Swiss Re

Annual Report 2021

Letter to shareholders

Partnering for progress

Swiss Re at a glance

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.

1.4bn
Group net income (USD)
(2020: USD –878m)

5.7%
Return on equity
(2020: –3.1%)

AA–
Standard & Poor's

5.90
Dividend (CHF)
(2020: CHF 5.90)

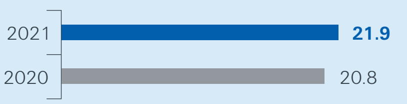
223%
Group SST ratio as of
1 January 2022

Reinsurance

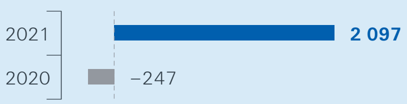
Reinsurance provides clients and brokers with reinsurance products, insurance-based capital market instruments and risk management services. Reinsurance operates globally through two segments – Property & Casualty and Life & Health.

Property & Casualty

Net premiums earned
(USD billions)



Net income/loss
(USD millions)

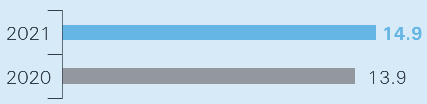


97.1%
Combined ratio
(2020: 109.0%)

22.5%
Return on equity
(2020: –2.8%)

Life & Health

Net premiums earned and fee income
(USD billions)



Net income/loss
(USD millions)

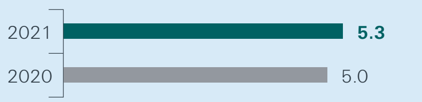
–8.6%
Return on equity
(2020: 0.9%)

10.0%
Net operating margin
ex-COVID (2020: 9.4%)

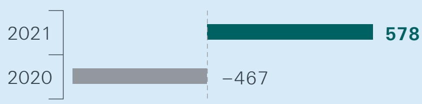
Corporate Solutions

Corporate Solutions provides risk transfer solutions to large and mid-sized corporations around the world. Its innovative, highly customised products and standard insurance covers help to make businesses more resilient, while its industry-leading claims service provides additional peace of mind.

Net premiums earned
(USD billions)



Net income/loss
(USD millions)

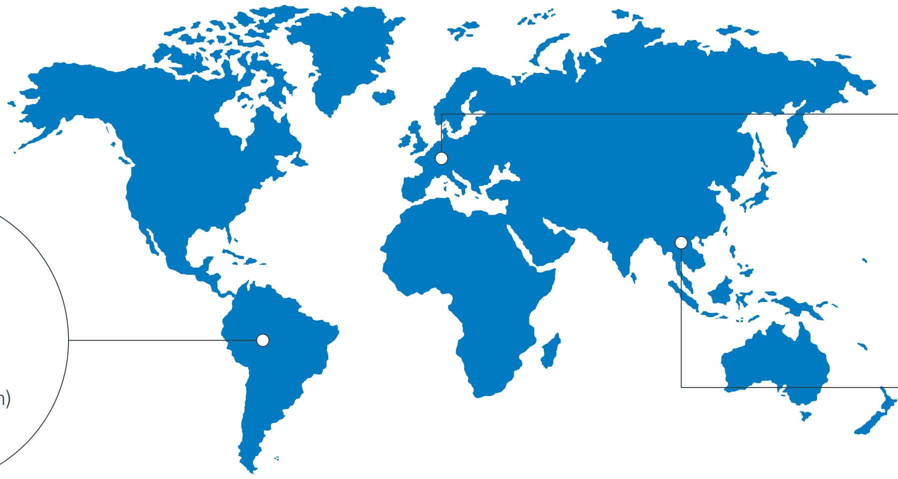


90.6%
Combined ratio
(2020: 115.5%)

22.3%
Return on equity
(2020: –19.7%)

Net premiums earned and fee income by region

42.7bn
Group (USD)
(2020: USD 40.8bn)



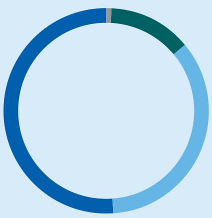
49%
Americas:
USD 21.0bn
(2020: USD 19.5bn)

32%
EMEA:
USD 13.5bn
(2020:
USD 12.9bn)

19%
Asia-Pacific:
USD 8.2bn
(2020:
USD 8.4bn)

Group
(consolidated)

Net premiums earned and fee income by business unit (Total USD 42.7 bn)



