Swiss Re

News release

Swiss Re reports full-year 2018 net income of USD 421 million, after absorbing USD 3.0 billion of large claims and USD 599 million US GAAP accounting change impact

- Group net income of USD 421 million despite high natural catastrophes and man-made losses; 2018 was the fourth-costliest year for the insurance industry according to the Swiss Re Institute
- Excluding the impact of the US GAAP accounting change on recognition of equity investments, Group net income would have been USD 894 million
- Property & Casualty Reinsurance net income of USD 370 million; impacted by estimated large claims of USD 2.3 billion
- Life & Health Reinsurance solid net income of USD 761 million
- Corporate Solutions net loss of USD 405 million; estimated large claims burden of USD 0.7 billion
- Life Capital net income of USD 23 million; exceptional gross cash generation of USD 818 million
- The Group's return on equity (ROE) was 1.4%; return on investments (ROI) was 2.8%; running yield stable at 2.9%
- January 2019 renewals premium volume up 19%; price quality increased by 1%
- Board of Directors to propose a higher dividend of CHF 5.60 per share; Swiss Re to seek authorisation for a new public share buy-back programme
- Anette Bronder appointed Group Chief Operating Officer and member of the Group Executive Committee, effective 1 July 2019

Zurich, 21 February 2019 – Swiss Re delivered a full-year net income of USD 421 million in 2018. The result includes estimated large claims of USD 3.0 billion, net of retrocession and before tax, which significantly affected both Property & Casualty Reinsurance (P&C Re) and Corporate Solutions' earnings. In addition, an estimated pre-tax USD 599 million impact due to a change in US GAAP accounting guidance effective as of 1 January 2018 affected net income. Life & Health Reinsurance (L&H Re) reported a solid result, driven by transactions, and Life Capital generated exceptional gross cash of USD 818 million. Based on the Group's very strong capital position and supported by confidence in Swiss Re's long-term capital generation, the Board of Directors will propose to the Annual General Meeting (AGM) a higher dividend of CHF 5.60 and the authorisation of a new public share buy-back programme to be executed prior to the 2020

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AGM in accordance with Swiss Re's capital management priorities and subject to obtaining all necessary legal and regulatory approvals.

Swiss Re Group Chief Executive Officer, Christian Mumenthaler, says: "There was no respite from large nat cat events and man-made disasters in 2018. Our financial strength enabled us to support our clients in these tough times. It was the second challenging year in a row for the industry and us. Our P&C businesses were heavily impacted by the events. Corporate Solutions' results were disappointing. But even in challenging conditions, I am optimistic about Swiss Re's future. In the January renewals of our P&C Re business, we were able to grow while keeping our running costs flat. We expect further price improvements in the renewals later this year, especially in the loss-affected markets."

2018 dominated by natural catastrophes and large man-made events
Following a relatively benign first half of the year, the second half saw a number of major natural catastrophes, notably typhoons Jebi and Trami in Japan, hurricanes Florence and Michael, the Carr, Camp and Woolsey wildfires in the US, a windstorm in Canada and a hailstorm in Australia and several man-made disasters. Despite the estimated combined claims of USD 2.2 billion from natural catastrophes and USD 0.8 billion from large man-made losses, Swiss Re reported a net income of USD 421 million, compared to USD 331 million in 2017.

The net income also reflected an estimated negative pre-tax impact of USD 599 million due to the previously reported change in US GAAP on recognition and measurement of equity investments that took effect on 1 January 2018. Excluding the impact of the change in accounting guidance, net income would have been USD 894 million.

The Group's ROE for 2018 was 1.4%, largely in line with last year. Excluding the impact of the change in US GAAP accounting guidance, the estimated Group ROE would have been 2.9%. Earnings per share (EPS) were USD 1.37 or CHF 1.34, compared to USD 1.03 or CHF 1.02 in the previous year.

Gross premiums written for the Group increased by 4.7% to USD 36.4 billion, primarily driven by premium growth across the Group's life and health businesses.

Swiss Re's investment portfolio provided a solid contribution in 2018, performing well with no material impairments and a running yield that trended upward during the year. Overall, there were no significant changes to Swiss Re's asset allocation during 2018 and the Group remains flexible should there be a change in the investment outlook or if any market opportunities arise.

The return on investments (ROI) for 2018 was 2.8%, reflecting a negative impact from the change in US GAAP accounting guidance. Excluding the impact of the accounting guidance the ROI would have been 3.3%. The result was primarily driven by net investment income, which contributed more significantly than in prior years, reflecting a higher quality of earnings. This compared to a ROI of 3.9% in 2017, with the decrease almost entirely attributable to a reduced contribution from equity securities. The Group's non-participating net investment income increased to USD 4.1 billion in 2018 compared to USD 3.7 billion the prior year. The Group's fixed income running yield was steady at 2.9%.

