Swiss Re

Annual Report 2019
Business Report

From risk to resilience

re·sil·ience

noun

\ri-ˈzil-yən(t)s

an ability to recover from or adjust easily to misfortune or change

(Source: Merriam-Webster)

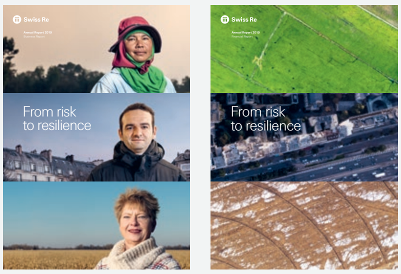
About the front cover
In our 2019 Business Report, we feature three stories of how our solutions impact people around the world. Read how Swiss Re is helping Kanlaya Bunthan, Alexis Hofmann and Suzanne Bielser go from risk to resilience.

For further information, please see pages 22 to 39.

Contents

Our annual report

Our annual report consists of the Business Report and the Financial Report:



Business Report
This publication explains the progress we made against our strategy and describes the markets in which we operate, our culture, as well as our approach to sustainability. We also share stories of how we tackle risk and make the world more resilient.

For more information

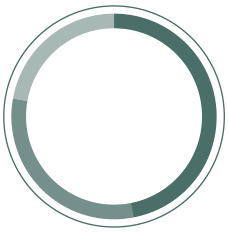
See our online annual report at https://reports.swissre.com

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.

Diversified and global

Net premiums earned and fee income by region
(Total USD 38.6 billion)



- **47%** Americas
- **31%** EMEA
- **22%** Asia-Pacific

Financial strength

AA–
Standard&Poor's AA– stable

Our people

15 401
employees
(2018: 14 943)

Commitment to ESG

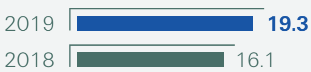
AAA
MSCI rating
(as of May 2018)

Reinsurance

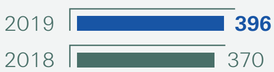
Reinsurance provides clients and brokers with reinsurance products, insurance-based capital market instruments and risk management services. Reinsurance operates globally through two segments – Property & Casualty and Life & Health.

Property & Casualty

Net premiums earned
(USD billions)



Net income
(USD millions)

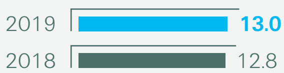


4.4%
Return on equity
(2018: 3.7%)

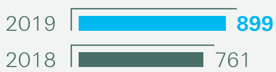
107.8%
Combined ratio
(2018: 104.0%)

Life & Health

Net premiums earned and fee income
(USD billions)



Net income
(USD millions)



12.4%
Return on equity
(2018: 11.1%)

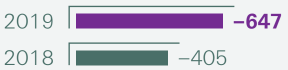
10.0%
Net operating margin
(2018: 9.4%)

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
(USD millions)



–34.1%
Return on equity
(2018: –19.4%)

127.9%
Combined ratio
(2018: 117.5%)

Life Capital

Life Capital supports and incubates entities in the B2B2C primary business, B2B corporate business as well as the closed book space.* As a key part of Swiss Re's strategic growth plan, Life Capital provides alternative access to new Life & Health and Property & Casualty risk pools. It creates simple and transparent digital propositions that make insurance products simpler and more accessible, helping boost the business of our partners.

* Following completion of the sale of ReAssure, pending the required regulatory and anti-trust approvals, Life Capital will focus on its open book businesses.

Net premiums earned and fee income
(USD billions)

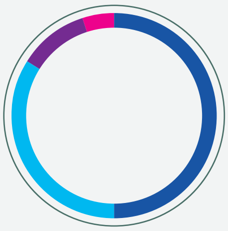
Net income
(USD millions)

–3.4%
Return on equity
(2018: 0.4%)

1138m
Gross cash generation
(2018: USD 818m)

Group
(After consolidation)

Net premiums earned and fee income by business segments
(Total USD 38.6 billion)



- **50%** P&C Reinsurance
- **34%** L&H Reinsurance
- **11%** Corporate Solutions
- **5%** Life Capital

2.5%
Return on equity
(2018: 1.4%)

3.4%
Net operating margin
(2018: 2.9%)

Risks are becoming less local and more global

> Swiss Re has the expertise and the network required to consistently assess the situation from all angles and to adapt capital allocation strategies accordingly.

