

Swiss Re Press conference

Partners in resilience

#partneringforprogress

Monte Carlo, 12 September 2022





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Thierry Léger
Group Chief Underwriting Officer

The multi-polar world and economic dependencies lead to more risk

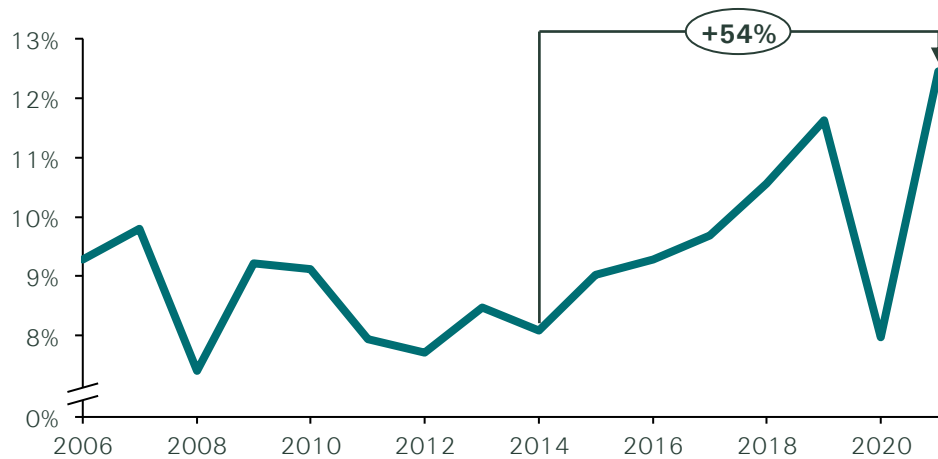


Our experience and risk knowledge are instrumental to support society in this volatile world

Social and economic inflation hit the insurance industry simultaneously

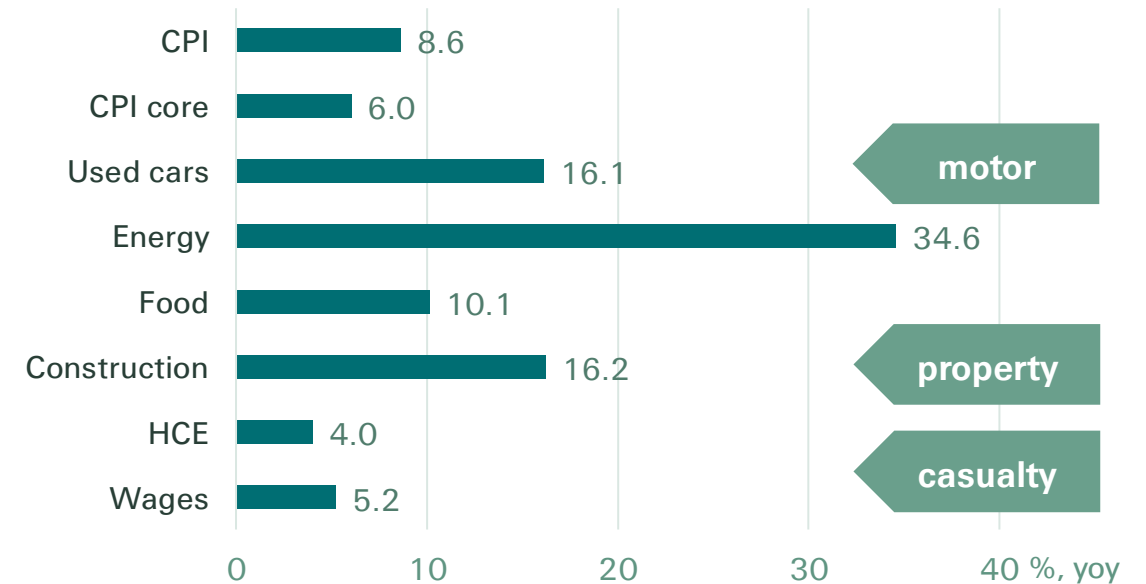
Social inflation trends are picking up again

Share of general liability verdicts >USD 5 million



Source: Thomson Reuters Westlaw, Swiss Re Institute

US economic inflation indicators



Note: May or 1Q22 yoy changes [1] Price Index of New Single-Family Houses Under Construction (Census); [2] PCE Health Care Expenditures (BEA) [3] Employment cost index, (BLS); [4] CPI (BLS)

Realistic expectations of claims inflation and risk-adjusted pricing are needed

Rapid urbanisation, wealth accumulation and climate change ...