Common shareholders' equity decreased by 16.3% to USD 27.9 billion at the end of 2018 compared to the end of the previous year. The decline mainly reflected payments to shareholders of USD 2.9 billion for the 2017 regular dividend and the share buy-back programmes as well as a decrease in unrealised investment gains of USD 2.8 billion. Book value per common share was at USD 93.09 or CHF 91.72 at the end of 2018, compared to USD 106.09 or CHF 103.37 at the end of 2017.

Swiss Re Group Chief Financial Officer, John Dacey, says: "We fared well in an environment of challenging insurance and investment risks. Our diversified business model helped to mitigate the associated losses. Most important, our capital position and confidence in our long-term sustainable capital generation remain very strong and they support our attractive capital management actions."

Increased dividend of CHF 5.60 per share and new share buy-back programme proposed

The Group's capital position remains very strong with a Group SST ratio comfortably above the 220% SST ratio target level. Based on this, combined with the Group's sustained capital generation, Swiss Re's Board of Directors will propose a recalibration of the dividend to CHF 5.60 per share in 2018, representing a 12% increase. The dividend will be paid after shareholder approval at the AGM on 17 April 2019.

Consistent with the established capital management priorities, Swiss Re plans to continue to return excess capital to shareholders. The Board of Directors will propose to the AGM a further public share buy-back programme, to be executed prior to the 2020 AGM subject to the necessary regulatory approvals. The first tranche of up to CHF 1.0 billion (purchase value) would commence at the discretion of the Board shortly after the 2019 AGM approval. The second tranche of up to CHF 1.0 billion (purchase value) would be launched at the discretion of the Board, and will be conditional on the 2019 development of the Group's excess capital position, for example a signifcant increase as a result of the successful reduction of Swiss Re's holding in ReAssure to below 50%.

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P&C Re results affected by high natural catastrophe and man-made losses; focus on innovative solutions for its clients
Estimated combined claims of USD 2.0 billion from 2018's large natural catastrophes and USD 0.3 billion from 2018's large man-made losses led to a P&C Re net income of USD 370 million. The ROE was 3.7%.

The combined ratio was 104.0%, reflecting the impact from several natural catastrophes and man-made losses. P&C Re continued to experience positive prior-year development in 2018.

Amid a continued challenging market, Swiss Re maintained its disciplined underwriting approach, ensuring it receives adequate prices for the protection it provides. As a result, gross premiums written remained at USD 16.5 billion for the year.

During 2018, P&C Re continued to strengthen its differentiation as a full-service solutions provider and long-term partner for its clients. In this, technology played an important role. One example of such client-oriented solutions is Swiss Re's partnership with car manufacturers to develop a vehicle-specific insurance rating that primary insurers worldwide can use to determine insurance premiums. The innovative assessment system takes the integration of safety-relevant driver assistance systems into account. The new approach will reduce the burden for insurers to assess all individual safety features and their effect on accident frequency and severity.

L&H Re continues to deliver solid results and profitable growth
L&H Re delivered a net income of USD 761 million in 2018. These results were mainly driven by large transactions in Canada and New Zealand and solid performance in Asia and EMEA, partly offset by unfavourable experience in the US. Investment results were solid but lower than in the prior year, reflecting lower realised gains and mark-to-market losses on equity securities. The ROE was 11.1%. The fixed income running yield for the year slightly increased to 3.4%.

Gross premiums written for 2018 increased by 9.1% to USD 14.5 billion, reflecting growth across all markets and driven by large transactions in Asia, a positive impact of intra-group retrocession agreements and favourable currency fluctuations.

In L&H Re, Swiss Re continued to utilise technology to bring true value to its clients through its market-leading automated underwriting solution, Magnum. Aligned to Life Guide, the leading underwriting manual, Magnum enables primary insurance clients to automate the assessment and decision-making process and provides them with useful data insights. Currently operating in 26 countries and 17 languages, Magnum is processing more than 12 million applications each year, with up to 80% of cases being instantly accepted.

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Corporate Solutions results impacted by natural catastrophe events and exceptionally high severity and frequency of large man-made losses; strong growth in the Primary Lead business

Corporate Solutions reported a net loss of USD 405 million in 2018, significantly impacted by large man-made losses and natural catastrophe events leading to a combined large claims burden of USD 0.7 billion. Fourth quarter losses included a major satellite loss, a large industrial fire in Germany and natural catastrophes, such as Hurricane Michael and the Camp and Woolsey fires.

The ROE for 2018 was -19.4% with a combined ratio of 117.5%. Gross premiums written[1] increased by 13.6% to USD 4.6 billion, driven by growth in the Primary Lead business,[2] which more than offset the active pruning of the US General Liability portfolio.