Walter B. Kielholz
Chairman of the Board of Directors

Dear shareholders,
A year ago, I gave you a rather pessimistic outlook on developments in the global risk landscape – evidently I was not entirely wrong. Major shifts in security policy, the exceptional economic, trade and monetary policy situation as well as the reluctance of governments to face the challenges posed by climate change continue to give everyone cause for scepticism.

The coronavirus pandemic clearly demonstrates the vulnerability of our globally interconnected economies. While the containment and isolation measures taken by governments have painful consequences for the economy and for the everyday life of each of us, they are sensible and necessary. The virus is not only claiming human lives — it is putting the entire political and psychological immune system of globalisation to the most severe stress test yet. Prudence and capital strength will help us steer through the crisis. Resilience — the theme of this annual report and the guiding principle of all our actions at the company — is more relevant than ever to global society and will remain so for many years to come.

Be it coronavirus, the American-Chinese trade war, the unresolved issue of the UK's future integration in the European economy or the fight against the consequences of climate change, only one conclusion can be drawn: risks are becoming less local and more global. Responsibility must be taken for these enormous risks, and it is up to businesses and governments to do so.

Even those who do not take responsibility are responsible – for unresolved problems

Given the many pressing problems faced by and affecting society as a whole, we must acknowledge that there is a glaring lack of responsibility and political leadership at an international level. This situation can be seen reflected in a number of countries. Instead of championing joint solutions, politicians – whether democratically elected or not – are excelling at pursuing selfish, nationalist objectives. How is the world meant to move forward with this mindset? I remain firmly convinced that the big challenges can only be resolved with a multilateral approach based on global cooperation.

So who is poised to take the lead? Who will guide the world back onto the path of multilateralism? There are very few people on whom to pin our hopes, and some bizarre incidents at the recent World Economic Forum in Davos have only reinforced my concerns.

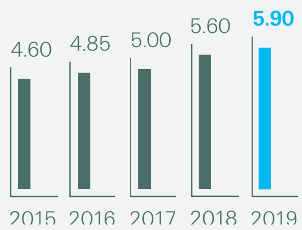
If there is no political consensus on how to manage major risks and ensure global prosperity, large global companies like Swiss Re will increasingly have to fend for themselves. This does not make our task of assessing insurable risks and making them economically manageable any easier.
Risk management is the joint responsibility of both business and governments!

Dividend policy

Swiss Re's dividend policy is a central element of Swiss Re's capital management priorities.

The Group aims to grow the regular dividend with long-term earnings or, at a minimum, maintain it.

Dividend per share (CHF)



Cooperation requires interaction, and dialogue requires contacts. But it is becoming increasingly difficult to identify the points of contact for the business world, even in some established democracies. Tendencies towards populism, polarisation and – the third "P" – the handling of facts known as "post-truth" are also putting existential pressure on political parties that so far have advocated rational dialogue with businesses.

Given this development, the business world must become more involved in society and make its voice heard not only as the voice of economic reason, but increasingly also that of social reason. Businesses must shoulder their responsibility and take a leading role, for example in the fight against climate change. If they respond to the plea for climate protection with effective contributions of their own, they will also win back the people's trust. Not only does Swiss Re intend to reduce its own CO_2 emissions to net zero by the end of the decade, it is also driving change through its underwriting policy and in its activities as an investor. Innovation and technology are the key to ultimately making climate protection an attractive business. As we do this, it is important to manage the high initial investment costs – a task in which not just our company but the entire financial sector has an important role to play.