Industry in catch-up mode since 2017:

- Lacking modelling discipline for secondary perils
- Exposure data gaps
- Too optimistic loss experience observation windows

→ Surprise losses, occurrence frequency and severity

→ Underpriced secondary perils

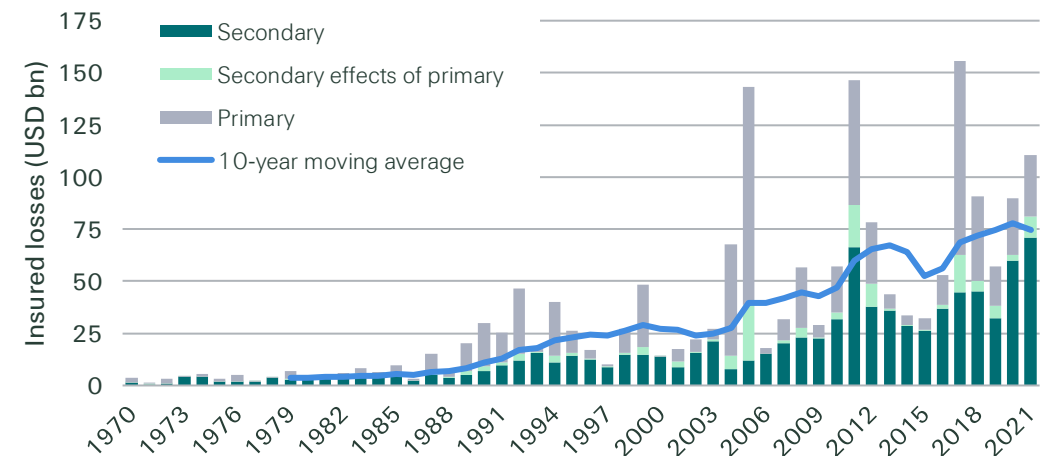
→ Diminished reinsurance risk appetite

On the way to more sustainable reinsurance:

- Elevate secondary perils to primary perils: exposure data availability and modelling
- Reflect newest risk growth trends since 2017

... drive natural catastrophe losses

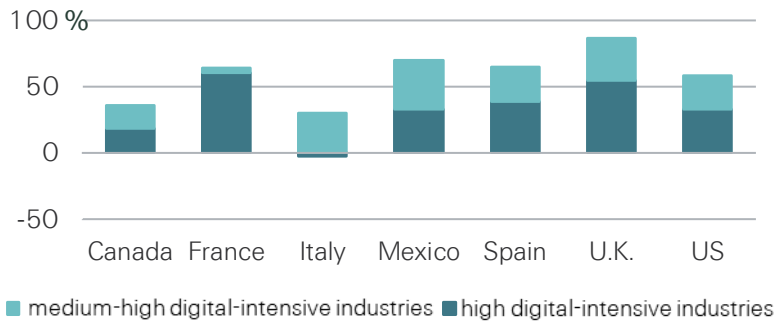
- Continuously growing **natural catastrophe claims at 5–7% CAGR**
- 2012–2016 benign losses masking risk growth
- Growth in wealth, rapid urbanisation and climate change drive natural catastrophe losses
- Secondary perils – flood, wildfire and hail – are major contributors