Rates, as well as terms and conditions moderately improved in 2018 but are still unsatisfactory. After a 3% price increase in 2018, the positive momentum is expected to continue in 2019. Corporate Solutions will continue to take targeted actions to address past performance and price deficiencies and to further improve profitability.

During 2018, Corporate Solutions continued to make progress on its long-term strategy, with continued investments into its Primary Lead capabilities, extending its global network coverage to over 120 countries.

Life Capital generates exceptional gross cash generation; open book growth in line with expectations

In 2018, Life Capital delivered another exceptional gross cash generation of USD 818 million, driven by a strong underlying emerging surplus, the proceeds from the sale of the initial 5% stake in ReAssure to MS&AD Insurance Group Holdings Inc (MS&AD) and the finalisation of the 2017 year-end statutory valuation.

In December 2018, Swiss Re reached an agreement with MS&AD for a further investment of GBP 315 million in ReAssure. This transaction closed on 20 February 2019 resulting in a total shareholding by MS&AD in ReAssure of 25%.

The Business Unit generated a net income of USD 23 million, despite the negative impact of the UK investment market performance on the unit-linked and participating income, driven by net realised investment gains and favourable underwriting experience. The result was also impacted by the costs associated with the integration of the Legal & General portfolio

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[1] Including premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit.
[2] Primary Lead transactions involve being the sole insurer or the leader of a co-insurance panel providing coverage immediately above the client's deductible.

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acquisition and development costs relating to ongoing investments in Life Capital's open book businesses. The ROE decreased to 0.4%.

Gross premiums written in 2018 increased to USD 2.7 billion, driven by growth in the open book businesses combined with the impact of intra-group retrocession agreements and favourable currency movements.

Life Capital will continue its strategy to grow its individual and group businesses in Europe and in the US. iptiQ's B2B2C digital insurance offering is attractive to an increasing number of distribution partners, with 19 having been onboarded to date.

Swiss Re continues to explore a potential initial public offering (IPO) of its UK closed book business ReAssure in 2019. As Swiss Re has previously communicated and demonstrated by the additional investment of MS&AD in ReAssure, securing third-party capital to pursue further closed book transactions is an important part of Swiss Re's strategy. There can be no assurance that the exploration will result in an IPO of ReAssure, and there is no certainty as to the timing of, or the details relating to, any such IPO, including its terms, structure or the size of Swiss Re's shareholding in ReAssure following an IPO[3]. Further public statements will be made if and when appropriate.

Strong outcome of January P&C Re renewals supported by large transactions

Swiss Re renewed USD 10.0 billion compared to the USD 8.4 billion premium volume up for renewal on 1 January 2019. This represents an increase of 19%, benefiting from large transactions and growth in the core business. Price quality increased by 1% and improvements were most pronounced in the loss-affected property and casualty lines. Swiss Re expects further price improvements in the forthcoming renewals later this year.

Anette Bronder appointed Group Chief Operating Officer and member of the Group Executive Committee, effective 1 July 2019

Anette Bronder has been appointed Group Chief Operating Officer and member of the Group Executive Committee, effective 1 July 2019, succeeding Thomas Wellauer who will be retiring at the end of June. She has more than 20 years of experience in operations, consulting and delivery services. She joins Swiss Re from T-Systems International, where she was a Member of the Management Board, responsible for building up and managing the growth areas 'Internet of Things', 'Public Cloud' and 'Cybersecurity '. Prior to that, she held various global senior management roles at Vodafone and Hewlett Packard, covering design and delivery of digital services.

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[3] In the event that Swiss Re Ltd, the ultimate holding company of ReAssure, ceases to be the majority shareholder of ReAssure, Swiss Re Ltd is expected to guarantee the bonds of Swiss Re ReAssure Limited (which is not expected to be part of the ReAssure Group post-IPO).

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Swiss Re is pleased to appoint such a strong candidate to its Group Executive Committee, in particular strengthening its expertise in technology and digital transformation. Swiss Re Chairman, Walter B. Kielholz, says: "Anette Bronder's strategic technology knowledge and a strong track record in operations delivery make her the ideal candidate to support Swiss Re in being at the forefront of technological changes that are taking place in our industry - and to not only lead our Group Operations function but to also help us accelerate the digitisation of our whole value chain."