Long-term capital allocation in a volatile context – our task

For the time being, however, the following applies to the overall context in which the company operates: without a reliable political framework, the range of possible scenarios will grow further, and careful handling of our capital will become even more essential. Our core task is now more demanding than it was a decade or two ago: specifically, to profitably allocate the capital that you provide to us to the various risk portfolios and to profitably reinvest or return to the shareholders the capital we receive from the cash flow from our insurance activities.

So why do we remain confident? Because Swiss Re has the expertise and the network required to consistently assess the situation from all angles and to adapt capital allocation strategies accordingly. We use our proprietary Economic Value Management (EVM) method to assess the performance of various risk portfolios, along with the factors derived from research by Swiss Re Institute. We acquire information through our cooperation with clients, be it insurance companies in every corner of the world, large industrial companies and service providers or the world's best asset managers, as well as from our work with our high-level strategic advisory body, the Swiss Re Strategic Council.

I therefore believe that the company is well equipped to make decisions based on all relevant changes to the risk landscape and, if we consider it necessary, to shift capital very quickly.

Let me briefly explain at this point which of our decisions regarding capital allocation in 2019 and the previous years can from today's perspective be judged as successful, and which were less so.

I am mindful that we operate in a very long-term business and are navigating an ever-changing environment. So, here is my assessment from today's perspective.

Financial investments enjoyed a boost in 2019

Let's start with a positive aspect: 2019 provided exceptionally favourable conditions for those invested in financial assets. Our asset managers did an excellent job and achieved a very strong result. And let's not forget that this was achieved without taking excessive risks.

At the beginning of 2019, we expected to see interest rate increases during the course of the year. The US Federal Reserve's policy U-turn on interest rates therefore came as somewhat of a surprise. However, we anticipated the opportunities in the credit and equity markets early on and were able to benefit accordingly. It was clear already in 2019 that these conditions would not last forever. We have therefore started to reallocate capital, reduce risk and realise gains.

In terms of our investments, we have used the momentum in capital markets to sell or reduce some commitments. For example, we sold a stake in the Brazilian insurance company SulAmérica – for a very good profit. That was an attractive opportunity. We continue to hold significant positions in the Latin American market, although political developments in some of the countries most relevant to the region's economy, such as Argentina, Venezuela, Mexico and, more recently, Chile, indicate that caution is needed.

Growth in the reinsurance business for natural catastrophes

Our decision to invest more capital in the dynamic growth of the non-life reinsurance business has proved to be the right move. After little opportunity to expand this business on acceptable terms in recent years, we changed our underwriting policy at the end of 2018 amid improved market conditions. Although we were still dealing with late claims at the beginning of 2019 (eg the impact from Typhoon Jebi in Japan in September 2018), by the end of the year we had achieved a positive result: in the natural catastrophe business, claims and profits from previous years were balanced. The business achieved profitability in 2019. And it is clear from the renewals on 1 January 2020 that prices are continuing to rise in certain segments.

Vigilance in the US casualty business

The big disappointment of 2019 was the casualty business in the US. Yet again, you might say, since this is a sector that regularly causes headaches for reinsurers. However, it was a very profitable area in the years prior to 2015, thanks in no small part to the reform of liability legislation during George W. Bush's presidency. There had also not been any significant inflation in the US for years, something that usually has a negative impact on this business. And so we gradually expanded this business from 2015 onwards – not massively, but consistently. That was a mistake.

In light of the dynamically increasing problem of a public that has a critical attitude towards businesses as well as US case law – known as the "social inflation" phenomenon – the number of medium and larger claims, which we as reinsurers deal with, has risen sharply. We are doing our utmost to react responsibly in the face of this development and to respond as quickly as possible to structural changes. Among other things, this also required subsequent reserving in 2019, though these reserves are quite modest compared to our total non-life reserves.