- 51% P&C Reinsurance
- 35% L&H Reinsurance
- 13% Corporate Solutions
- 1% Group items (including iptiQ)

5.7%
Return on equity
(2020: –3.1%)

5.1%
Net operating margin
(2020: –1.1%)

Group financial targets

Multi-year targets Swiss Re Group

14%
US GAAP Group return on equity in 2024[1]

10%
Economic net worth per share growth p.a.[2]

Full-year targets 2022

10%
US GAAP Group return on equity in 2022[3]

<94%
P&C Re normalised[4] combined ratio

~300
L&H Re net income (USD million)[5]

<95%
Corporate Solutions reported combined ratio

Key sustainability ratings

AAA
MSCI ESG rating
(as of July 2021)

90/100
2021 S&P Global Corporate Sustainability Assessment (DJSI)

B–
Prime status
ISS ESG

[1] As of 2024, Swiss Re Group will report under IFRS. Current modelling indicates that the equivalent IFRS target will be higher than 14%.
[2] Calculated as: (current-year closing ENW per share + current-year dividends per share)/(prior-year closing ENW per share + current-year opening balance sheet adj. per share).
[3] Group ROE target for 2022 includes current expectations of COVID-19 losses.
[4] Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development as well as the COVID-19 impact.
[5] Target includes current expectations of COVID-19 losses.

Message to shareholders

Christian Mumenthaler
Group Chief
Executive Officer

Sergio P. Ermotti
Chairman of the
Board of Directors

Delivering solid performance while supporting resilience in challenging times

Dear shareholders,
Now more than anyone would have anticipated, the need for resilience and the quest for resilience are a sign of our times. Even before the invasion of Ukraine by Russia, the COVID-19 pandemic has already tested the resilience of societies, companies and every one of us for two years.

While the global economy rebounded in 2021 from lockdown lows, growth remains uneven across countries. Inflation is rising to levels not seen in years. This is leading some of the major central banks to start normalising their extremely accommodative monetary policies and reining in asset purchase programmes that have helped inflate asset prices since the global financial crisis.

At the same time, extreme weather events continue to wreak havoc in many areas around the world. Global insured losses from natural catastrophes have been rising at 5–7% per year over the recent decades, propelled by wealth accumulation and urban sprawl into disaster-prone areas at a time when climate change is making smaller extreme-weather events – so called "secondary perils" such as floods or wildfires – more frequent. 2021 was the fourth-costliest year for the insurance industry in terms of natural catastrophes, nearly 50% above the decennial average, and the protection gap remains vast, with most economic losses uninsured.

"Our focus on executing the Group strategy has remained relentless."

From pandemics to natural disasters, Swiss Re was designed to withstand large-risk events, to provide cover and share knowledge, thus contributing to a more resilient world. In 2021, as every year since Swiss Re's foundation in 1863, we provided coverage to support the business of our clients. We paid out COVID-19-related claims of USD 2.0 billion, with the vast majority going to tens of thousands of deceased persons' family members. At the same time, our property and casualty businesses successfully absorbed USD 2.4 billion in natural catastrophe claims.

We are pleased that despite these claims, Swiss Re's businesses improved their performance, delivering a Group net income of USD 1.4 billion for the year. This is important not just for the shareholders, but also because we can only contribute to global resilience if Swiss Re itself remains resilient. Excluding COVID-19 losses, Group net income increased 39% to USD 3.0 billion, with a return on equity (ROE) of 11.6%.

Our focus on executing the Group strategy has remained relentless. Our strong emphasis on portfolio quality in the hardening property and casualty market is bearing fruit for Reinsurance. We turned Corporate Solutions into a business that not only delivers attractive profitability but also acts as a gateway for the Group to partnerships with corporate clients. We are investing into the digital transformation of Swiss Re, while maintaining cost discipline. And we are developing promising future business ventures by focusing on risk insights and risk partnerships to augment our core risk transfer business. You can find more information on all three pillars of our strategy in the dedicated chapters of the 2021 Business Report.

All our businesses continued to grow, with net premiums earned and fee income for the Group increasing by 4.8% compared with the previous year to USD 42.7 billion. We achieved a strong return on investment of 3.2%, despite the current low-yield environment. The Group Swiss Solvency Test (SST) ratio was at 223% as of 1 January 2022 – well within the target range of 200–250%. The Group's very strong capital position and positive business outlook led the Board of Directors to propose a stable dividend of CHF 5.90 per share at the upcoming Annual General Meeting.

