Swiss Re

Swiss Re Ltd

10th Annual General Meeting
Post-AGM shareholder information event
Zurich, Friday, 16 April 2021

Speech
by

Christian Mumenthaler
Group Chief Executive Officer

Check against delivery.

Swiss Re

Shareholders,

Ladies and Gentlemen,

It is now my turn to welcome you to our event! Like Walter Kielholz, I will divide my speech into three sections: first, I will say a few words about the pandemic, which continues to take centre stage. I will then give you an overview of Swiss Re's results for 2020 and will conclude with an outlook on our efforts in combating the climate crisis.

Let me start with the COVID 19-pandemic. It changed our lives overnight. Swiss Re Institute estimates that the cumulative loss of global economic output as a result of the pandemic and the global lockdowns will total 12 trillion US dollars – or 12 000 billion – in 2020 and 2021. And these are just the material costs. Initial scientific studies are now also revealing the psychological strain and long-term consequences of lockdowns and forced isolation. Many people were afraid to go to the doctor or hospital when they were unwell. Necessary treatment was therefore often not received. The early detection of diseases has also suffered due to the postponement of preventive medical check-ups. Added to this is the phenomenon known as "long Covid" – a very slow recovery after having had COVID-19. The costs resulting from these aspects of the crisis will also be considerable, this much is already clear.

For years, the insurance industry has warned of the devastating effects of a pandemic. In 2007, Chief Risk Officers from the insurance industry, including me, co-authored a paper on influenza pandemics. It began with the sentence: "Experts believe a pandemic event will occur in the foreseeable future, but their views vary widely regarding how it will unfold and what excess mortality figures will result."

Many of the predictions we made in 2007 sound almost prophetic today: we believed that an outbreak would likely start in Asia and quickly spread to other regions. We emphasised that timely preventive measures could slow a rapid spread. We expected a pandemic would result in negative market reactions. And we anticipated that central banks would react by lowering interest rates.

Despite such warnings, no country was truly prepared for COVID-19. We need to draw lessons from this experience and prepare ourselves better. Because the risk of a future pandemic is something we will have to continue to live with.

As insurers, pandemics push us to our limits. They affect almost all countries and areas of life simultaneously. Private insurers cannot bear the consequences alone because they lack the ability to diversify risks and because the size of the claims far exceeds the capacity of the industry. So how can we get such a risk under control? The answer is that governments, the insurance industry and, if necessary, other stakeholders must work together. Such public-private partnerships already exist for other major risks, such as terrorism and nuclear power plant accidents.

Last year, the Swiss Insurance Association, in collaboration with Swiss Re, drew up a proposal for a Swiss pandemic insurance and submitted it to the federal government. Unfortunately, however, the Federal Council decided on 31 March not to further pursue a Swiss pandemic insurance project.

We very much regret this decision. It goes against the motto: “Gouverner, c’est prévoir”. It means that one of the most important major risks to which Switzerland, its population and its businesses are exposed remains uninsured. As a result, taxpayers will continue to bear the burden in the event of a future pandemic.

At the operational level, our company followed the motto I just mentioned! We were able to respond swiftly and efficiently to the pandemic. Our practice of occasionally working from home, which had already been in place for many years, paid off. Virtually overnight, we switched to worldwide remote working operations. Our emergency plans were in place. We were able to implement them purposefully from day 1 and roll out the necessary IT programs and software. This enabled us to continue to work at full capacity.

Our clients were also unsettled by the events. They very much appreciated the fact that we were able to seamlessly remain in close contact with them online. Our contract renewal round in the fourth quarter of 2020 also went smoothly. We were able to serve our clients to their satisfaction and also process claims payments on time. Numerous clients have informed us that they were impressed by this continuity and that they valued it highly.

None of this would have been possible without our employees. I would therefore like to take this opportunity to express my sincere thanks to all my colleagues around the globe, and especially to our IT and logistics teams, for their hard work. What they accomplished, often during night shifts and on weekends, is impressive. I admire your achievements!