Separation from the closed-book business initiated in the UK; Corporate Solutions turnaround

At the beginning of 2019, we announced that we would separate from ReAssure as part of an IPO. An IPO that, as you know, we had to suspend in the summer of 2019 due to the political uncertainty in the UK. However, the separation from the closed-book business in the UK has now been set in motion thanks to an agreement to sell ReAssure to Phoenix Group Holdings plc. And at a price that is at the upper end of the range we were hoping to achieve through the IPO. I am also confident that the shares in the Phoenix Group that we are receiving as part of this deal will prove to be an attractive investment.

However, we also had to invest in the Corporate Solutions business unit in 2019. The insurance of major corporate risks is cyclical and volatile due to the capacity used. However, it is and will remain an important component of our business portfolio. We are adhering to our strategy and returning this Business Unit, which achieved solid results up to 2016, back to profitability.

Thanks to sharply increasing market rates, the Business Unit maintained its premium volume in the past year despite the restructuring measures. These measures are being implemented consistently: key members of the Corporate Solutions management team have been replaced, the underwriting policy has been tightened, the portfolio has been comprehensively adjusted and costs have been reduced. The right course has been set. "Stay tuned", as the Americans would say.

Complete reliability in the equity base

A year ago, I wrote that we wanted to stand our ground where necessary. For me, that means our capital position. I am confident that our client, the regulators – our own and those of our clients – and ultimately also our shareholders want Swiss Re's capital strength to be beyond any doubt. So this is one area where we are standing our ground.

For this reason, we took into account that we have enjoyed strong organic growth, that the development of the US casualty business would affect annual profit, that the persistently low US interest rates cost capital and that the ReAssure IPO did not take place in 2019 – and cancelled the second tranche of the share buyback programme last year. At the same time, we continue to ensure highly attractive conditions for our investors through a dividend that is once again being increased. We will evaluate the appropriateness of launching another share buyback programme in the second half of 2020. All of this is consistent with our policy.

Succession

We are very pleased to also announce an orderly succession plan for the role of Chairman. Sergio P. Ermotti, who has been the Group CEO of UBS since 2011, will be nominated for election to our Board of Directors at the upcoming Annual General Meeting of shareholders on 17 April 2020. After one year on the Board, Sergio P. Ermotti will then be nominated for election as the next Chairman upon my retirement. His wealth of experience and impressive leadership track record will be important assets for Swiss Re, and his appointment will ensure a smooth leadership transition.

Looking back, 2019 was not an easy year – and the challenges are getting bigger, not smaller. But we know that we can count on the experience and commitment of more than 15 000 employees worldwide. I would also like to thank you as shareholders for your trust and support, which were invaluable in 2019.

Zurich, 19 March 2020

Walter B. Kielholz
Chairman of the Board of Directors

Positioning Swiss Re for continued long-term success in a challenging environment

"Fast-paced change creates both challenges and opportunities for our industry. This is why our strategy is centred around diversifying our access to risk pools by leveraging our risk knowledge, unique client access and capital strength.

Christian Mumenthaler
Group Chief Executive Officer

Dear shareholders,
2019 was a year of important steps to position Swiss Re for continued long-term success in a challenging macroeconomic and re/insurance industry environment. We reached an agreement to sell ReAssure, which should maximise the value of this asset for the Group and ultimately for you, our shareholders. We initiated a far-reaching transformation of Corporate Solutions to return this business to profitability. And we made good progress on our targeted growth strategy in Reinsurance, with an emphasis on our capabilities in underwriting large transactions and providing innovative solutions. Finally, we further reinforced our commitment to sustainability by setting new ambitious goals for achieving net-zero carbon emissions in our underwriting, investing and operations.

Four big trends affecting the re/insurance industry stood out in 2019: declining interest rates; rising costs attributable to climate-related disasters, such as heatwaves and wildfires; higher insurance claims due to societal trends, such as changing perceptions by an injured party of what they are owed and their willingness to pursue claims via the legal system; and hardening rates in some lines of business.

