

# News release

## Swiss Re reports half-year 2019 net income of USD 953 million, supported by strong Reinsurance performance and investment results

- Group net premiums earned and fee income up 7.9% year-on-year to USD 18.2 billion
- Property & Casualty Reinsurance (P&C Re) net income up 2.5% to USD 771 million; combined ratio 100.5%; return on equity (ROE) 15.9%
- Life & Health Reinsurance (L&H Re) net income up 15.3% to USD 459 million; ROE 13.1%
- Corporate Solutions net loss of USD 403 million reflects decisive management actions to reposition the business
- Life Capital net income of USD 5 million; gross cash generation of USD 460 million
- Very strong return on investments (ROI) of 4.2%; running yield of 2.9%
- P&C Re treaty renewals showed year-to-date premium growth of 23% and price quality increase of 1%
- Urs Baertschi appointed CEO Reinsurance EMEA, Regional President and member of the Group Executive Committee, effective 1 September 2019

Zurich, 31 July 2019 – Swiss Re reported net income of USD 953 million in the first six months of 2019, supported by a strong performance by Reinsurance and investment results. Net premiums earned and fee income rose by 7.9% year-on-year to USD 18.2 billion, reflecting growth across all Business Units. The Group ROE was 6.6%.

Swiss Re's Group Chief Executive Officer Christian Mumenthaler said: "Our half-year results underline the strength of our Reinsurance franchise in both the P&C and L&H segments. We are confident that our strategic position in terms of our large scale, global portfolio, diversification with L&H business and client access will continue to drive profitable growth, as evidenced by the positive renewals momentum we have achieved year to date."

The ROI improved to 4.2% in the first six months of 2019 from 2.6% in the same period of 2018, reflecting strong performance from equity securities and gains within the fixed income portfolio. The Group's fixed income running yield for the six-month period was stable at 2.9%, despite declining investment yields.

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Swiss Re's capital position remains very strong. The Group continues to focus on its capital management priorities by deploying excess capital through profitable business growth and by returning capital to shareholders. The current public share buy-back programme of up to CHF 1.0 billion purchase value, which started on 6 May 2019, is well on track.

Swiss Re's Group Chief Financial Officer John Dacey said: "We are in a strong position to deploy capital and take advantage of the opportunities to grow in diverse risk pools. As we keep our costs under control, this provides scale benefits and enhanced annual profits."

### **Strong P&C Re result despite late claims development**

P&C Re reported a 2.5% increase in net income to USD 771 million, supported by profitable business growth and a very strong investment performance. Net premiums earned increased 13.2% to USD 8.7 billion, driven by large transactions and growth in natural catastrophe business. The ROE improved to 15.9% from 14.5%.

The combined ratio was 100.5% in the first half of 2019. The underwriting performance was impacted by late claims development from Typhoon Jebi in the first quarter, in line with a material increase in the total market loss. It also reflects current year claims from natural catastrophes and man-made losses, including floods, hail and storm losses in Australia, as well as losses stemming from the Ethiopian Airlines crash and the subsequent grounding of the Boeing 737 MAX fleet. The Business Unit is on track to achieve a normalised combined ratio of 98%<sup>1</sup> in 2019.

### **July P&C Re treaty renewals show volume and price increases**

Year to date, P&C Re treaty premium volume increased by 23% to USD 17.0 billion, of which 1% was due to price increases. In the July treaty renewals, which focus mainly on the Americas, Swiss Re achieved a 17% volume increase and 2% price quality improvement.

### **L&H Re continues to deliver strong results**

Net income for the first six months of 2019 rose 15.3% to USD 459 million, driven by active portfolio management and improved mortality developments in the Americas. The net income was also supported by a very strong return on investments, reflecting favourable equity market performance and realised gains within the fixed income portfolio. ROE for the first half of the year rose to 13.1% from 11.5% in the same period of 2018.

