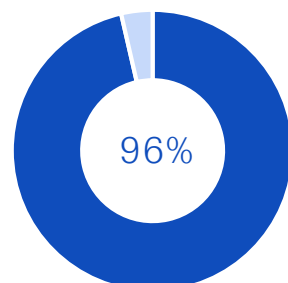
## We have strong direct relationships with our customers...

P&amp;C Reinsurance

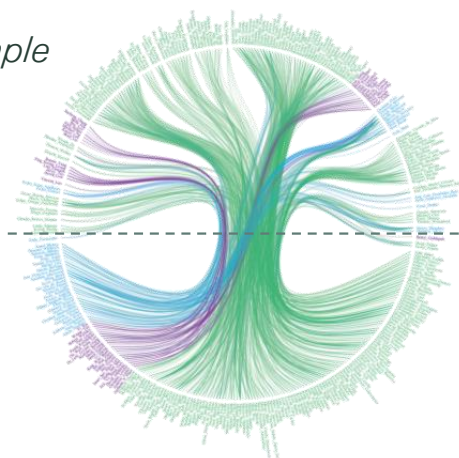


% of premiums from non-intermediated business, FY 2017

L&amp;H Reinsurance

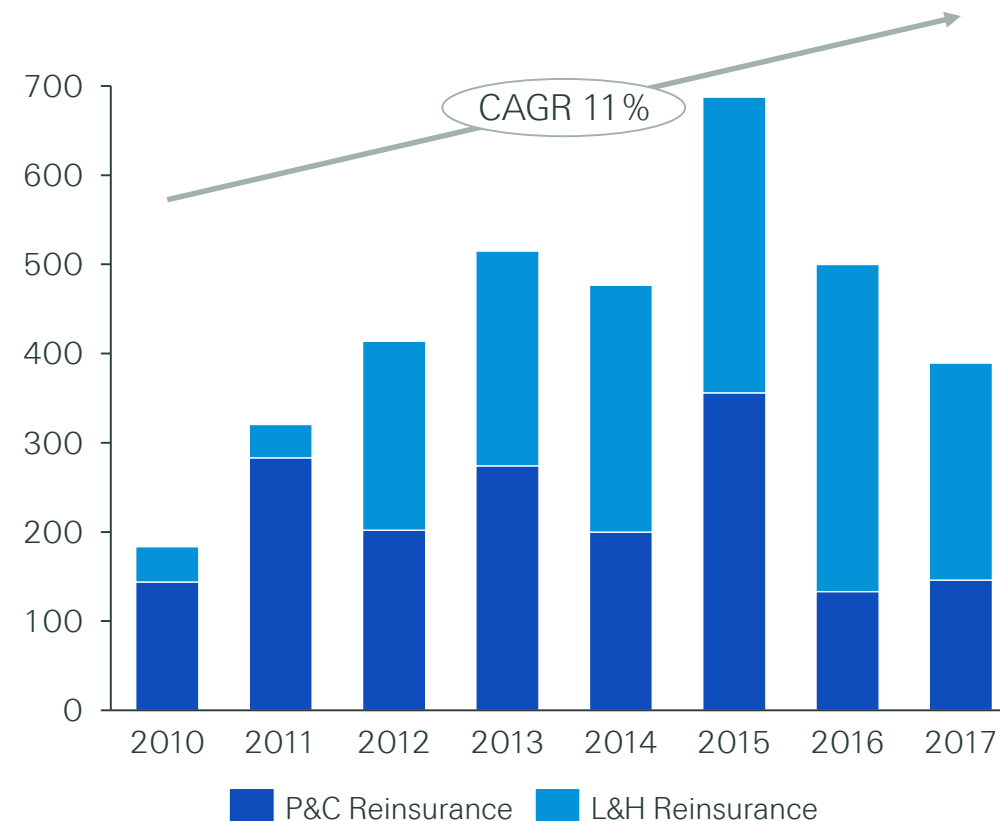


## ...with distinct client interactions

*Client example*

Americas  
APAC  
EMEA

## Direct relationships drive our access to large & tailored transactions

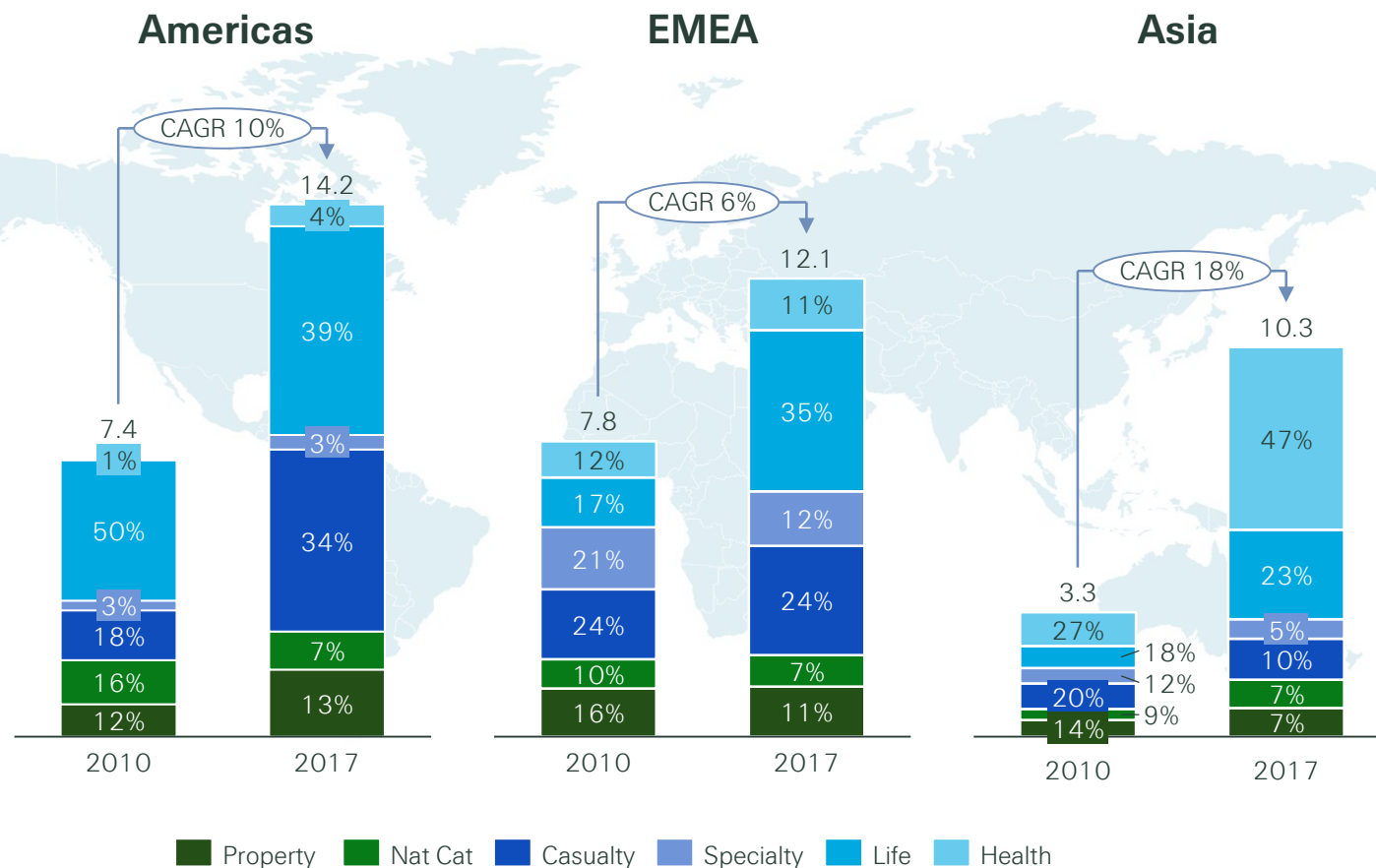
**EVM profit - new business** (USD m)