As global economic growth weakened due to trade tensions and geopolitical polarisation, more than half the central banks around the world cut interest rates in 2019 – the biggest number to do so since the aftermath of the global financial crisis. Interest rates are forecast to stay low for longer, and this has a two-fold effect on our business. This environment has led to an influx of capital into the re/insurance market over the past years, damping prices and suppressing investment yields. These conditions also negatively affect global economic resilience. The world economy currently has less capacity to absorb a shock than it did in 2007, according to the latest research by Swiss Re Institute. And this means that re/insurance is needed more than ever to help close a record-high USD 1.2 trillion protection gap in the three main risk areas – natural catastrophes, mortality and healthcare spending.

Natural catastrophes are estimated to have caused more than USD 130 billion in economic damage in 2019. While this is lower than we have seen in some recent years, we again saw a high number of smaller and mid-sized loss-generating disaster events, most likely as a result of climate change. Together, climate-related perils such as heatwaves, droughts, wildfires and floods caused more than 50% of the global insured losses from natural catastrophes in 2019, demonstrating once again the very significant impact these events can inflict on communities and societies.

Another trend that has been gaining momentum in recent years is the phenomenon of so-called social inflation, or rising insurance claims due to increased litigation, higher jury awards and broader contract interpretations. With roots in the general anti-corporate sentiment since the global financial crisis, social inflation is particularly visible in US liability claims.

These adverse developments are somewhat balanced by hardening rates in loss-affected reinsurance lines, such as the natural catastrophe business. We also see strong pricing momentum in Corporate Solutions, which achieved a 12% price increase in its portfolio in 2019. However, to ensure a re/insurance market that is sustainable in the long-term, further rate increases are needed to reflect changing market conditions.

Our response to market developments
As stewards of this Group, we have to adapt our business constantly to stay at the forefront of the latest developments. We cannot control our environment, but we can make sure that our response is informed, timely and effective. Fast-paced change creates both challenges and opportunities for our industry, which is also facing growing and ever-more complex risks, an exponentially increasing wealth of data as well as new competitors. This is why our strategy is centred around diversifying our access to risk pools by leveraging our risk knowledge, unique client access and capital strength. Diversification creates a natural hedge within our business model as different lines of business go through diverging economic cycles. Our ability to adapt at speed is what makes our business model sustainable over the long term.

Reinsurance remains our core engine of profitability, delivering a market-leading combination of shareholder returns and capital repatriation to the Group. To address the recent trends, we employ robust portfolio steering to inform our strategy of targeted growth. Based on expected loss trends, pricing outlook and risk management, Property & Casualty Reinsurance (P&C Re) is expanding its natural catastrophe franchise in attractive segments, while managing exposure and strengthening reserves in the casualty business. Our Life & Health Reinsurance segment continues to deliver solid performance. Transactions and solutions are becoming ever more important to our offering and demonstrate significant further growth potential. Demand for transactions, which contributed approximately 23% to the economic profit of the Reinsurance Business Unit in 2019, continues to increase because they have the potential to meet a range of client needs, such as greater capital efficiency or reduced earnings volatility. Economic profit from solutions, where Swiss Re helps clients to deliver on their strategic priorities, such as improving profitability or developing new products, rose 12% in 2019 from the prior year.

In Corporate Solutions, we took decisive actions to adapt to the unfavourable claims trends and a soft market environment. These measures included cutting costs, reserve strengthening, the establishment of an Adverse Development Cover with P&C Re, as well as a reduction in risk exposures in specific lines of business. Portfolio repositioning will allow Corporate Solutions to focus on selected profitable segments where we are seeing an improving price environment. The next steps in business transformation will focus on de-commoditisation of its core portfolio, selective growth with differentiating capabilities such as innovative risk solutions, and expansion through tech-driven initiatives. Portfolio repositioning, together with efficiency gains and the accelerating momentum in insurance rates should help Corporate Solutions return to underwriting profitability with a target normalised combined ratio of 98% in 2021.

