

Letter to shareholders

Swiss Re maintains industry-leading capital position in the first half of 2020 despite significant addition to COVID-19 loss reserves

Dear shareholders,

The year 2020 will undoubtedly be remembered worldwide for the COVID-19 pandemic. The human tragedy has been vast, and our deepest sympathies go to everyone who suffered personal loss and financial uncertainty. Swiss Re Institute estimates the cumulative global economic loss from the pandemic and the unprecedented wave of lockdowns around the globe will be USD 12 trillion over this year and next.

Pandemics are a well-known risk and have been part of re/insurers' risk models for over 20 years. However, the decision of governments around the world to shut large parts of their economies was unexpected. The re/insurance industry alone cannot cover a risk of this magnitude, not least because it is impossible to diversify. By definition, a pandemic affects many countries simultaneously, and most policies did not, therefore, offer cover for pandemics. This is why analysts' estimates for the re/insurance losses from COVID-19 represent only a small fraction of the economic damage. Industry losses will be significant, but they will be manageable.

At the same time, we now have a unique opportunity to help build greater resilience for future pandemics and other systemic risks through public-private partnerships. We are working with many countries to initiate such schemes and are encouraged by early progress in this regard. The re/insurance industry – with our risk knowledge, claims handling expertise and innovative solutions – has a very important contribution to make towards ensuring such systems are viable for the future.

Swiss Re is also doing its part in helping to cover losses from the current COVID-19 pandemic. Our Group went into this crisis with a very strong balance sheet and capital position. Our operations continued uninterrupted even when the vast majority of our employees had to work remotely. We took action early in the crisis to protect our balance sheet with hedges, which positively contributed to our first-half

results. And we are in the fortunate situation of being able to support our clients as demand for our expertise and solutions is rising, with the Group Swiss Solvency Test ratio above the target level of 220% as of 1 July 2020, despite the COVID-19 impact on our earnings.

Our teams have conducted a thorough and prudent analysis of all potential exposures related to COVID-19 across our businesses and we booked claims and reserves of USD 2.5 billion in the first half of 2020. The vast majority of this loss estimate are claims we think have incurred, but which have not yet been reported to us. Consequently, there is a high degree of uncertainty around this figure. Looking ahead, based on our current information and related assessments, and recognising the inherent uncertainty of the ongoing pandemic, we expect these claims and reserves to cover the majority of our ultimate COVID-19 losses. Many factors may impact claims development in the coming quarters, either positively or negatively, relative to our projections. These include the rates of infection or death resulting from COVID-19, the duration and scope of measures to mitigate the spread of the pandemic, how long it takes to develop and roll out an effective vaccine or alternative treatments, legislative or regulatory efforts and the outcome of court and arbitration cases on coverage issues, as well as the effectiveness of government stimulus packages and the severity and duration of recession.

While the impact of COVID-19 on our US GAAP financial results is significant, all our businesses are delivering improved underlying performance and executing on their strategic objectives. In Property & Casualty Reinsurance (P&C Re) we see continued profitable business growth in a hardening price environment. P&C Re treaty premium volume increased by 6% to USD 17.0 billion year to date, with a nominal price increase of 6%. Overall price quality was unchanged, reflecting the need to compensate further decreased interest rates and material adjustments to loss assumptions. In the July treaty



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Chairman of the Board of Directors



Christian Mumenthaler
Group CEO

renewals, Swiss Re achieved a 6% volume increase and significant rate hardening in natural catastrophe business. P&C Re achieved a return on equity (ROE), excluding the impact of COVID-19 losses, of 14.9% in the first half of 2020 and is on track to reach the normalised¹ combined ratio estimate of 97% for this year. Life & Health Reinsurance (L&H Re) has maintained its strong performance in the first half of 2020, with an ROE, excluding the impact of COVID-19 losses, at 12.4%. We continue to see attractive opportunities to grow our L&H Re business, particularly in high-growth markets and through large transactions.

Corporate Solutions is well on track in its turnaround, thanks to the decisive management actions announced a year ago. The Business Unit has already achieved about 60% of the planned portfolio pruning and two thirds of cost reductions. Together with rate increases over the past year, this has lowered the normalised¹ combined ratio to a very encouraging 101.3% in the first half of 2020, ahead of the 105% estimate for the full year 2020. The Business Unit achieved rate increases of 15% in the first half of this year, and we expect this positive pricing momentum to continue.

With the completed sale of ReAssure to Phoenix Group Holdings plc, we delivered on another strategic milestone. Swiss Re received a cash payment of GBP 1.2 billion and shares in Phoenix representing a 13.3% stake, which we believe maximises the value for Swiss Re shareholders. As a result of the sale, we have decided to simplify our legal entity structure by disbanding the Life Capital Business Unit. Subject to applicable regulatory approvals, elipsLife, which provides life and health insurance solutions and services for corporate clients, will move to Corporate Solutions, allowing it to better leverage this Business Unit's relationships with corporates and brokers. Swiss Re's white-labelling digital insurance platform iptiQ will become a standalone division, effective 1 January 2021, enabling a greater focus on this business. Having grown dynamically over the past years, including winning seven new partners in the first half of 2020, iptiQ is on track to become a leading player in its field. We are pleased to welcome Carlo Bewersdorf, who has a long-standing track record in digital insurance innovation, to the newly created role of iptiQ CEO, effective 1 October 2020.

Thierry Léger, who is currently leading Life Capital, has been appointed the new Group Chief Underwriting Officer, effective 1 September 2020. He succeeds Edi Schmid, who has decided to step down from the Group Executive Committee for personal reasons and take on an advisory role. We will continue to evolve our capabilities in underwriting through cutting-edge research, access to more and better data and advanced analytics, furthering our leading position.

We are encouraged by the good progress we see in all of the Group's businesses so far this year, and we remain confident that the impact of the COVID-19 pandemic will be entirely manageable for Swiss Re. Thanks to our disciplined capital management, we are in a strong position to continue to support our clients and deploy capital for business growth in improving pricing conditions. Our employees continue to work tirelessly in these challenging times, and we would like to thank them for their commitment. We would also like to thank you, our shareholders, for continuing to place your trust in us.

Zurich, 31 July 2020

Walter B. Kielholz
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¹ Assumes an average large natural catastrophe loss burden and excludes prior-year reserve developments as well as the COVID-19 impact.