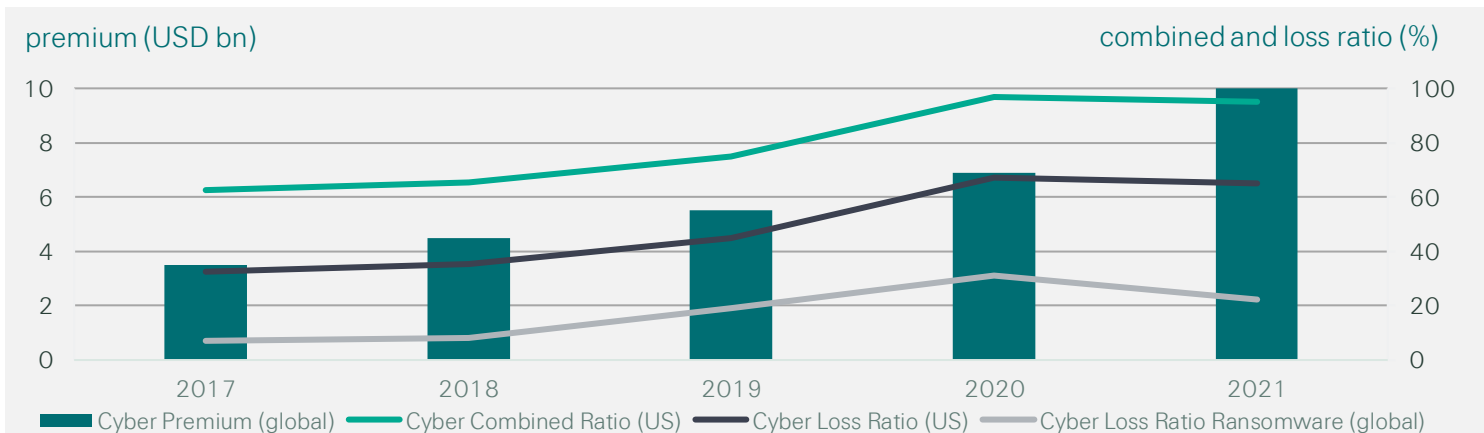
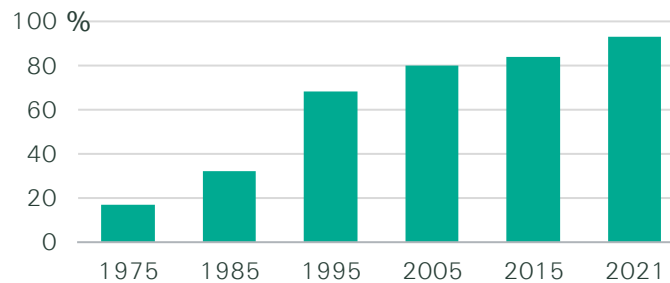
Detailed exposure data and latest model parameters are key for sustainable capacity

Cyber premium levels still don't cover cat-type events

Digital industries' contribution to GDP growth



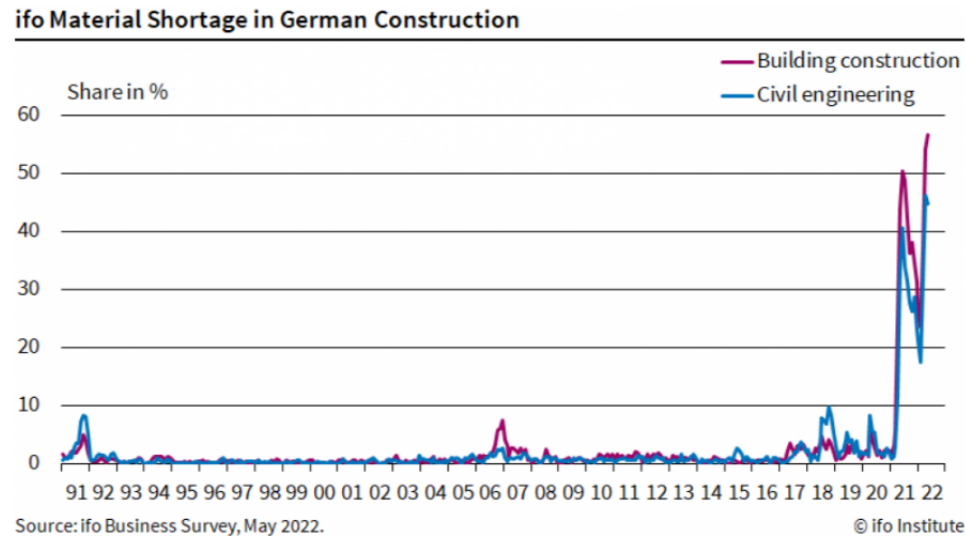
Intangible assets/Market cap (%), S&P 500



- Due to the rise in technology, intangible assets and digital services, **risk concentration continues to grow and warrants a conservative view on the tail-risk**
- Insurers increased rates significantly, following a spike in loss ratios due to ransomware. **Premium levels still do not account for catastrophe-type events and capacity becomes a limiting factor for growing demand**