Life Capital is successfully transitioning to a dynamically growing, digital B2B2C business. Our goal has been to deconsolidate our UK closed-book subsidiary ReAssure because of the high capital requirements for this business under the Swiss solvency rules. Although our attempt to do an initial public offering of ReAssure was thwarted by unfavourable conditions in the UK primary equity market in the first half of 2019, we are very pleased to have found a strong buyer for this business in Phoenix Group Holdings plc. The rationale for this transaction is compelling, and once completed, we believe it will maximise long-term value for Swiss Re shareholders. In the meantime, our open-book businesses are continuing to attract new partners and expand. In particular, our white-label digital platform iptiQ is developing dynamically and selling more than 4000 policies per week across both the Life & Health and Property & Casualty businesses, with significant opportunities for geographic expansion. Partnerships, such as the recent agreement with IKEA to offer transparent, affordable and easily accessible home insurance, demonstrates the great potential for this business in the future as well as the strategic role it plays when it comes to accessing attractive new risk pools for Swiss Re.

Our commitment to sustainability

Despite the low-yield environment, our asset management team again demonstrated their ability to consistently generate very strong returns, achieving a return on investments of 4.7% in 2019. They do this while taking an industry-leading approach focused on environmental, social and governance (ESG) criteria, which underscores that putting sustainability at the heart of the business makes economic sense. In 2019, Swiss Re demonstrated yet again its strong commitment to sustainable investing by being one of the founding partners of the UN-convened Net-Zero Asset Owner Alliance, pledging to transition our investment portfolios to net-zero carbon emissions by 2050. We have already reduced the carbon intensity of our listed equity and corporate bond portfolios by an average of 50% since the end of 2015.

We have also made the same strong commitment on our underwriting side by signing the "UN Business Ambition for 1.5°C" pledge. In 2018, we stopped providing re/insurance to businesses with more than 30% thermal coal exposure. In a next step, Swiss Re will gradually stop supporting the top 10% of the world's most carbon-intensive oil and gas companies by the end of 2023. With these measures, we aim to provide incentives for carbon-intensive businesses to transition towards more sustainable business models. And it is important that we as a society focus on setting the right incentives rather than simply punishing the businesses that powered the industrial revolution and progress over the past two centuries. After all, these companies still offer jobs to millions of people worldwide. This is why actively engaging with clients on sustainability matters is very important to us at Swiss Re.

In our own operations, we have been carbon neutral since 2003. We have achieved this by continuously reducing our emissions and purchasing high-quality emission reduction credits. As a next step, we have committed to start removing our carbon emissions from the atmosphere, with the goal of reaching net-zero emissions by 2030. I am encouraged by many other companies making similar pledges to fight global warming. Swiss Re has been warning about the effects of climate change for the past 40 years, and finally the tide seems to be shifting towards concrete actions. I sincerely hope that an ever-growing number of companies will take responsibility for their actions that will affect our planet's future. Businesses have the power of capital to take significant steps in addressing the climate crisis, and we should not wait for national governments to agree on how to tackle this global problem. Seeing the corporate actions taken over the past 12 months makes me optimistic that we can make the shift. I envision a strong alliance of stakeholders and capital markets – bound together by mutual interest in fostering long-term business success.

Starting 2020 with an improved portfolio

We at Swiss Re will continue to do our part in fighting the climate crisis and making the world more resilient. Our very strong capital position allows us to continue to support our clients and capture growth opportunities as they arise, while maintaining attractive shareholder returns.

In January 2020, we achieved a 2% increase in premium volume of renewed reinsurance contracts and a nominal price increase of 5%, as growth in our property business, and particularly in the natural catastrophe book, was offset by our decision to reduce casualty exposure. The risk-adjusted price quality was unchanged, reflecting both the lower interest rate environment and our more conservative loss assumptions. We are therefore starting the year with an improved portfolio, and we aim to maintain this trend in the upcoming renewals later in the year. We will also focus on completing the sale of ReAssure and improving the performance of Corporate Solutions through active portfolio pruning and rate increases.

