Swiss Re

Swiss Re Ltd

7th Annual General Meeting
Zurich, Friday 20 April 2018

Speech

Christian Mumenthaler
Group Chief Executive Officer

Check against delivery.

Swiss Re

Dear ladies and gentlemen, dear shareholders. Thanks for coming.

2017 was a challenging year for both Swiss Re and for the wider insurance industry. At first glance, you might get the idea that it was a bad year. I'll explain why I don't see it that way.

There were many disastrous natural catastrophes which certainly had a negative effect on our results. For weeks at a time, we watched in horror as Cyclone Debbie battered Australia, an earthquake hit Mexico, wildfires raged in California and Atlantic storms wreaked havoc across the US and the Caribbean. Many people lost everything.

These are key moments for our industry – our clients have been paying premiums for years so that we can support the people and companies affected by such events to quickly get back on their feet. That is our mission; one that is close to my heart and one that can be quantified – we estimate that Swiss Re paid out claims of around USD 4.7 billion in 2017. But this is about far more than a number. It is about devastating tragedies – and the exceptional work of those who help in times of need.

Close to 200 of our claims experts worked hand in hand with our clients to provide quick, localised support. We made advance payments running into the millions and didn't allow ourselves to be side-tracked by bureaucracy.

The sooner those affected by a catastrophe can finance the rebuilding of their businesses or lives, the less significant the long-term impact – in both economic and humanitarian terms.

This makes it all the more shocking that millions of people – even in developed countries – have no insurance at all. Some have no access to insurance, while others are unaware of the risks or can't afford a policy.

We have sought for many years to address this lack of adequate insurance cover. In 2015, the global shortfall in cover for natural catastrophes was USD 153 billion. This figure represents too many people who, in the event of a natural catastrophe, lack the required financial support to rebuild and recover.

Addressing this coverage gap is no trivial matter. I firmly believe that it is the responsibility of the industry as a whole. We want to contribute by tapping into our expertise and experience and to develop innovative solutions – together with our clients.

To give an example:

In 2017, Swiss Re played a major role in developing the World Bank's Pandemic Emergency Financing Facility (PEF). This insurance for pandemic risk was set up in response to the 2014 Ebola crisis. The PEF enables financing to be released within just a few days to support immediate relief measures. We expect this will save lives in the future and that the rapid spread of a disease need not lead to an international crisis.

Of course, I should be using this Annual General Meeting not only to give insights into what we do on a daily basis. I should be focusing on our annual results.

Swiss Re Ltd, the holding company of the Swiss Re Group, in which you hold a stake, recorded a net income of nearly CHF 4 billion last year. While the difference between this and the Group results is particularly striking in 2017, please bear in mind that the holding company's results are not consolidated. They primarily consist of cash dividends from the Group companies.

Let's move on to the Group results: Despite claims totalling USD 4.7 billion, Swiss Re recorded annual net income of USD 331 million. This equates to a surplus per share of USD 1.03 or CHF 1.02.

The decisions, made in recent years, to retain surplus capital and to take a disciplined approach to underwriting have enabled us to maintain a very solid capitalisation despite heavy losses. We are still highly financially flexible and economically solvent, notably exceeding our own Group-wide target ratio of 220% for the Swiss Solvency Test.

Shareholders' equity declined 3.4% in 2017 to USD 33.4 million, mainly due to the dividends paid out in 2016. Return on equity was 1%. While this does fall short of our financial targets – 7 percentage points above 10-year US government bonds – these targets were not set for a single year, but for an entire economic cycle. Economic net worth per share totalled USD 119.74 at the end of 2017.

All in all, respectable results in a challenging year.

I would like to take this opportunity to thank our more than 14 500 colleagues, who give their best every day and who advised our clients throughout 2017. Thank you for your hard work, inspirational ideas and dedication.

Now let's take a look at how the individual Business Units performed in 2017.

As you know, our results were impacted by severe natural catastrophes. **Property & Casualty Reinsurance** posted a loss of USD 413 million and an annualised return on equity of minus 3.5%. Unsurprisingly, the combined ratio climbed to 111.5%.

Disciplined underwriting was more important than ever in those difficult market conditions. We made the conscious decision in 2017 to not underwrite unprofitable business; as a result, gross premiums written declined by 8.8% to USD 16.5 billion.

During the renewal season in early 2018, however, we underwrote premiums totalling USD 8.1 billion – this compares to USD 7.5 billion that were pending renewal.

We achieved this 8% increase through higher prices and greater volumes in all segments and regions, as well as major transactions. We raised prices by 2% across the entire portfolio, which I am very pleased about given that a reversal of our pricing strategy was overdue.

Since the US is the biggest market for our commercial insurance arm **Corporate Solutions**, its results were significantly impacted by natural catastrophes In 2017 Corporate Solutions posted a net loss of USD 741 million. Return on equity declined to −32.3%, while the combined ratio rose to 133.4%. Difficult years like 2017 are part and parcel of the business and they do not alter our commitment to Corporate Solutions, which we strengthened with an injection of an additional USD 1 billion in capital in 2017.

Unlike for Property & Casualty, 2017 was a very good year for our life and health insurance business. **Life & Health Reinsurance** increased its net income to USD 1.1 billion as a result of both a strong investment performance and solid underwriting results. Return on equity advanced to 15.3%, far higher than the expected 10 to 12%. We will maintain this target. Gross premiums written rose 4% to USD 13.3 billion.

Life Capital, our Business Unit that manages closed and open life and health insurance portfolios, generated gross cash of USD 998 million.

Last year, Mitsui Sumitomo made an investment in ReAssure. Our good relations with the Japanese insurance conglomerate have now culminated in it acquiring a non-controlling interest in ReAssure. The stake will enable us to be significantly more flexible in the future in financing closed books of business. As you may also have read, we bought 1.1 million life insurance policies from British financial service provider Legal & General Group plc in late 2017. This means we now insure more than 4.5 million people with ReAssure. Our individual and group life business is also growing at an encouraging pace.

Our very solid investment performance in 2017 was pleasing: despite continuing to pursue a relatively conservative and disciplined strategy, we recorded a return on investments of 3.9%. Moreover, as I'm sure you know, Swiss Re invests sustainably –consistently. As an investor we do take responsibility. We're proud to be one of the first companies in the industry to take environmental, social and governance criteria into account. This helps us to not only generate sustainable, long-term investment returns but also reduce the risk of losses.

While 2017 was a challenging year, we remained true to our vision of making the world a little more resilient – despite all the turbulence. This is something we are proud of.

2017 was also a year in which our long-term strategy was put to the test – and proved successful. Our broad diversification paid off and enabled us to report net income despite paying out very high claims. 2017 also saw us initiate the urgently needed reversal of our pricing strategy and brought the first signs of a turnaround in interest rates. Good reasons to embrace the future with courage and optimism.

We will continue to work closely with our clients, to capitalise on our expertise to develop innovative insurance solutions and to offer you, our shareholders, even greater added value in the future.

Thank you for entrusting the management of your company to us – my colleagues, the Executive Committee and me.