Swiss Re committed to continue leading action on climate change and sustainability efforts

In July 2018, Swiss Re established a thermal coal policy to support a transition to a low-carbon economy. Under the coal policy, Swiss Re will not provide re/insurance to businesses with more than 30% exposure to thermal coal across all lines of business. It is a further step in refining Swiss Re's approach to managing carbon-related sustainability risks and supporting the transition to a low-carbon economy. Back in 2016 Swiss Re stopped investing in companies that generate 30% or more of their revenues from thermal coal mining or that use at least 30% thermal coal power generation. Swiss Re was one of the first in the re/insurance industry to apply ESG factors consistently throughout the investment portfolio and apply ESG benchmarks in equity and credit markets. These initiatives directly support Swiss Re's vision to make the world more resilient.

Group Chief Executive Officer, Christian Mumenthaler, says: "At the current rate of action, climate change will likely lead to more natural disasters, with implications for every aspect of society and everyone – not to mention the consequences that could spill over to future generations. It will take a 'whole of society' approach to limit global warming before time runs out. I'm optimistic that this will be possible, building on the current momentum. At Swiss Re, we make it a priority to continue leading action on climate change and sustainability efforts, both on the asset and liability side of our business, and within and beyond our industry."

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		FY 2017	FY 2018	FY 2018[4]
Consolidated Group (Total)[5]	Gross premiums written (USD millions)	34 775	36 406	
	Net income (USD millions)	331	421	894
	Return on equity (%)	1.0	1.4	2.9
	Return on investments (%)	3.9	2.8	3.3
	Running yield (%)	2.9	2.9	
	Common shareholders' equity (USD millions)	33 374	27 930	
P&C Reinsurance	Gross premiums written (USD millions)	16 544	16 545	
	Net income/loss (USD millions)	−413	370	547
	Combined ratio (%)	111.5	104.0	
	Return on equity (%)	−3.5	3.7	5.4
L&H Reinsurance	Gross premiums written (USD millions)	13 313	14 527	
	Net income (USD millions)	1 092	761	829
	Running yield (%)	3.3	3.4	
	Return on equity (%)	15.3	11.1	12.1
Corporate Solutions	Gross premiums written (USD millions)	4 193	4 694	
	Net loss (USD millions)	−741	−405	−387
	Combined ratio (%)	133.4	117.5	
	Return on equity (%)	−32.2	−19.4	−18.5
Life Capital	Gross premiums written (USD millions)	1 761	2 739	
	Net income (USD millions)	161	23	17
	Gross cash generation (USD millions)	998	818	
	Return on equity (%)	2.2	0.4	0.3

[4] Excludes for reference only, the impact of the recent change in US GAAP guidance on recognition and measurement of financial instruments, which was effective for the Group as of 1 January 2018 and was not retroactively applied.
[5] Also reflects Group items, including Principal Investments.

The foregoing and the 2018 Financial Review of the Swiss Re Group contain updates on our business and results and preliminary unaudited financial information for 2018. The updates on our business and results will be included in our 2018 Annual Report, together with our audited financial statements for 2018 and other disclosures we are required to include or historically have included in an annual report. The foregoing and the 2018 Financial Review of the Swiss Re Group are not intended to be a substitute for the full 2018 Annual Report, which will be published on the Swiss Re website on 14 March 2019.

Video presentation and slides

A video presentation and transcript of Swiss Re's results for media and analysts and the accompanying slides are available on www.swissre.com.

Media conference and call

Swiss Re will hold a media conference with a dial-in possibility this morning at 10:30 am (CET). If you plan to dial in, you are kindly requested to call 10 minutes prior to the start using the following numbers:

Switzerland:	+41 (0) 58 310 50 00
Germany:	+49 (0) 69 505 0 0082
UK:	+44 (0) 207 107 0613
France:	+33 (0) 17091 8706
US:	+1 (1) 631 570 56 13
Hong Kong:	+852 5808 1769

Investors' and analysts' conference call

Swiss Re will hold an investors' and analysts' conference call this afternoon at 1.30 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:

Switzerland:	+41 (0) 58 310 50 00
Germany:	+49 69 505 0 0082
UK:	+44 (0) 207 107 0613
France:	+33 (0) 1 7091 8706
US:	+1 (1) 631 570 56 13

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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. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

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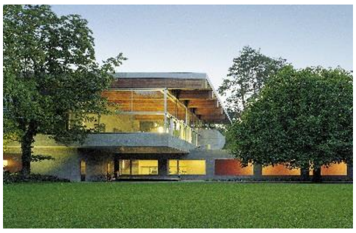
For logos and photography of Swiss Re executives, directors or offices, click here.

For media "b-roll" please send an email to media_relations@swissre.com



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:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclicality of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- 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 the Group's investment policy or the changed composition of the Group's investment assets, and the impact of the timing of any such changes relative to changes in market 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;
- any inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group's ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realise tax loss carryforwards, 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 business models;

- failure of the Group's hedging arrangements to 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;
- uncertainties in estimating reserves;
- 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;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- 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, lower-than-expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cyber security 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.