Net premiums earned and fee income in the first half of 2019 decreased 1.6% to USD 6.3 billion as a result of unfavourable foreign-exchange rate movements and the termination of an intragroup retrocession agreement

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<sup>1</sup> Assuming an average large natural catastrophe loss burden and excluding prior-year reserve developments.

with Life Capital. Adjusted for these two items, net premiums earned and fee income increased 5.2%.

### **Corporate Solutions result reflects decisive management actions**

Corporate Solutions reported a net loss of USD 403 million and a combined ratio of 132.8% in the first six months of 2019 as a result of decisive management actions to reposition the business. Net premiums earned rose by 7.6% to USD 2.1 billion, as significant rate increases and growth in selected lines of business more than offset the impact from active pruning of several underwriting portfolios. Swiss Re expects the positive momentum in commercial insurance rates to continue after achieving a broad-based 9% price quality increase in the first half of 2019.

To address recent underperformance, Corporate Solutions strengthened claims reserves by USD 328 million in the second quarter of 2019. In addition, an Adverse Development Cover was established with P&C Re for a one-time premium of USD 100 million. The Business Unit is also actively reducing risk exposures in specific lines to ensure a more focused and profitable portfolio going forward.

Portfolio repositioning, together with the resulting efficiency improvements and the accelerating momentum in insurance rates will help Corporate Solutions return to underwriting profitability with a target normalised combined ratio of 98%<sup>2</sup> in 2021. The Group increased Corporate Solutions' capital by USD 600 million, underlining its commitment to the commercial insurance market.

### **Life Capital reports growth in open book businesses**

Net income of USD 5 million reflects strong investment performance, offset by expenses related to growth of the open book businesses as well as the separation of ReAssure into a standalone group. The Business Unit reported gross cash generation of USD 460 million during the first six months of 2019. This was driven by the sale of a 10% stake in ReAssure to MS&AD Insurance Group Holding Inc and proceeds from the sale of subordinated bonds issued by ReAssure, partly offset by the impact of ReAssure recapitalisation. As announced on 11 July 2019, the planned initial public offering of ReAssure was suspended due to unfavourable UK primary market conditions. Swiss Re retains the objective to reduce its ownership in order to de-consolidate ReAssure.

Net premiums earned and fee income increased by 33.1% to USD 1.1 billion in the first half of 2019 due to growth in the open book life and health insurance businesses and changes to intragroup retrocessions. Gross premiums written of the open books increased by 16.8% when measured at constant foreign exchange rates. iptiQ also launched a property and casualty

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<sup>2</sup> Assuming an average large natural catastrophe loss burden and excluding prior-year reserve developments.

business in EMEA and a life and health business in Australia and New Zealand.

#### **New auditor selected**

Swiss Re's Board of Directors will propose to shareholders the election of KPMG as the Group's new auditor for 2021 following a tender process that was conducted in the first half of 2019.

#### **Urs Baertschi appointed CEO Reinsurance EMEA, Regional President and member of the Group Executive Committee**

Urs Baertschi has been appointed CEO Reinsurance EMEA, Regional President and member of the Group Executive Committee, effective 1 September 2019 and subject to necessary regulatory approvals. He is succeeding Russell Higginbotham, who took over as CEO Reinsurance Asia and Regional President earlier this month. Urs Baertschi has been the President Reinsurance Latin America for the past four years, during which he strengthened Swiss Re's market position and achieved significant business growth. Prior to this role, Urs Baertschi was Managing Director, Head Principal Investments & Acquisitions Americas with responsibility for Swiss Re's financial and strategic direct investments as well as corporate development. Previously, he held a variety of M&A and private equity roles inside and outside of Swiss Re focusing on insurance, financial services and healthcare.

Swiss Re's Chairman Walter B. Kielholz said: "Urs Baertschi is a seasoned leader with over 20 years of broad expertise in the financial services industry. He has a proven track record of fostering sustainable growth and the right skills to lead our business in EMEA to new strengths as we continue to focus on innovation across our business lines. We are pleased to appoint such a strong internal candidate to this important role, ensuring continuity for our clients."