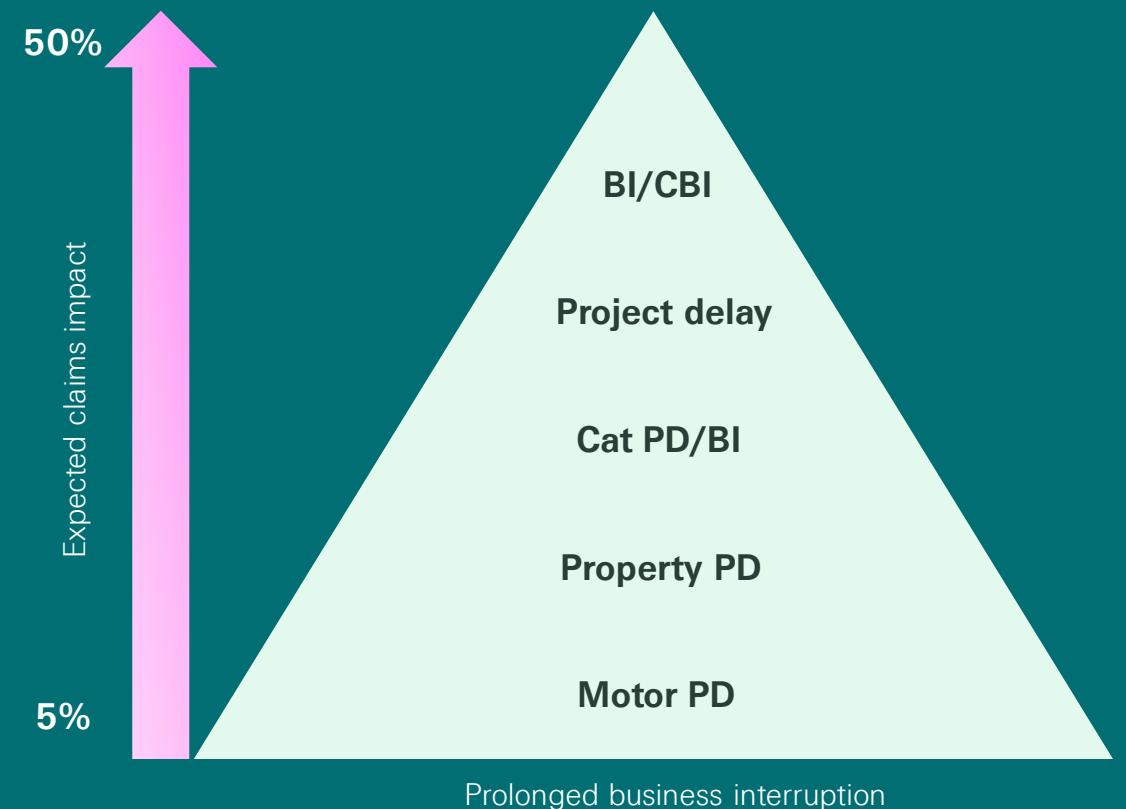
Better data and improved models are required to increase capacity offered by the insurance industry

Supply chain stress leads to ...



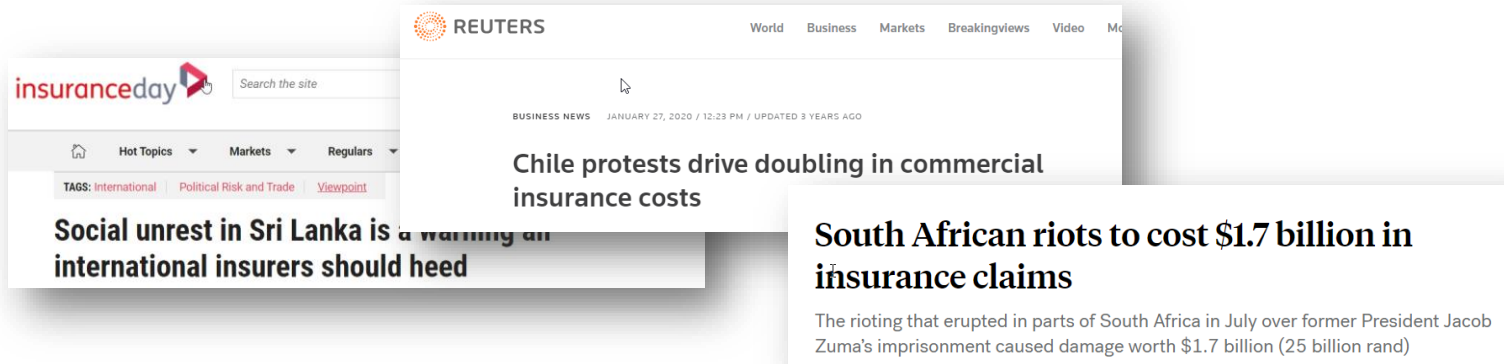
1. **Supply chain disruptions** cause delays in material or equipment delivery
2. Aggravation due to **structural issues**
3. Many industries observe a **strong increase of their gross margin** in sectors where shortage and inflation are high which lead to compressed insured limits and to more frequent full losses