# We have significantly grown and diversified our portfolio

## Portfolio developments 2010-17

EVM premium, USD bn



Overall portfolio  
CAGR of 10%  
from 2010  
to 2017

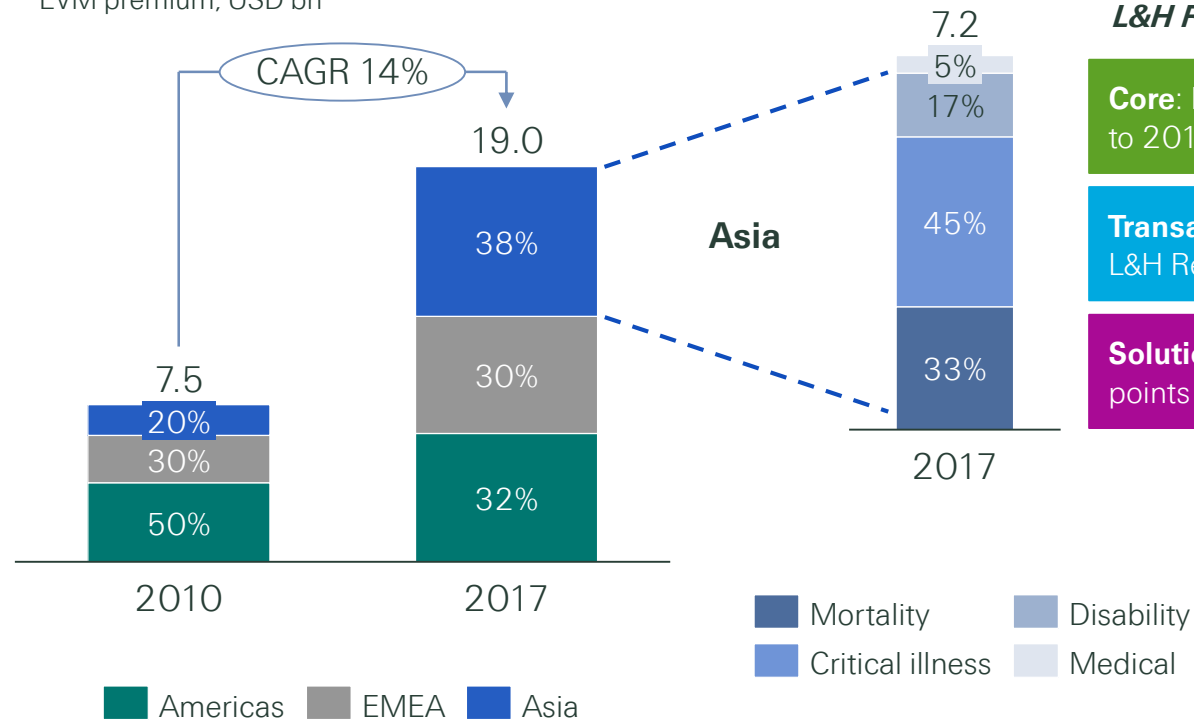
More balanced  
regional  
portfolios

Increased  
diversification  
of product lines

# Material growth in L&H Reinsurance, increasing diversification of sources of earnings

## L&H Business split by region

EVM premium, USD bn



## L&H Reinsurance Asia key facts

**Core:** Health CAGR of 14% from 2010 to 2017

**Transactions:** accounted for ~40% of L&H Re Transactions<sup>1</sup> over past 5 years

**Solutions:** Magnum – 150k mobile points of sale in China

Diversified mix of products across durations and cash flow generation

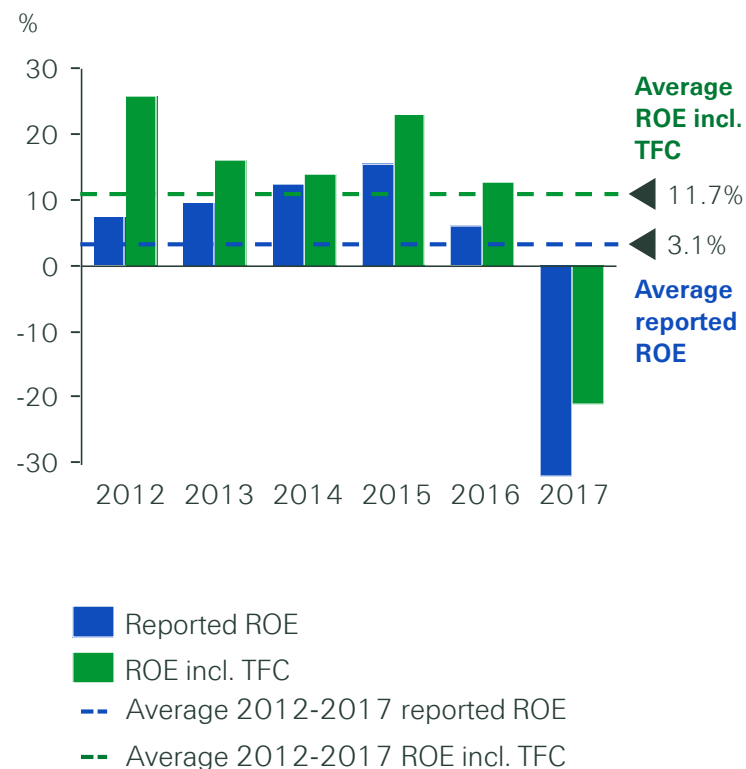
Asia: #1 earnings contributor in L&H Re in 2017<sup>1</sup>

