Swiss Re

News release

Swiss Re reports nine months 2017 loss of USD 468 million after large insurance claims from recent natural catastrophe events

- Group net loss of USD 468 million for the first nine months 2017; impacted by expected large insurance claims of USD 3.6 billion following hurricanes Harvey, Irma, Maria, and the Mexico earthquakes
- Property & Casualty Reinsurance net loss USD 652 million
- Life & Health Reinsurance net income USD 741 million
- Corporate Solutions net loss of USD 762 million
- Life Capital gross cash generation at USD 789 million, net income USD 152 million
- Group investment portfolio continued strong 2017 performance; return on investments of 3.5% and running yield of 2.9%
- Swiss Re will start public share buy-back programme on 3 November 2017

Zurich, 2 November 2017 – Swiss Re reported a Group net loss of USD 468 million for the first nine months of 2017, reflecting the USD 3.6 billion expected insurance claims from hurricanes Harvey, Irma, Maria, and the Mexico earthquakes. P&C Re's and Corporate Solutions' results were both affected by these severe events, with P&C Re reporting a USD 652 million net loss and Corporate Solutions a USD 762 million net loss. L&H Re continued to generate strong results and Life Capital delivered a strong gross cash generation. Swiss Re maintained a very strong capital position and high financial flexibility. As a result, Swiss Re launches its public share buy-back programme of up to CHF 1.0 billion on 3 November 2017.

Swiss Re's Group Chief Executive Officer, Christian Mumenthaler, says: "The severe natural catastrophes we have experienced so far this year have clearly impacted our results. At the same time, we are able to absorb these losses and join forces with our clients to help affected people and businesses in getting back on their feet. This shows that our strategy to ensure superior capitalisation at all times is paying off. We believe we have the financial strength to respond to potential market developments and we continue to stay committed to creating long-term shareholder value."

Group results marked by natural catastrophes

Swiss Re reported a nine months 2017 net loss of USD 468 million, compared to a net income of USD 3.0 billion for the same period in 2016.

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The decline was primarily driven by the previously communicated expected insurance claims in the aftermath of the recent Atlantic hurricanes, the earthquakes in Mexico as well as Cyclone Debbie in Australia and floods in Peru in the first half of the year. Overall, Swiss Re expects its insurance claims from natural catastrophes for the first nine months of 2017 to amount to approximately USD 4.0 billion at a Group level, with around USD 3.0 billion being incurred by P&C Re and approximately USD 1.0 billion by Corporate Solutions.

Swiss Re generated an annualised return on equity (ROE) of -1.9% in the first nine months while it continued to invest into its business. The Group's annualised return on investments (ROI) was strong at 3.5% and the fixed income running yield was stable at 2.9%.

Gross premiums written for the first nine months declined 5.1% to USD 26.7 billion, as Swiss Re applied its disciplined underwriting approach in challenging market conditions. Measured at constant foreign exchange rates, the decline would have been 4.2%.

As a result of the large natural catastrophe losses, the Group has strengthened Corporate Solutions' capital position with a USD 1.0 billion capital injection. This underlines Swiss Re's commitment to this business, given the attractiveness of the commercial insurance market and the confidence in the Business Unit's long-term strategy.

Swiss Re's Group Chief Financial Officer, David Cole, says: "Even after such a string of severe natural disasters, we demonstrate the strength of our capital position and financial flexibility by supporting our clients, responding to market developments and strengthening Corporate Solutions' capital position, while continuing to repatriate excess capital to our shareholders – as shown by the upcoming launch of our share buyback-programme."

P&C Re result impacted by high natural catastrophe claims
Expected combined claims of USD 3.0 billion from this year's large natural catastrophe losses led to a strong decline in P&C Re's results. The net loss for the first nine months amounted to USD 652 million. P&C Re expects losses from Hurricanes Harvey, Irma, Maria, and the Mexican earthquakes to amount to USD 2.65 billion.

The annualised ROE was -7.5%. The combined ratio increased to 114.1%, as the impact from large natural catastrophe losses was well above expected levels for these nine months. P&C Re continued to experience positive prior-year development during the first nine months of 2017.

Swiss Re maintained its strict disciplined underwriting approach, ensuring it receives an adequate price for the protection it provides. This resulted in a 12.6% decline in gross premiums written to USD 13.4 billion in the first nine months.

L&H Re continues to show strong performance

L&H Re delivered strong net income of USD 741million in the first nine months, driven by a good underwriting result and good investment performance. ROE on an annualised basis was 14.3%. The fixed income running yield for the first nine months was 3.3% compared to 3.4% in the first nine months of 2016.

Gross premiums written for the first nine months increased 1.4% to USD 9.7 billion compared to the first nine months of last year, mainly due to new wins and business growth in the US and Asia.

Corporate Solutions result significantly impacted by natural catastrophe events

Corporate Solutions incurred a net loss of USD 762 million in the first nine months. The result was significantly impacted by the recent events in the US, which is Corporate Solutions' largest market, the Caribbean and Mexico. The Business Unit expects to incur claims of approximately USD 975 million for these recent events. As a leader in excess layers[1] and a net capacity provider,[2] Corporate Solutions' results are subject to higher volatility, and large losses can be absorbed by the very strong balance sheet of the Swiss Re Group.

The combined ratio for the first nine months of 2017 was 142.6% and the annualised ROE was -56.0%. Gross premiums written[3] increased by 1.9% to USD 2.9 billion in the first nine months.

Swiss Re strengthened Corporate Solutions' capital position, underlining Swiss Re's commitment to this business and its long-term strategy. With Corporate Solutions, Swiss Re has built a unique platform to access the large pool of commercial risks. The Business Unit is expected to benefit from pricing improvements following the recent natural catastrophe events.