... claims surge in business interruption covers

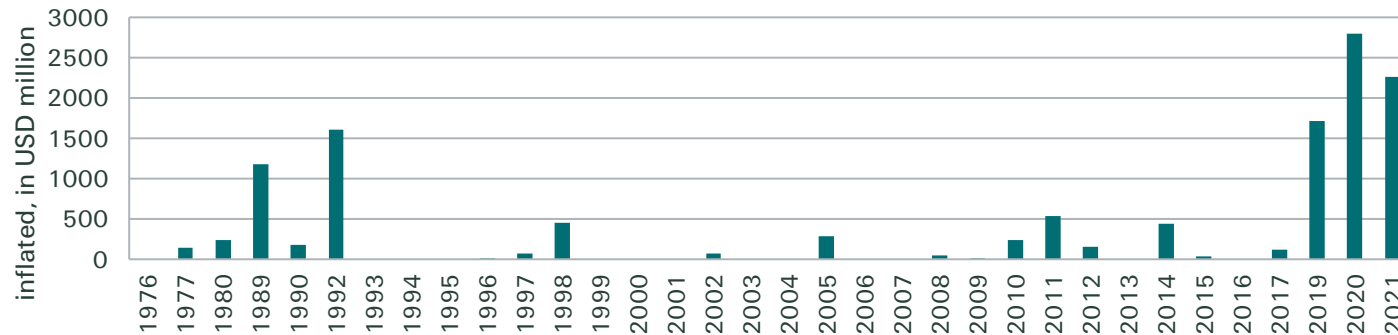


Elevated requirement to include supply chain exposure in risk selection, pricing and coverage terms of PD & C/BI covers

Food/energy supply disruptions and inflation ...



Riots/social unrest: sum of insured losses

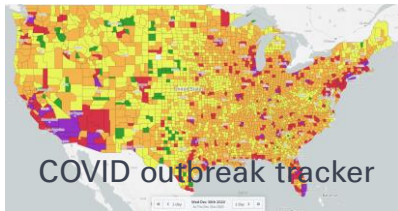


... increase SRCC exposures

- Insurance market claims from South African riots of USD 1.7 billion
- Much higher loss potential exists in developed countries
- Potential for multi-billion dollar claims, possibly in more than one city
- SRCC coverage is standard in many property policy wordings, with limited aggregation control
- Significant risk of major SRCC events in the current economic/social climate
- High vulnerability to otherwise attractive risks, such as retail

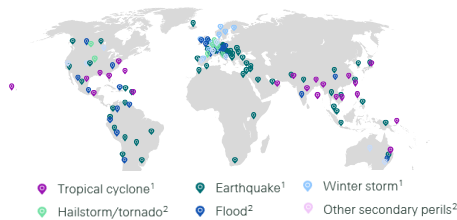
SRCC exposures are on the rise – attention urgently needed

Swiss Re invests in R&D to support our clients and to ...



Improved analytics

Considerable investment in data and modelling capacity across lines to improve costing accuracy and tailored client analytics



Expanded natural catastrophe modelling

190 proprietary natural catastrophe models, 50 modelers, 200 terabytes of curated data



More insights

Sharing latest insurance insights on key industry topics targeted at clients and stakeholders



Better interaction

Online and in-person training and events for established clients on latest industry issues to strengthen relationships and build trust

... drive innovation

2022 FTEs in R&D



Focus:

- short-term <1 year
- mid-term 1-3 years
- long-term >3 years

R&D @ Swiss Re

- 9 focused teams
- 20 institutional research partnerships eg MIT, ETH Zurich, Oxford, Berkeley
- 125 R&D programmes
 - Advanced ML/AI analytics
 - Oasis – nat cat open source
 - Supply chain modelling
 - Sustainability in underwriting