Contribution from Core, Transactions and Solutions

<sup>1</sup> EVM profit new business

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

## Historical performance



## Market position

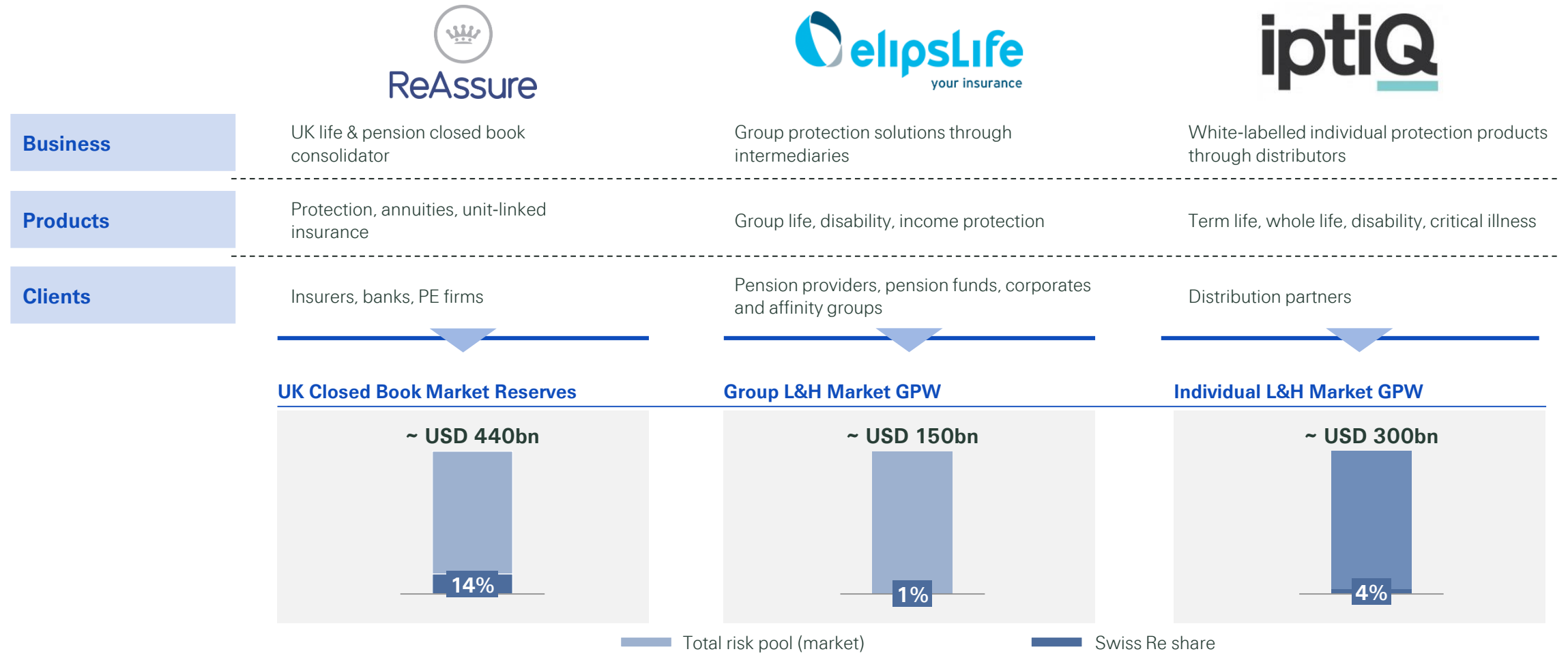


## 2018 priorities



Note: Total financial contribution (TFC) refers to the estimated contribution of Corporate Solutions business written within Swiss Re Group, incl. development of historical loss reserves remaining in the Reinsurance BU as well as related investment income, and additional tax expenses

