ANNUAL RESULTS 2019

Transcript of investor and analyst video presentation

John R. Dacey, Group CFO

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- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism or acts of war;
- mortality, morbidity and longevity experience;
- the cyclicality of the reinsurance sector;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
- increased volatility of, and/or disruption in, global capital and credit markets;
- 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 Group's inability to realize amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- the Group's inability to generate sufficient investment income from its investment portfolio,

including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;

- changes in legislation and regulation, or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- 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;
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- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability;
- the outcome of tax audits, the ability to realize tax loss carryforwards and the ability to realize 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 the Group’s business model;
- changes in accounting estimates or assumptions that affect reported amounts of assets, liabilities, revenues or expenses, including contingent assets and liabilities;
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- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Group’s hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-than-expected benefits, impairments, ratings action or other issues experienced in connection with any such transactions;

- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of the Group's subsidiaries to pay dividends or make other distributions; and
- operational factors, including the efficacy of risk management and other internal procedures in anticipating and managing the foregoing risks.

These factors are not exhaustive. Swiss Re 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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[John R. Dacey]

What are the key drivers of Swiss Re's FY 2019 results?

So there are several drivers of the Swiss Re Group 2019 annual results.

First, we saw elevated nat cat claims with multiple large and medium-sized events: in particular typhoons Hagibis and Faxai in Japan, Hurricane Dorian in the Bahamas, and a series of events in Australia. Swiss Re has a strong presence in all these regions, which explains why the impact was so large. However, we continue to see these as attractive markets, and they remain profitable for Swiss Re over the cycle.

Second, we took decisive actions throughout the year to address the performance of Corporate Solutions. These actions restore a stable foundation for the business, thanks to increased reserving, significant price increases, ongoing portfolio pruning, expense savings and an improved reinsurance structure. We are optimistic about Corporate Solutions' return to underwriting profitability by 2021.

Third, the US Casualty trends on which we commented at our Investors' Day, have deteriorated and led to incremental actions in P&C Re. We proactively responded by adding to prior-year reserves and increasing initial loss picks. As such, we maintain our overall reserve adequacy and have reduced the risk of further reserve strengthening in the face of future uncertainty.

Fourth, moving on to the life businesses, Life & Health Re continues to deliver strong and stable results, with a ROE at the top end of our target range.

Fifth, in Life Capital we executed on one of our key strategic objectives by agreeing to sell ReAssure to Phoenix at an attractive valuation. This transaction is expected to improve the Group's return on capital going forward.

Sixth and finally, we are very happy to report an excellent result for Asset Management, including the realisation of value with the divestment of our stake in SulAmérica.

Can you elaborate on the performance of the P&C segments and their outlook for 2020?

2019 was not a light year for natural catastrophes and the impact on our P&C Reinsurance combined ratio was 3.5 percentage points above expectations. Man-made losses were broadly in line with the expectations.

The rising US Casualty loss costs have been evident in recent months, and we took proactive actions to improve the quality of our book and ensure we remain adequately reserved. We have done so on recent underwriting years, including the accident year 2019.

P&C Re´s underlying combined ratio for 2019 is aligned with our estimate, despite the 2019 initial loss pick increases. At the same time, we have reduced our exposure to US Casualty new business at the last round of renewals. The premiums written in this line were down 2%.

Overall, we are very pleased with the outcome achieved at the January 1 renewals. We pursue our own growth strategy in Nat Cat supported by price improvements. Our nominal price increases of 5% compensate for the impact of lower interest rates and higher loss assumptions. We expect to see an improved combined ratio for 2020 of 97%, supported by further price improvements in upcoming renewals.

2019 was a pivotal year for Corporate Solutions, and the business unit's 2019 results reflect the decisive management actions taken and a continued pronounced increase of US Casualty claims.

The Business Unit continues to work hard in actively reducing risk exposure in specific lines of business to ensure a more focused and profitable portfolio going forward.

Price increases over the course of 2019 amounted to 12%, and further 14% increases were achieved in January 2020. Together with the ongoing portfolio pruning and cost savings, this supports an expected improvement in the combined ratio to around 105% in 2020, while the combined ratio target for 2021 remains at 98%.

Can you elaborate on the proposed capital management actions and rationale?

On the basis of our very strong capital position and supported by our long-term economic earnings and sustainable capital generation, we are pleased to propose another set of attractive capital management actions to the upcoming AGM.

This includes a regular dividend of 5.9 Swiss francs per share, representing a 5% increase.

In addition, we propose to seek authorisation for a share buy-back programme of up to CHF 1bn purchase value to be executed prior to the 2021 AGM[1]. Similar to recent years, we expect repurchases to begin at the discretion of the Board, after the AGM.

[1] This is subject to necessary legal and regulatory approvals.

Corporate calendar

19 March 2020	Publication of Annual Report 2019
17 April 2020	156th Annual General Meeting
30 April 2020	Q1 2020 Key Financial Data
19 May 2020	Management Dialogues
31 July 2020	H1 2020 Results
30 October 2020	9M 2020 Key Financial Data

Investor Relations contacts

E-Mail	Investor_Relations@swissre.com
Hotline	+41 43 285 4444
Philippe Brahin	+41 43 285 7212
Daniel Bischof	+41 43 285 4635
Iunia Rauch-Chisacof	+41 43 285 7844
Olivia Brindle	+ 41 43 285 6437
Deborah Gillott	+41 43 285 2515
Zuzanna Prabucka	+41 43 285 4856