Partners in resilience

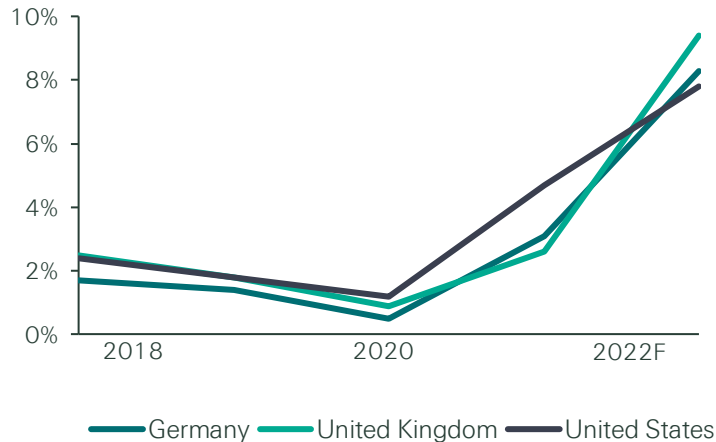
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Moses Ojeisekhoba
CEO Reinsurance

In an increasingly uncertain environment ...

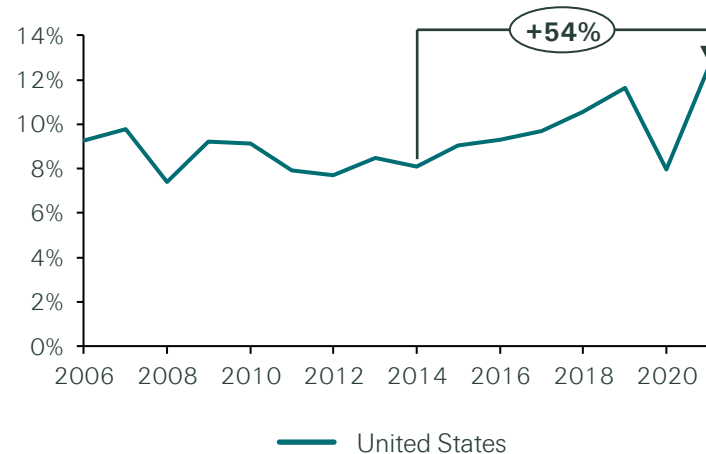
... there is greater demand for reinsurance

Inflation in Germany, UK and US



Inflation and supply chain disruptions drive higher replacement costs and are likely to remain elevated

Share of general liability verdicts >USD 5 million



Social inflation resumes as courts reopen, driving up the cost of liability claims, particularly in the US

The impacts of climate change are being felt ...



UK record for its hottest day ever: 40.2° C



Worst drought in central and southern Brazil in almost a century



Parts of South Africa facing heaviest rains since records began



Record-breaking droughts in Italy and France

Exposures are on the rise, rates need to keep up

Swiss Re continues to support clients in this challenging environment



81 000
client interactions
in 2021

Differentiating factors

- Global franchise with **resilient capital position**
- Our engagement model allows us to **support growth and profitability aspirations** of our clients



3x
P&C Solutions client
base last 5 years

Partnering beyond risk transfer

- Offering an **impactful suite of Solutions** to cater to our clients' needs
- We leverage **tech and data** supported by our risk insights capabilities



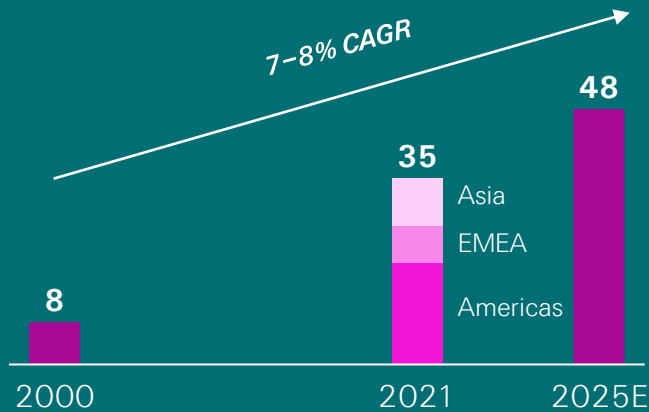
P&C Reinsurer¹
Total and target market

Client recognition

- **Best-quality brand** and **highest perceived value** in the market
- We rank highly for our **strong partnership approach, knowledge & thought leadership** and **innovation** capabilities

We focus on a differentiated model and strive to improve based on client needs

Global nat cat reinsurance premiums (USD bn)



- Weather-related risks and inflation have increased demand for natural catastrophe protection
- Significant secondary peril losses driving negative underwriting results across the industry

Natural catastrophes: Accurate pricing and risk selection are important as demand grows

Swiss Re is a **global leader across geographies and perils** and remains **committed** to re/insuring against weather-related risks

Swiss Re Institute has **invested in 125 R&D programmes** and created 190 proprietary natural catastrophe models