# Life Capital businesses provide Swiss Re access to attractive primary risk pools

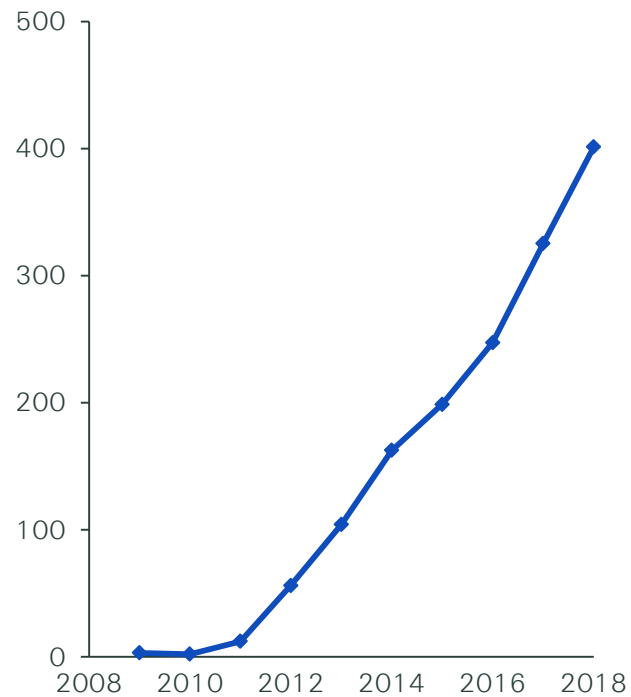


Source: Swiss Re Institute 2017; Reinsurance share of Group and Individual L&H risk pools indicative only

# Life Capital businesses capture growth opportunities in attractive primary L&H risk pools

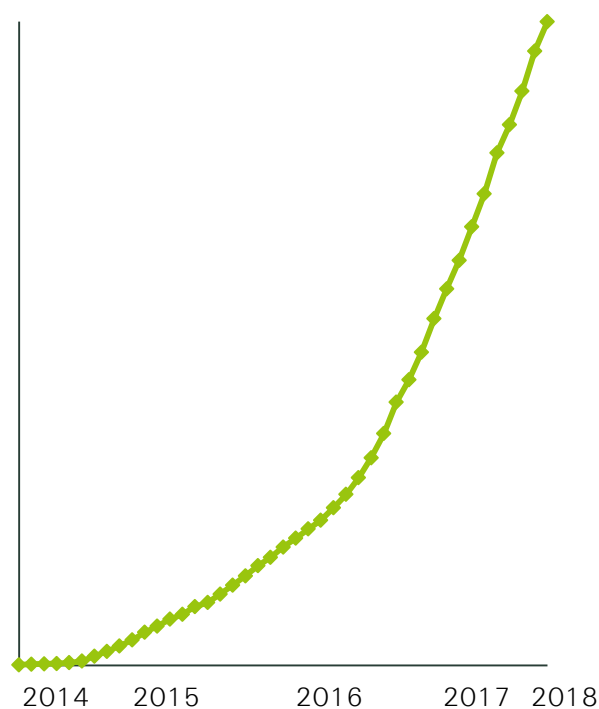
## elipsLife premium volume

Gross premiums written, life insurance business (USD m)