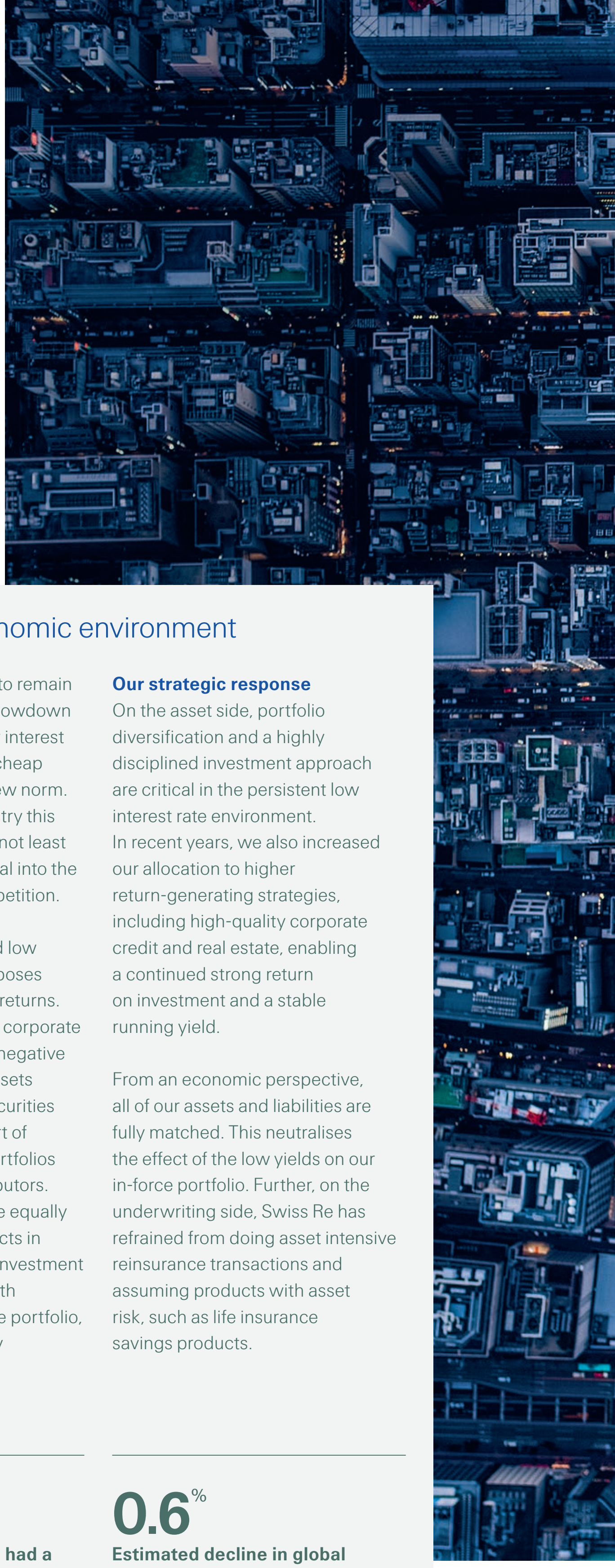
In these challenging, transformative times, we are fortunate to be able to rely on the dedication and hard work of our employees, whom I would like to thank for their engagement. I would also like to thank you, our shareholders, for your continued support.

Zurich, 19 March 2020

Christian Mumenthaler
Group Chief Executive Officer

Our market is changing

At Swiss Re we monitor and actively respond to the most pressing and market-moving macro and sector trends.



The risks the world is facing are growing. The global population is growing, and people are living longer. More and more people now live in densely populated areas. Climate change is intensifying natural catastrophe risk. As a result, there is a widening gap between the risk protection needed and the insurance cover — the protection gap. This creates opportunities for Swiss Re to grow.