We **go beyond risk transfer** and offer natural catastrophe solutions to **better navigate existing market conditions**

Solutions

Swiss Re Insurance-Linked Investment Advisors



Cat bond investments, modelling and underwriting for investors

CatNet® Suite



Global location intelligence enabling improved risk assessment, product development and transparency

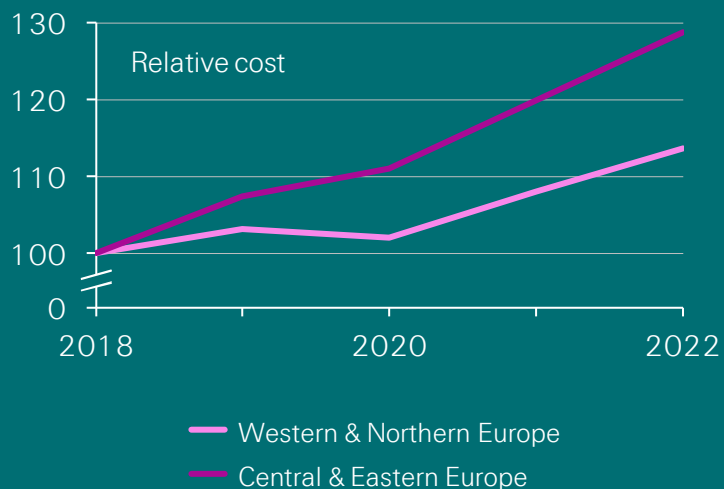
Nat Cat Modelling Engine



Natural catastrophe models supporting product development, risk selection, underwriting and pricing

We have the risk appetite, capacity and knowledge to grow in natural catastrophe risk

Motor Bodily Injury Index (2018 = 100)



- Prolonged inflation pressures wage and medical expenses
- Inflation drives repair costs pushing damage claims higher
- Rate increases likely insufficient to cover social inflation trends

Casualty: Impact of inflation is real

Swiss Re is a **leading provider of casualty coverage**. The current environment requires disciplined underwriting but also tailored reinsurance structure offerings

We **monitor exposure change drivers** such as litigation funding, trends in court judgements etc. to help our clients with underwriting and pricing decisions

We offer **solutions across various casualty lines** in order to help our clients grow their business and improve their performance

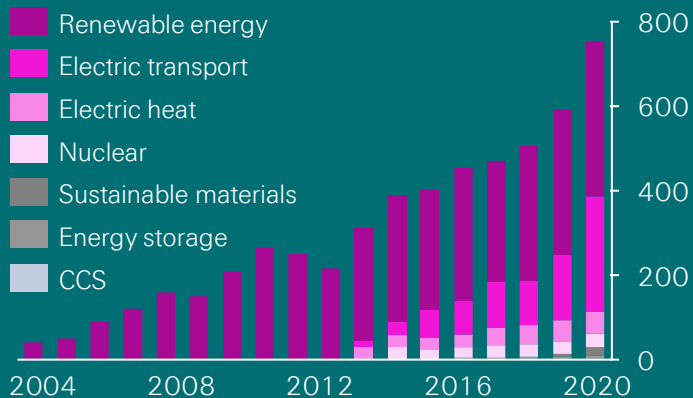
Solutions

- | | | |
|--------------------------------|---|--|
| Vehicle risk scores | ▶ | Improved pricing for electric vehicles and advanced driving assistance systems (ADAS) equipped vehicles |
| Commercial fleet | ▶ | Fleet solutions with insurance risk assessment via partnerships with technology and fleet management providers |
| Workers' Comp analytics | ▶ | Improve portfolio performance with risk selection and underwriting analytics |

We see elevated levels of frequency and severity above historical trends

- Infrastructure investments present significant growth opportunities
- Events in Ukraine highlight accumulation risk in aviation, marine and credit & surety
- Accelerated energy transition timeline requires risk knowledge for renewables

Global low-carbon investments
(USD bn)



Specialty: Markets will continue to grow driven by increasing demand

Swiss Re provides **in-depth, regional-specific and global risk know-how** across the various specialty lines in both treaty and facultative

Key market trends such as infrastructure, food security and sustainability enable **future growth opportunities**, which we help unlock with our tailored **risk transfer, insights and solutions**

Solutions

Engineering Digital



PUMA platform empowers clients to capture growth opportunities and improve efficiency

Agriculture Digital



Opticrop and AIRMP helps farmers, governments and insurers assess risks, manage portfolios and claims