## iptiQ new policies development

# new policies written, cumulative<sup>1</sup>



<sup>1</sup> Cumulative numbers do not include acquired portfolios



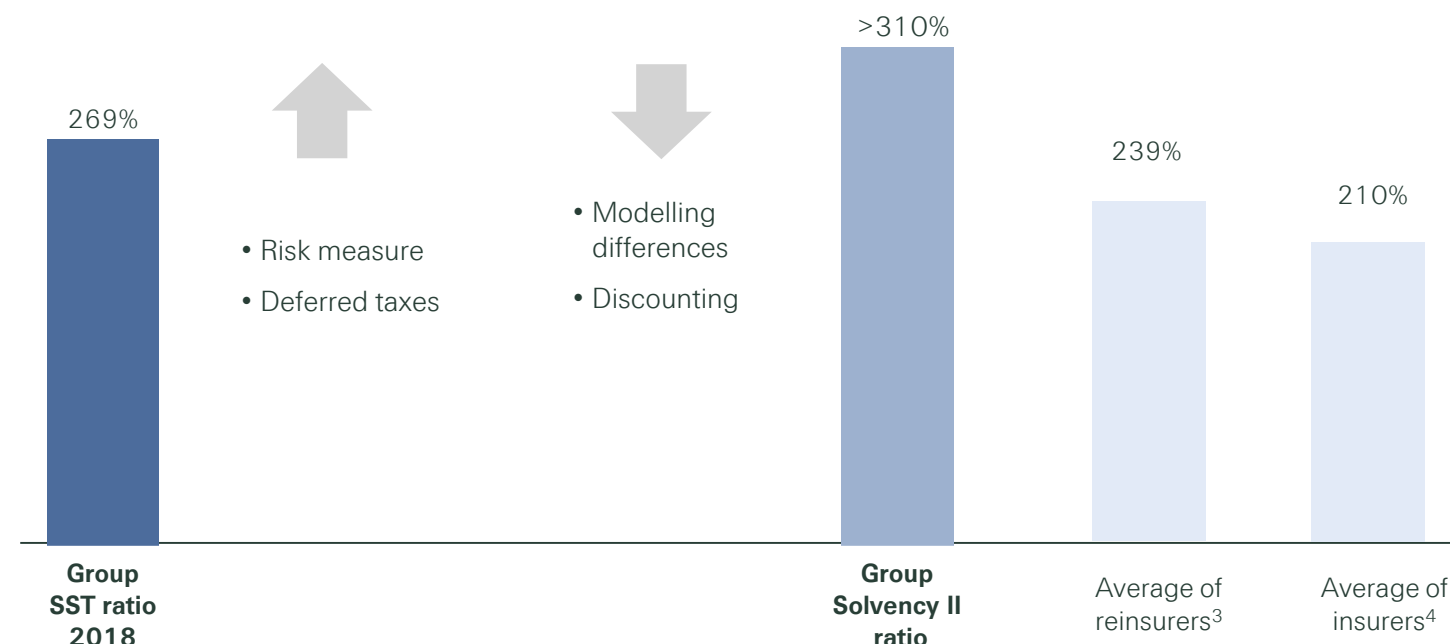


# Capital management

# Swiss Re maintains a leading capital position in the reinsurance sector and industry

- Group economic solvency remains very strong, comfortably above the Group's capitalisation target of 220%
- Group SST 2018 ratio reflects current year capital management actions<sup>1</sup>
- Swiss Re remains well positioned to respond to market opportunities
- SST and Solvency II are both comprehensive economic and risk-based solvency regimes
- Due to important differences, Solvency II equivalent ratio is significantly higher
- For 2018, our comparable Group Solvency II ratio is estimated to be >40%pts higher than our Group SST ratio

## Group SST to Solvency II walk<sup>2</sup>



<sup>1</sup> Pro-rata share of USD 0.8bn of 2018/2019 public share buy-back programme used for SST

<sup>2</sup> Comparison was produced on a best effort basis using Swiss Re's SST calculation for 2018; For more details on differences between SST and Solvency II please refer to our "SST vs. Solvency II – comparison analysis" published on our website ([http://media.swissre.com/documents/2016\\_sst\\_presentation.pdf](http://media.swissre.com/documents/2016_sst_presentation.pdf)). Please note that the difference from "capital cost recognition" has been eliminated in 2017 with FINMA's change in SST ratio definition. Differences between SST and Solvency II also explained in the booklet "Measuring economic performance & solvency at Swiss Re" published on our webpage.

<sup>3</sup> Average of Munich Re, Hannover Re, SCOR

<sup>4</sup> Average of Allianz, Aviva, Axa, Generali

# Swiss Re's target capital structure and financial flexibility is supported by the Group's strong funding platforms

## Implementation and maintenance of target capital structure

USD bn	Established funding platforms in all Business Units to fund capital & liquidity requirements				
YE 2012 – YE 2017 <sup>1</sup>	Reinsurance	Corporate Solutions	Life Capital	Group (SRL)	Outlook
Subordinated debt	-2.0	+0.5			Continued focus on optimising capital structure and cost of capital
Contingent capital	+0.6 <sup>2</sup>			+2.7 <sup>3</sup>	Continued focus on innovative, cost efficient contingent capital instruments at Group Holding level
Senior debt	-6.9		+2.0		Support business growth in Life Capital in line with leverage targets
Letters of credit	-3.4				In line with Reinsurance requirements
Third party capital			+0.7		MS&AD's commitment is currently utilised at 15%

- SST supplementary capital includes traditional funded subordinated debt and funded contingent capital instruments. In line with Swiss Re's target capital structure, Swiss Re has reduced its traditional funded subordinated debt instruments by USD 1.5bn since YE 2012
- At the same time, the Group has significantly strengthened its financial flexibility through senior debt deleveraging and the issuance of USD 1.0bn contingent capital instruments at the Reinsurance level and USD 2.7bn pre-funded subordinated debt facilities at Group level (not counting as SST supplementary capital until drawn)