> "In the natural catastrophe as well as other markets, we were ahead of the curve on many underwriting decisions, and the results speak for themselves."

Performance of the businesses

Let us now turn to the 2021 results of the individual businesses. Property & Casualty Reinsurance (P&C Re) reported a net income of USD 2.1 billion for the year, compared with a net loss of USD 247 million in 2020, thanks to the improved portfolio quality, materially diminished COVID-19 impacts as well as strong investment results.

This strong performance was achieved as the business absorbed large natural catastrophe claims and reflects the benefits of the deep knowledge and proprietary models. We build on 30 years of continuous advancements on the back of dedicated research and claims data experience to capture the present-day risk landscape and climate trends. This enables highly bespoke underwriting and risk-taking. We are a leading reinsurer for natural catastrophes and this line of business has been profitable over the past decade, with a combined ratio around 75%, despite its inherent volatility and rising industry losses.

In the natural catastrophe as well as other markets, we were ahead of the curve on many underwriting decisions, and the results speak for themselves. Portfolio actions, price increases as well as tightened terms and conditions have improved P&C Re's normalised[1] combined ratio to 94.7%, in line with the target of less than 95% for the year. This is an improvement of 5 percentage points since 2018, translating into about USD 1 billion in additional annual pre-tax underwriting profits for the business.

The January 2022 renewals were another success for P&C Re, as we delivered a 6% volume increase compared with the business that was up for renewal. Property and specialty lines saw particularly strong growth, with natural catastrophe-related premium volume up by 24%. P&C Re achieved a price increase of 4% in this renewal round. This fully offset more conservative loss assumptions, which reflect a prudent view on inflation and other changes in exposure.

Life & Health Reinsurance (L&H Re) remained impacted by significant COVID-19 claims and reported a net loss of USD 523 million for 2021, down from a net income of USD 71 million in 2020. This reflected significantly higher mortality from COVID-19 around the world, with the total number of deaths in 2021 at almost double the 2020 level, according to the official WHO data. Furthermore, the US experienced heightened excess mortality[2] among the working-age population, which is more likely to have life insurance, in the second half of 2021 as the Delta variant spread.

Excluding COVID-19 losses, L&H Re improved its net income by 26% to USD 1.1 billion in 2021. This was driven by the strong underwriting performance across all regions, favourable investment results and positive one-off effects from in-force management actions.

Corporate Solutions over-delivered on its business turnaround objectives and posted net income of USD 578 million in 2021, compared with a net loss of USD 467 million in 2020. Its combined ratio improved to 90.6%, with the normalised combined ratio coming in at 95.0% and surpassing the target of less than 97% by a wide margin. The Business Unit achieved risk-adjusted price increases of 12%[3] for the year in the context of the continued focus on underwriting quality and selective new business growth.

[1] Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development as well as the COVID-19 impact.
[2] Excess mortality is an indicator of deaths from all causes that are above what one would have expected under normal conditions.
[3] Risk-adjusted price increases for Corporate Solutions in 2021 exclude elipsLife.

The digital white-labelling platform iptiQ continued to successfully grow in 2021, increasing its in-force policies by 144% year on year to more than 1.6 million. Gross premiums written for the core business rose by 95% from the previous year to USD 723 million, with good contributions across all markets and particularly from the property and casualty business in the EMEA region, which was launched in 2020. Having grown dynamically since its inception, iptiQ is on track to become a leading player in its field, and we continue to invest in growing this business.

Progress on environmental, social and governance topics

The Group pushed ahead towards reaching net-zero emissions from own operations by 2030 and from investment and underwriting portfolios by 2050. To help curb operational emissions, as of 2021 Swiss Re stepped up its internal carbon levy to USD 100 per tonne and will gradually increase it to USD 200 by 2030. We are actively reducing emissions, for example from flights, but the only way to reach net zero is to balance the unavoidable emissions with an equivalent amount of negative emissions. While carbon removal technologies are still evolving, we are pleased that we were already able to compensate 35% of residual emissions in this way in 2021.

Swiss Re's Asset Management is pursuing a 35% reduction in carbon intensity of its listed equity and corporate bond portfolio by 2025 and has achieved a decrease of 34% since 2018. On the underwriting side, tightened policies for providing re/insurance support to businesses with thermal coal, oil and gas exposure corroborate the firm's push for making a real-world impact in driving sustainable business practices. And we engage in an active dialogue with all industries to encourage the transition, as well as regularly review and adapt our policies as necessary and to the extent possible.