Solar parametric



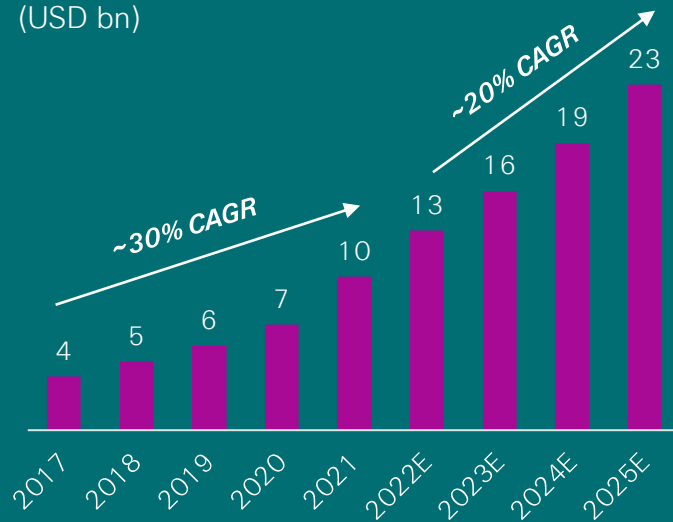
Enables clients to assess and manage solar risks in the fast-growing renewable energy sector

We have a strong track record of helping our clients grow specialty lines profitably

- Accelerating digitalisation is prompting significant growth potential and rising premiums

Global cyber premiums

(USD bn)



- Lack of historical data coupled with increased frequency and severity of systemic risks constrains reinsurance capacity

Cyber: Managing aggregation risk and ensuring adequate pricing remains paramount

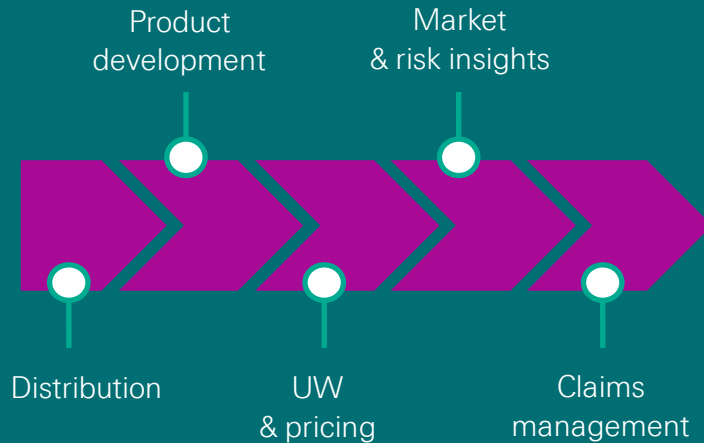
Swiss Re **maintains a cautious approach** to cyber; particularly on **risk accumulation** and the **changing risk landscape**

We continue to invest in R&D to refine our proprietary models, data assets and other services, as well as focus on clarity of contract wordings

- We work together with our clients to better understand complex cyber risks
- We help navigate emerging and dynamic market trends, e.g., risk assessment and transfer platforms for cloud workloads
- Through our long-term partnership and risk-sharing approach, we enable sustainable growth of our clients' cyber portfolios

We partner with clients through this dynamic risk landscape

Solutions: Our capabilities and offerings are tailored to client needs



- Support our clients to develop sustainable and innovative best-in-class solutions across the insurance value chain
- Primarily focused on technology and data combined with risk knowledge and insights

Solutions

P&C Analytics



Comprehensive market analytics, detailed insights into loss drivers, customer segmentation approaches and behavioural economics analysis help clients grow profitably

Rapid Damage Assessment



Leveraging Swiss Re's proprietary models and imageries to facilitate faster and smarter response to catastrophic events

SwiftRe®



Reduces administration costs for managing small to medium-sized facultative risk portfolios

Strategic Partnerships



20+ partners with whom we deliver best-in-class technology, capabilities and insights

We help close the protection gap by creating affordable and accessible insurance solutions

Swiss Re: We support our clients through challenging periods



Risks are rising



Price increases need to be reflected



We have a strong balance sheet and appetite for risk



We partner with our clients in a mutually beneficial way



Partners in resilience

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Any questions?

To ask questions, please use the
"raise hand" function



Thank you for your attention.

For any further questions, please contact the Media Relations team at media_relations@swissre.com or +41 43 285 71 71.

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