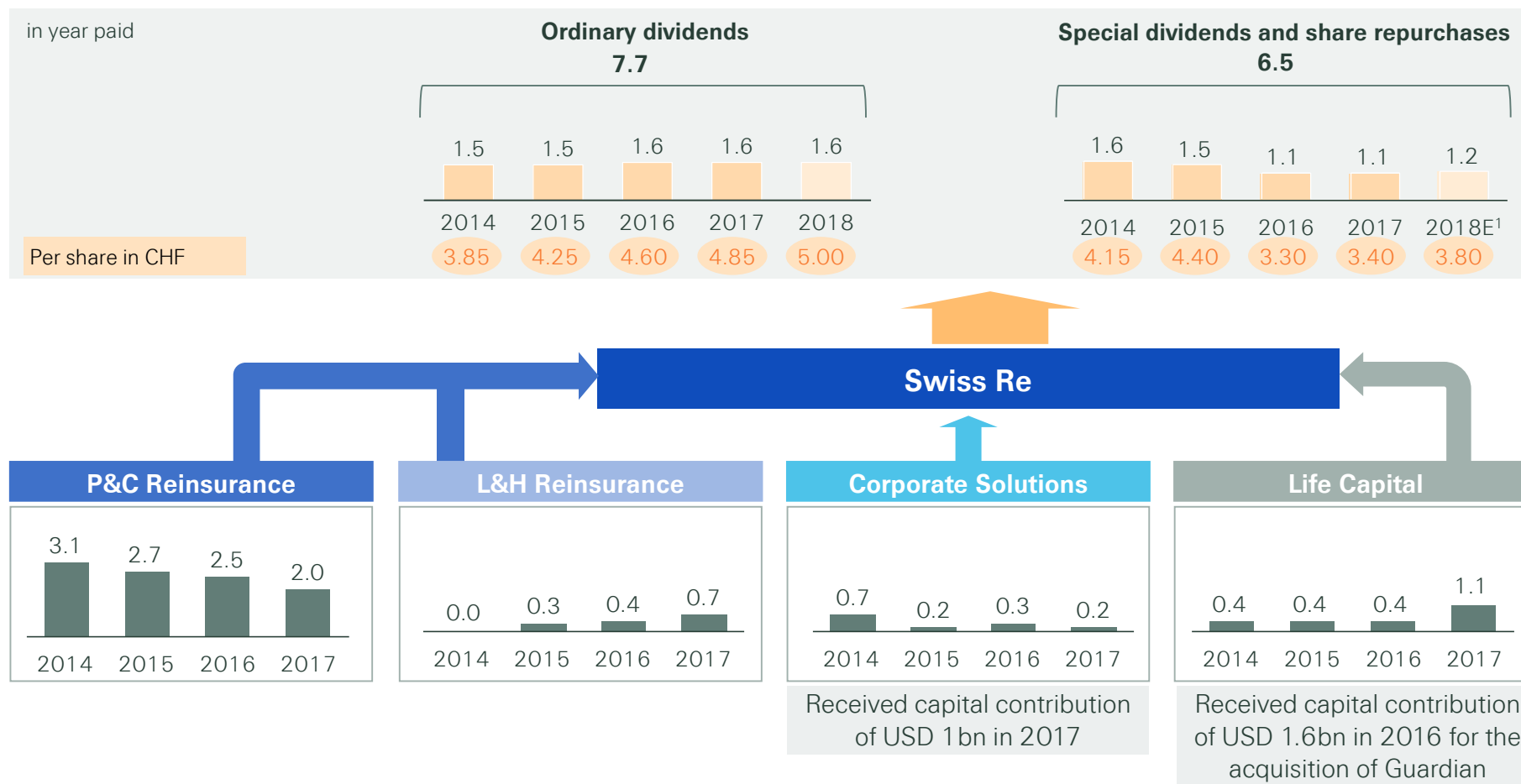
<sup>1</sup> Change in supplementary capital is calculated using YE 2012 and YE 2017 figures

<sup>2</sup> Reflects issuance of USD 1.0bn and redemption of USD 0.4bn

<sup>3</sup> Reflects pre-funded subordinated debt facilities, currently fully undrawn