However, we are also facing increasing competition. There is an oversupply of capital entering the re/insurance industry in search of returns in the current low interest rate environment. The lines between primary insurance and reinsurance have blurred, as more and more companies operate in both fields. In addition, new technologies and competitors are emerging which could potentially disrupt the whole re/insurance value chain.

On the following pages we take a look at some of the key market trends and our response to them.

Challenging economic environment

We expect global growth to remain subdued in 2020 after a slowdown in 2019. After years of low interest rates, the environment of cheap money has become the new norm. For the re/insurance industry this poses several challenges, not least because the influx of capital into the sector has increased competition.

Additionally, the continued low interest rate environment poses a challenge to investment returns. Yields on government and corporate bonds remain very low or negative in some markets. These assets and other fixed income securities constitute a significant part of re/insurers' investment portfolios and were key profit contributors. Not all lines of business are equally affected: long-term contracts in particular suffer from low investment returns. For life insurers with guaranteed products in the portfolio, it has become increasingly challenging to match the guaranteed returns.

Our strategic response
On the asset side, portfolio diversification and a highly disciplined investment approach are critical in the persistent low interest rate environment. In recent years, we also increased our allocation to higher return-generating strategies, including high-quality corporate credit and real estate, enabling a continued strong return on investment and a stable running yield.

From an economic perspective, all of our assets and liabilities are fully matched. This neutralises the effect of the low yields on our in-force portfolio. Further, on the underwriting side, Swiss Re has refrained from doing asset intensive reinsurance transactions and assuming products with asset risk, such as life insurance savings products.

20%
of all bonds outstanding had a negative yield at the end of 2019
(Source: Swiss Re Institute)

0.6%
Estimated decline in global growth in 2019
(Source: Swiss Re Institute)

Longevity and medical innovation

The global population is becoming older: people are living longer than ever before, while the share of the working population is shrinking. As more people want to enjoy a longer retirement, public and private institutions face the risk that they will not be able to meet their financial commitments.

Longer lives have become possible as medical treatment improves, particularly the diagnosis and treatment of illnesses such as heart disease and stroke. The increasing cost of health services and long-term care impacts societies and insurance companies equally, as both need to bear these costs.

For insurers, this entails both challenges and opportunities. On the one hand, medical inflation may have an impact on disability, medical expense and casualty insurance. On the other hand, insurers can offer new paths to financial security for older people.

Our strategic response

Swiss Re is the largest life and health reinsurer globally. We have built leading knowledge in biometric risks, using the accumulated data to create unique risk and portfolio insights. Dedicated R&D activities ensure that we remain abreast of the underlying changes in the industry.

Co-creating products and solutions is at the core of our life & health value proposition. Together with our clients, we aim to close the life and health protection gap and make societies more resilient. Using our capacity, technical expertise and diversification within the life and health portfolio, we provide our clients with bespoke risk transfer solutions.

48%

Growth of global health data volumes annually

(Source: International Data Corp.)

>200%

Growth of population aged 65 and older by 2050 vs. 2019

(Source: United Nations)

Emerging risks: cyber risk

For years, the phenomenon of cyber risk has been the centre of attention of the wider public – driven by headlines detailing high-profile data breaches and widespread ransomware attacks on large and small companies as well as on cities. The insurance industry has been trying to find ways to support customers in their risk mitigation and risk transfer efforts with new and innovative insurance products.

To respond successfully to cyber risk, monetary compensation for an incurred loss is only one component of a modern cyber insurance policy. Policies increasingly embed a broader service proposition including advice, loss prevention and mitigation services that support the overall cyber resilience of insured companies, organisations and individuals.

The upside to this is the development of a new and growing market – Swiss Re Institute forecasts a premium growth from USD 4.5 billion in 2017 to USD 25 billion in 2023. On the downside, many of the risks involved are not yet fully understood and are undergoing constant changes. