Letter to shareholders

Swiss Re reported a Group net income of USD 1.0 billion and return on equity (ROE) of 8.2% in the first half of 2021, with very strong performance in the property and casualty businesses amid diminishing COVID-19-related impacts.

Dear shareholders,
More than a year into the global pandemic, COVID-19 is still impacting lives, economies and societies around the world. The overall number of confirmed deaths since the outset of the pandemic constitutes a terrible toll of more than four million. One new area of concern has been the emergence of variants of the virus, making it more transmissible. In particular, the Delta variant was responsible for the devastating loss of life in India during April and May and has since become the dominant variant in countries around the world.

We have to remain vigilant as the Delta variant poses a serious threat to the health of vulnerable groups, especially those who are not yet fully vaccinated. Studies have shown that vaccines are effective against the Delta variant, which should hopefully limit hospitalisation and mortality rates. The rapid development and administration of COVID-19 vaccines in many countries has been an extraordinary accomplishment, and we have to continue to advance vaccination efforts, especially in the developing countries, where access to vaccines is far from sufficient.

From the start of the pandemic, we took a disciplined and prudent approach to building reserves, and our COVID-19-related losses have seen a marked decline in 2021 compared with the previous year. In the first half of 2021, the vast majority of USD 870 million in COVID-19-related losses are attributable to our Life & Health Reinsurance (L&H Re) business – mirroring the rising death toll from the pandemic, while the impact on our property and casualty businesses was minimal. For the remainder of this year, we expect COVID-19-related losses of less than USD 200 million for the property and casualty businesses and declining claims at L&H Re as global vaccination programmes progress.

In total, claims and reserves for COVID-19 amounted to USD 4.7 billion since the beginning of the pandemic across the Group. Thanks to Swiss Re's capital strength, we have been able to absorb these losses and continue to support our clients and the communities they serve in dealing with diverse challenges. This is one example of how we contribute to making the world more resilient.

At the same time, we have worked hard to further boost Swiss Re's own resilience. The first half of 2021 has demonstrated the strength of our business model as we see our underwriting actions deliver results. Group net income rose to USD 1.0 billion in the period, translating into a return on equity of 8.2%. Excluding the COVID-19 impact, net income doubled from the same period last year to USD 1.7 billion and the return on equity rose to 13.4%.

All our businesses are growing, as is evident by the 7.6% increase in net premiums earned and fee income in the first half of this year. We continue to successfully navigate financial markets and achieve a strong return on investment of 3.2%, despite the current low-yield environment. We are investing into digital transformation of the Group, while maintaining cost discipline. And our very strong capital position allows us to pursue attractive opportunities across all lines of business.

Property & Casualty Reinsurance (P&C Re) delivered very strong results, with net income of USD 1.2 billion in the first half of 2021. This reflected disciplined underwriting, continued price improvements, diminishing COVID-19 impacts and strong investment returns. Thanks to P&C Re's focus on tightening terms and conditions as well as continuing to reduce exposure to US casualty and secondary perils in property, the business is on track to achieve its normalised[1] combined ratio estimate of less than 95% in 2021. This is an improvement of 5 percentage points since 2018. To put things into perspective — each percentage-point improvement roughly equals USD 200 million in additional annual pre-tax profits for the business. Renewals year to date further underpin our confidence in P&C Re's future performance.

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

Sergio P. Ermotti
Chairman of the Board of Directors

Christian Mumenthaler
Group CEO

The business achieved a nominal price increase of 4% in this period, more than offsetting lower interest rates and higher loss assumptions, while the volume of renewed treaty contracts remained largely stable at USD 16 billion.

L&H Re delivered good results, excluding COVID-19 losses, with net income of USD 530 million. This was primarily driven by a strong underwriting performance across all regions and investment results. The segment also reported growth in net premiums and fee income of 12.6%, driven mainly by longevity transactions in the EMEA region and favourable foreign exchange developments. We continue to see attractive opportunities to grow L&H Re business, particularly in high-growth markets and through large transactions.

The strong performance of Corporate Solutions this year, with a combined ratio of 92.7%, is the result of the decisive actions we initiated in 2019, disciplined underwriting, strict cost management and continued rate increases, supported by favourable prior-year development. Corporate Solutions is on track to reach the normalised[2] combined ratio of less than 97% this year — an improvement on the 98% original target we set two years ago, when the normalised combined ratio was at 110%. Corporate Solutions achieved risk-adjusted price increases of 13% year to date, as the strong pricing momentum continues.

Swiss Re's digital white-labelling business iptiQ continued to deliver strong growth in the first half of 2021. Compared with the same period last year, gross premiums written for the core business rose by 133% to USD 333 million, with good contributions across all businesses and particularly dynamic growth in its property and casualty business in the EMEA region, which was launched in 2020. Likewise, iptiQ's gross income, excluding COVID-19-related losses of USD 5 million, increased by 53% year-on-year to USD 26 million in the first half of 2021.

The Group also pushed ahead to reach its sustainability goals of net-zero emissions from its 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. 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 driving sustainable business practices. Swiss Re's asset management is pursuing a 35% reduction in carbon intensity of its listed equity and corporate bond portfolio by 2025. After co-founding the Net-Zero Asset Owner Alliance in 2019, Swiss Re this year also launched the UN-convened Net-Zero Insurance Alliance with seven other global insurance and reinsurance peers to accelerate the transition to a net-zero emissions economy.

We are very encouraged by the progress Swiss Re is making in improving business performance and facilitating the transition to a low-carbon world. While we remain in an uncertain environment marked by the further ramifications of the pandemic, we are confident that all our businesses are well positioned to continue to perform strongly. We thank our employees for their dedication and hard work in these challenging times.

We would also like to thank you, our shareholders, for your continued support.

Zurich, 30 July 2021

Sergio P. Ermotti
Chairman of the Board of Directors

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