Shareholders, Ladies and Gentlemen,

Let me now turn to our results for 2020, which I would like to introduce with three remarks:

First, Swiss Re went into this crisis with a very strong balance sheet and capital position. At the beginning of 2020, our Group Swiss Solvency Test ratio was 232%. The regulator uses this test on an annual basis to measure how much capital is available to cover our Group’s liabilities.

Second, from the start of the pandemic, we took a prudent and disciplined approach to building reserves, even though few actual claims were initially reported.

Third, I will present the Group results to you from two different perspectives: on the one hand, including the claims and reserves arising from the COVID-19 pandemic; and on the other hand, excluding these extraordinary impacts. You know that as a reinsurer, we are in a business that takes a long-term view. So, in assessing Swiss Re's financial health and earnings power, we do not want to focus solely on the 31 December 2020 balance sheet date. Instead, I would also like to share the underlying trend with you. Which is positive.

Claims and reserves relating to COVID-19 amounted to 3.9 billion US dollars in 2020. This resulted in a net loss of 878 million dollars for the Group. Excluding the impact of COVID-19, the result was a Group net income of 2.2 billion dollars, so significantly higher than the 0.7 billion dollars reported for 2019. I am therefore optimistic about the future.

There were two main drivers of COVID-19-specific claims and reserves: first, mortality, or fatality risks, and second, business interruption. Significant claims costs also resulted from the cancellation of major events and from credit and surety insurance cover. When renewing our contracts, we adjusted the conditions accordingly.

In addition to the pandemic, we were again confronted with a series of natural catastrophes in 2020. Claims from these amounted to 1.7 billion dollars. We experienced a record number of 30 named Atlantic hurricanes last year. In terms of large man-made losses, the most notable was the violent explosion in the port of Beirut in the third quarter.

In 2020, we successfully navigated the strong volatility on the financial markets caused by the pandemic. We generated an excellent 3.5% return on investments for the year. This was also due to the fact that we reduced our portfolio exposure to sectors particularly affected by COVID-19 early on.

Our capital position remained very strong throughout the year. At the beginning of January 2021, the Group's Swiss Solvency Test ratio, which I mentioned earlier, was 215%. The Group's very strong capital position and positive outlook enabled the Board of Directors to propose an unchanged dividend of CHF 5.90 per share. Following my speech, our Company Secretary, Felix Horber, will inform you about the results of the Annual General Meeting.

I would now like to say a few words about our individual lines of business.

Property & Casualty Reinsurance, including COVID-19, suffered a net loss of 247 million dollars. If we exclude the pandemic impact, net income was 1.3 billion dollars. For 2019, this figure was 0.4 billion. For the January 2021 renewals round, the division continued to focus on underwriting quality and improved terms and conditions. This resulted in an 11% decrease in premium volume. However, we achieved a nominal rate increase of 6.5% for the renewed contracts. In addition, our normalised combined ratio estimate is less than 95%.

Swiss Re

Including the COVID-19 impact, Life & Health Reinsurance reported net income of 71 million dollars in 2020. Excluding the COVID-19 impact, this figure was 855 million dollars. That is a strong performance. In addition, the segment recorded robust growth of 6.9% in net premiums earned. This was driven mainly by large longevity deals. We continue to see attractive opportunities for Life & Health Reinsurance in growth markets and through further large transactions.

Corporate Solutions is our direct business with large corporations. The Business Unit is well ahead of plan in its turnaround. It recorded a net loss of 350 million dollars due to COVID-19. However, excluding the pandemic-related impact, Corporate Solutions reported a net profit of 400 million dollars. Corporate Solutions also achieved rate increases of 15%. We are therefore confident about the future.

This brings me to our last line of business, which previously operated under the name Life Capital. It comprised various units, such as our closed book life insurance business in the UK and iptiQ's white labelling activities.

You may recall that we had wanted to divest the closed book life insurance business for some time. With the sale to UK-based Phoenix Group, we completed that step. Swiss Re received a cash payment of 1.2 billion pounds and also holds a 13.3% stake in Phoenix.