Among social issues, we have been particularly focused on supporting efforts to improve access to healthcare and financial protection. To enable the rollout of COVID-19 vaccines across the globe, Swiss Re is one of several leading insurers supporting the COVAX vaccine procurement facility by providing insurance cover for 21 self-paying countries participating in the programme. Separately, in 2021 we launched the Swiss Re Life and Health Sustainability Initiative, which aims to improve access, affordability and availability of life and health insurance products to populations that have been traditionally underserved by our industry.

Diversity, Equity & Inclusion (DEI) also remains at the top of our agenda. At Swiss Re, we embrace and build a diverse workforce that brings together the best of multiple generations, cultures, skillsets and thinking. We firmly believe that an inclusive culture is key to our business success. Our approach spans all aspects of DEI: from Gender, LGBTI+ and Race & Ethnicity to Inclusive Leadership & Culture and Mental Health. The Group Executive Committee members have committed to increasing the number of employees at Swiss Re from underrepresented groups, addressing equal pay issues and driving more DEI activities in their respective business units and functions. For the Board of Directors, we are removing the unwritten age limit of 70 years for board members to avoid age discrimination and instead propose to introduce a tenure limit of 12 years. Furthermore, gender diversity is of utmost importance for the composition of the Board of Directors, and we are committed to reach female representation at the board level of 30% or more by the annual shareholder meeting in 2023.

You can find more information about these and other initiatives in the 2021 Sustainability Report.

> "The Group pushed ahead towards reaching net-zero emissions from own operations by 2030 and from investment and underwriting portfolios by 2050."

> "Swiss Re's 2021 results underpin our confidence in the Group's ability to perform even when faced with challenges."

Outlook and new profitability targets
Swiss Re's 2021 results underpin our confidence in the Group's ability to perform even when faced with challenges. With regards to the pandemic, the emergence of the Omicron variant at the end of 2021 has led to yet another surge in the number of new COVID-19 cases around the world. And despite the apparently lower fatality rates associated with Omicron, the higher infectivity of this variant may still result in excess mortality remaining elevated. We have already included assumptions for 2022 COVID-19 mortality claims in our Group SST ratio calculations as of 1 January 2022.

On the geopolitical front, Russia's invasion of Ukraine has created tectonic shifts in the entire macro environment believed impossible until very recently. Our thoughts are with everyone impacted by this egregious conflict. We continue to carefully monitor the situation and abide by applicable sanctions regimes.

With regard to the macroeconomic outlook, we remain vigilant to the effects of resurgent inflation and tightening monetary conditions. Swiss Re economists expect inflation to increase even further and remain very elevated in the US and Europe throughout 2022 and likely stay structurally higher in the longer term versus the last decade. Consumer price inflation impacts mainly business lines such as property and specialty re/insurance, where we can adjust prices quickly to reflect new realities. We did so in 2021 and again at the January 2022 renewals.

Casualty re/insurance on the other hand, is less affected by consumer price inflation, but is much more exposed to social inflation – the increase in legal claims above normal economic trends, which is partly being driven by the emergence of a third-party litigation finance industry. We are concerned that third-party litigation finance is an expensive and blunt tool to enable legal disputes, with potentially harmful economic and ethical consequences. Greater protection for consumers is required, as well as better regulation of the industry and more transparency about the involvement of third-party litigation finance in a case. However, social inflation is a known phenomenon and one that we have been incorporating to the extent possible into our reserving and pricing assumptions for several years now and will continue to do so.

We are confident in the outlook and target increasing US GAAP Group ROE to 10%[4] in 2022 and 14%[5] in 2024. Over the past years, we have increasingly focused on improving the returns we deliver on capital that you, our shareholders, entrust us with. In 2019 we agreed to sell our capital-intensive ReAssure business to Phoenix Group, and since then delivered a turnaround of Corporate Solutions and strengthened the portfolio of P&C Re. In line with Swiss Re's refreshed strategy from 2020, which focuses on effectively leveraging strengths and capitalising on synergies across our diversified businesses, we now target sustainable earnings growth in attractive market conditions amid continued cost discipline. And while the well-established risk transfer business will remain our key earnings contributor in the foreseeable future, we are also seeing more opportunities to capitalise on additional capabilities and enter new markets.