#### **Outlook**

Swiss Re's Group Chief Executive Officer Christian Mumenthaler said: "We are very pleased to see the strength of our reinsurance franchise come back to the fore. We are confident that the measures we are taking in Corporate Solutions will return the business to underwriting profitability. And we are excited about growth of our open book businesses in Life Capital. We see many opportunities ahead and continue to work closely with our clients, while delivering attractive returns to our shareholders."

**Details of H1 2019 performance**

		H1 2018	H1 2019
<b>Consolidated Group (total)</b>	Net premiums earned and fee income (USD millions)	16 830	18 160
	Net income (USD millions)	1 006	953
	Return on equity (% annualised)	6.3	6.6
	Earnings per share (USD)	3.24	3.19
	Return on investments (% annualised)	2.6	4.2
	Running yield (% annualised)	2.9	2.9
	Shareholders' equity (USD millions)	30 051	30 117
	Book value per common share (USD)	93.09	101.83
<b>P&amp;C Reinsurance</b>	Net premiums earned (USD millions)	7 701	8 719
	Net income (USD millions)	752	771
	Combined ratio (%)	92.9	100.5
	Net operating margin (%)	13.0	11.1
	Return on investments (% annualised)	2.1	4.4
	Return on equity (% annualised)	14.5	15.9
<b>L&amp;H Reinsurance</b>	Net premiums earned and fee income (USD millions)	6 389	6 284
	Net income (USD millions)	398	459
	Net operating margin (%)	9.9	10.9
	Return on investments (% annualised)	3.6	4.4
	Running yield (% annualised)	3.3	3.4
	Return on equity (% annualised)	11.5	13.1
<b>Corporate Solutions</b>	Net premiums earned (USD millions)	1 918	2 063
	Net income (USD millions)	58	-403
	Combined ratio (%)	101.7	132.8
	Net operating margin (%)	3.8	-21.2
	Return on investments (% annualised)	2.2	3.2
	Return on equity (% annualised)	5.0	-40.5
<b>Life Capital</b>	Net premiums earned and fee income (USD millions)	822	1 094
	Net income (USD millions)	34	5
	Net operating margin (%)	5.2	6.2
	Return on investments (% annualised)	3.4	3.2
	Return on equity (% annualised)	1.1	0.2
	Gross cash generation (USD millions) <sup>3</sup>	848	460

<sup>3</sup> Gross cash generation is the estimated net cash arising from business activity within the Life Capital Business Unit during the reporting period, taking into account both surplus development and certain capital actions. It is calculated gross across both Swiss Re's and MS&AD's interest in ReAssure.

**Video presentation and slides**

A video presentation and transcript of Swiss Re's results for the media and analysts and the accompanying slides are available at [www.swissre.com](http://www.swissre.com).

**Media conference and call**

Swiss Re will hold a media conference with a dial-in possibility this morning at 10:30 (CEST). If you plan to dial in, you are kindly requested to call ten minutes prior to the start using the following numbers:

From Switzerland:	+41 (0) 58 310 50 00
From Germany:	+49 (0) 69 505 0 0082
From UK:	+44 (0) 207 107 0613
From France:	+33 (0) 17091 8706
From USA:	+1 (1) 631 570 56 13
From Hong Kong:	+852 5808 1769

**Investors' and analysts' conference call**

Swiss Re will hold an investors' and analysts' conference call this afternoon at 14:00 (CEST) which will focus on Q&A. You are kindly requested to dial in ten minutes prior to the start using the following numbers:

From Switzerland:	+41 (0) 58 310 50 00
From Germany:	+49 (0) 69 505 0 0082
From UK:	+44 (0) 207 107 0613
From France:	+33 (0) 1 7091 8706
From USA:	+1 (1) 631 570 56 13
From Australia:	+61 28 073 0441

**Swiss Re**

The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

For logos and photography of Swiss Re executives, directors or offices, go to <https://www.swissre.com/media/electronic-press-kit.html>

For media 'B-roll' please send an email to [media\\_relations@swissre.com](mailto:media_relations@swissre.com)

**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 cyclical nature 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 realise 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 realise tax loss carry forwards, the ability to realise 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.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.