As a result of the sale, we decided to simplify our organisational structure by disbanding the Life Capital Business Unit at the end of 2020. Corporate Solutions has now assumed responsibility for elipsLife, which provides life and health insurance solutions and services for corporate clients. iptiQ is now operating as a standalone division.

We are very pleased about how iptiQ has developed since its foundation in 2016. But you may be wondering what the term white labelling actually means. Or what iptiQ does exactly. Let me shed some light on this: we develop digital insurance products in the life and property segment. However, we do not offer these products directly and under the Swiss Re brand but work systematically with partners. They launch the products under their own brand and regularly distribute them, primarily by means of digital platforms. Ladies and Gentlemen, you are all familiar with IKEA. But did you know that IKEA is a partner of iptiQ and offers home insurance in Switzerland under the name Hemsäker? With iptiQ, we are keeping ahead of the curve in the digital age. Our internal valuations put the division at around 2 billion dollars. And we are proud that iptiQ's figures are similarly dynamic to those of leading insurtech start-ups.

Let me now come to the last part of my speech: our efforts in the climate crisis. Although our attention may currently be absorbed by COVID-19, climate change remains the greatest challenge we face as a global society. Walter Kielholz touched on it briefly: Swiss

Swiss Re

Re has been warning about the effects of climate change for 40 years. We feel its impact very directly, it is reflected in our balance sheet in francs and centimes.

Our commitment to combating climate change is focused on several areas.

As a company, we have been CO_2 neutral since 2003. This means we buy CO_2 certificates to neutralise our emissions. The money for the certificates flows into climate offset projects. But that is, of course, not all we are doing. In the period from 2003 to today, we have reduced our own emissions by over 50% per employee and increased our energy efficiency by 60%.

Flying is our one remaining big source of CO_2 emissions, and we want to tackle this too: our target is to reduce our emissions from air travel by 30% in 2021 compared to 2018.

But we want to go further than that: we have committed to achieving net zero emissions in our own operational processes by 2030, and in our investment and insurance portfolios by 2050. But what am I referring to, exactly, when I say net zero?

There is an alliteration that might help me explain: “Net zero is not neutral”!

With the new net zero target, we are no longer allowed to use CO_2 certificates in the same way we have to date. Instead, we must now ensure that CO_2 is actively and directly removed from the atmosphere. How is this done? On the one hand, nature itself offers solutions, for example reforestation projects. Forests bind CO_2 for many decades. But they also need land and, above all, sufficient water. We are therefore also relying on the creative forces of human ingenuity. There are a number of start-ups that have developed technologies to extract CO_2 from the atmosphere. But they are currently still in their infancy.

We can also have an impact through our underwriting and asset management. In underwriting, we are tightening the screws in our insurance cover in the areas of coal, oil and gas. By 2040, our exposure to thermal coal will have decreased to zero.

On the investment side, we aim to achieve a 35% reduction in the carbon intensity of our listed equity and corporate bond portfolios by 2025. And we want to increase our investments in the areas of renewable energy and social infrastructure by 750 million dollars by the end of 2024.

We are also very actively using the World Economic Forum to get a broad range of large companies around the world on board with the net zero goal. As Co-Chair of the WEF’s Alliance of CEO Climate Leaders, I have the opportunity to help shape its work. In this alliance, we are working with other CEOs around the world to facilitate the transition to a low-carbon economy. This commitment is highly motivating because I see a great willingness among many CEOs to take concrete steps of their own. When large companies unite to tackle the climate crisis, enormous resources come together. The insurance industry, by the way, can play an important role in this with tailored solutions for risk transfer.

Let me close by saying that although last year was not easy, I am confident about the future of our business. I am convinced that we will be able to continue to purposefully implement our vision – to make the world more resilient. I would once again like to thank our employees for their commitment and dedication in these extraordinary times. They had to work under challenging personal circumstances and ensured that we nevertheless always remained fully operational.

I would also like to thank you, our shareholders, for your loyalty and support.