For 2022, we expect the performance of Swiss Re's property and casualty businesses to continue to improve, reaping the benefits from sustained focus on portfolio quality in combination with increasing prices. P&C Re will target a normalised combined ratio of less than 94%, while Corporate Solutions will aim for a reported combined ratio of less than 95% for the year.

L&H Re targets net income of approximately USD 300 million in 2022, reflecting a likely continued COVID-19 impact. Beyond the pandemic, L&H Re remains a highly attractive business, with growth rates supported by increased consumer risk awareness and demand for large transactions as well as longer-term development opportunities in high-growth markets.

We are very encouraged by the Group's achievements to date and excited for the coming years.

We thank our employees for their dedication and hard work. And we would also like to thank you, our shareholders, for your continued support.

Zurich, 17 March 2022

Sergio P. Ermotti
Chairman of the Board of Directors

Christian Mumenthaler
Group CEO

[4] Group ROE target for 2022 includes current expectations of COVID-19 losses.
[5] As of 2024, Swiss Re Group will report under IFRS. Current modelling indicates that the equivalent IFRS target will be higher than 14%.

Financial highlights

Financial highlights

For the years ended 31 December

USD millions, unless otherwise stated	2020	2021	Change in %
Group			
Net income/loss attributable to common shareholders	–878	1 437	–
Gross premiums written	42 951	46 658	9
Premiums earned and fee income	40 770	42 726	5
Earnings per share in CHF	–2.97	4.52	–
Shareholders' equity	27 135	23 568	–13
Return on equity in %[1]	–3.1	5.7	
Return on investments in %	3.5	3.2	
Net operating margin in %[2]	–1.1	5.1	
Number of employees[3]	13 189	13 985	6
Property & Casualty Reinsurance			
Net income/loss attributable to common shareholders	–247	2 097	–
Gross premiums written	21 512	23 246	8
Premiums earned	20 832	21 926	5
Combined ratio in %	109.0	97.1	
Net operating margin in %[2]	0.1	11.6	
Return on equity in %[1]	–2.8	22.5	
Life & Health Reinsurance			
Net income/loss attributable to common shareholders	71	–523	–
Gross premiums written	15 067	16 071	7
Premiums earned and fee income	13 883	14 868	7
Net operating margin in %[2]	2.9	–2.1	
Return on equity in %[1]	0.9	–8.6	
Corporate Solutions[4]			
Net income/loss attributable to common shareholders	–467	578	–
Gross premiums written	6 185	7 492	21
Premiums earned	5 019	5 343	6
Combined ratio in %	115.5	90.6	
Net operating margin in %[2]	–10.7	13.5	
Return on equity in %[1]	–19.7	22.3	

[1] Return on equity is calculated by dividing net income/loss attributable to common shareholders by average common shareholders' equity.
[2] Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".
[3] Regular staff.
[4] For Corporate Solutions, 2020 has been revised to reflect the results of elipsLife, which as of 1 January 2021 is reported as part of Corporate Solutions following the disbandment of the Life Capital Business Unit at the end of 2020.

Corporate calendar

2022

13 April 2022
158th Annual General Meeting

5 May 2022
First quarter 2022 key financial data

29 July 2022
Half-year 2022 results

28 October 2022
Nine months 2022 key financial data

Annual Report 2021
In this report, we present our business performance, strategy and economic position. We also show how we leverage our risk knowledge to make the world more resilient.

Sustainability Report 2021
In this report, we describe Swiss Re's Sustainability Strategy and its implementation in 2021.

Read more online:
reports.swissre.com/2021/

To order a print version of
the annual report, click here

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", "target", "aim", "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 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 realise 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, including changes in regulation related to environmental, social and governance ("ESG") matters, 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 Group's ability to fully achieve one or more of its ESG or sustainability goals or to fully comply with applicable ESG or sustainability standards;
- matters negatively affecting the reputation of the Group, its board of directors or its management, including matters relating to ESG or sustainability, such as allegations of greenwashing, lack of diversity and similar allegations;
- 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 and social inflation litigation, 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;
- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability, the intensity and frequency of which may also increase as a result of social inflation;
- 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, 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;
- changes in accounting standards, practices or policies, including the contemplated adoption of IFRS;
- strengthening or weakening of foreign currencies;
- 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. 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.

Swiss Re Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2121
www.swissre.com