Life Capital delivers strong gross cash generation

Life Capital continued to deliver on its strategy to optimise cash generation. In the first nine months of 2017, gross cash generation amounted to a strong USD 789 million, reflecting the continued emergence of the underlying surplus in ReAssure, its closed book business in the UK, including a benefit from finalising the 2016 year-end statutory valuation and an update to mortality assumptions.

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[1] An excess layer provider offers coverage above the limit provided by the primary insurer, after a claim is made and the first layer of protection has been exhausted.
[2] A net capacity provider retains the risk without reinsuring it or with very limited reinsurance.
[3] Including premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit.

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The Business Unit generated a net income of USD 152 million. As expected, large one-off realised gains on the investment portfolio in 2016 were not repeated. The annualised ROE for the first nine months was 2.9%.

Gross premiums written for the first nine months increased 5.5% to USD 1.2 billion, driven by growth in the open book business, which demonstrates how Life Capital is increasing Swiss Re's access to attractive and growing risk pools in life and health markets.

In October, Swiss Re announced an agreement with Japanese insurance group MS&AD for a minority investment of up to GBP 800 million into ReAssure. The investment strengthens ReAssure's ability to pursue future transactions and is consistent with the execution of Swiss Re's previously communicated strategic intentions for Life Capital's closed book business.

Swiss Re will start public share buy-back programme on 3 November 2017

Having received all required regulatory approvals, Swiss Re will launch its public share buy-back programme of up to CHF 1.0 billion purchase value on 3 November 2017, to achieve its objective of returning capital to shareholders when excess capital is available and other business opportunities do not meet its profitability requirements. The public share buy-back programme was previously authorised by Swiss Re's shareholders in April 2017.

For further details of the share buy-back programme, please visit: www.swissre.com/investors/shares/share_buyback

Long-term focus will remain key to success

The most recent hurricanes and earthquakes are a reminder that large natural catastrophes can have a significant short-term financial impact and create earnings volatility. The ability, however, to face these challenges and support clients while starting a new share buy-back programme, shows the success of Swiss Re's strategy and its focus on the long-term.

Innovation, combined with research and development, is an important building block to remain relevant. In October, Swiss Re contributed to disaster risk reduction with the launch of Global Storm Surge Zones. This is a unique model that identifies which global cities are most at risk from storm surges. The tool is designed to prevent losses and assess risk and creates many new possibilities for preventive planning. It is also a basis for offering sustainable insurance to those at risk, by putting price tags on risk.

Swiss Re's Group Chief Executive Officer, Christian Mumenthaler, says: "The entire re/insurance industry is now required to demonstrate its critical role and responsibility subsequent to the tragic natural catastrophes of the recent months. In my view, many lines of business have been operating in an unsustainable environment. We expect pricing conditions to improve going forward – not only in reinsurance but also in commercial insurance. In addition, we are strongly positioned to work with our partners to capture market opportunities when they arise – as they often do after such events – and continue to tackle protection gaps around the world. We will continue to focus on our disciplined underwriting strategy as it has proven right over recent years and has provided us with a strong base for our future."

Details of year-to-date performance (9M 2016 vs 9M 2017)

		9M 2016	9M 2017
Consolidated Group (Total) [4]	Gross premiums written (USD millions)	28 097	26 664
	Net income/loss (USD millions)	3 041	-468
	Return on equity (%, annualised)	11.6	-1.9
	Return on investments (%, annualised)	3.6	3.5
	Running yield (%, annualised)	2.9	2.9
	Common shareholders' equity (USD millions)	37 430	32 783
P&C Reinsurance	Gross premiums written (USD millions)	15 286	13 357
	Net income/loss (USD millions)	1 548	-652
	Combined ratio (%)	93.8	114.1
	Return on equity (%, annualised)	16.1	-7.5
L&H Reinsurance	Gross premiums written (USD millions)	9 544	9 680
	Net income (USD millions)	635	741
	Running yield (%, annualised)	3.4	3.3
	Return on equity (%, annualised)	12.5	14.3
Corporate Solutions	Gross premiums written (USD millions)	2 873	2 948
	Net income/loss (USD millions)	150	-762
	Combined ratio (%)	99.3	142.6
	Return on equity (%, annualised)	8.6	-56.0
Life Capital	Gross premiums written (USD millions)	1 184	1 249
	Net income (USD millions)	726	152
	Gross cash generation (USD millions)	364	789
	Return on equity (%, annualised)	14.5	2.9

[4] Also reflects Group Items, including Principal Investments.

Notes to editors

Media call

Swiss Re will hold a media call this morning at 8:30 am (CET). If you plan to dial in, you are kindly requested to call 10 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 Hong Kong:	+852 5808 1769

Investors' and analysts' conference call

Swiss Re will hold an investors' and analysts' conference call this afternoon at 2 pm (CET) which will focus on Q&A. You are kindly requested to dial in 10 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) 203 059 58 63
From France:	+33 (0)1 7091 8706
From USA:	+1 (1) 631 570 56 13

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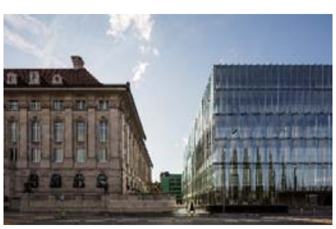

For media 'b-roll' please send an e-mail to Media_Relations@swissre.com

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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:

- further instability affecting the global financial system and developments related thereto;
- further deterioration in global economic 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;
- 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 its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and 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;
- the possibility that the Group's hedging arrangements may not 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;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, 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;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies and the interpretation of legislation or regulations;
- 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 or other issues experienced in connection with any such transactions;
- changing levels of competition; and

- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing 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.

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