# Peer-leading capital repatriation supported by strong dividend upstream by BUs

USD bn

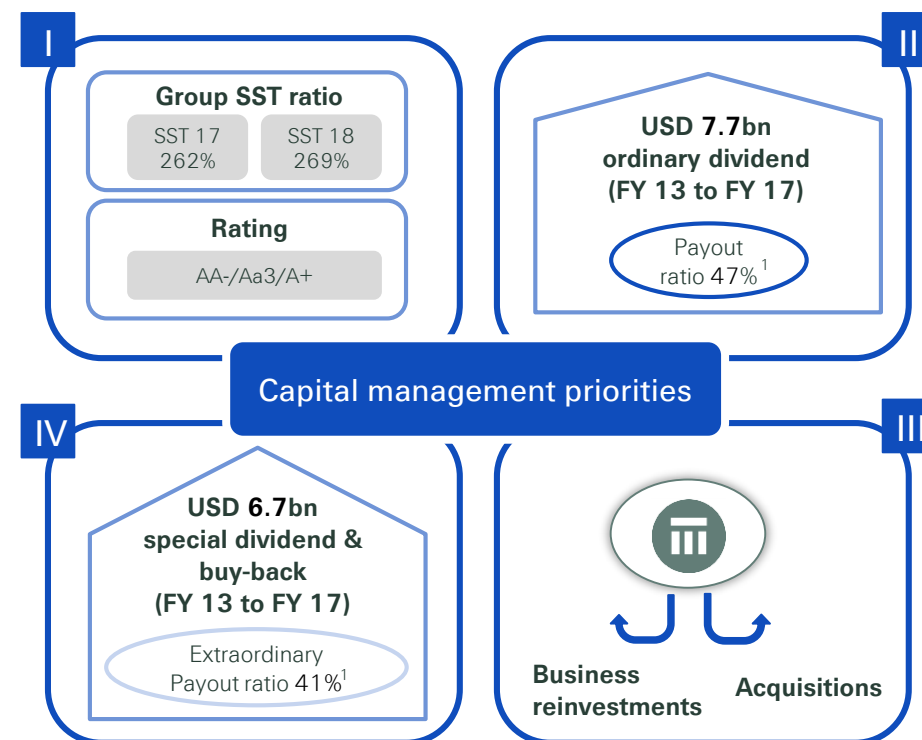


<sup>1</sup> Capital repatriation includes share buy-back programme of up to CHF 1 bn purchase value approved by the 2018 AGM, of which a pro-rata share of USD 0.8bn is used for SST

# Our capital management priorities remain unchanged

## Swiss Re's capital management priorities

- I. Ensure superior capitalisation at all times and maximise financial flexibility
- II. Grow the regular dividend with long-term earnings, and at a minimum maintain it
- III. Deploy capital for business growth where it meets our strategy & profitability requirements
- IV. Repatriate further excess capital to shareholders

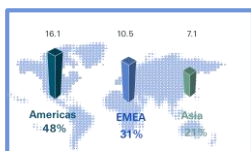


<sup>1</sup> Payout ratio calculated as capital repatriation over GAAP net income

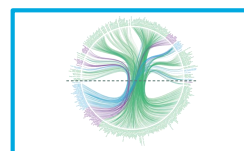


# Wrap-up

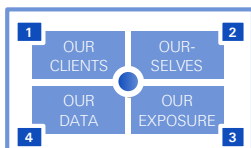
# We are a risk knowledge company which invests in risk pools



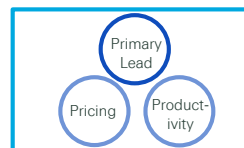
Swiss Re is well diversified across geographic regions and business segments



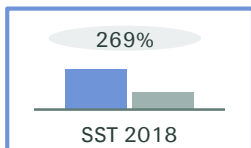
Differentiation is at the heart of Reinsurance's disciplined growth strategy



Swiss Re's tech strategy is embedded in our business strategy and is conducted in-house and through partnerships



Corporate Solutions is well positioned to benefit from market improvements and to pursue its expansion into Primary Lead



Our Group capital position remains very strong and our ENW creation drives our strong capital generation



Life Capital is transitioning from a closed book consolidator into a dynamic B2B2C business



# Corporate calendar & contacts

## Corporate calendar

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### 2018

3 August  
1 November

**Half-Year 2018 Results**  
**Nine Months 2018 Key Financial Data**

Conference call  
Conference call

## 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 realize 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 realize tax loss carryforwards, the ability to realize 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.

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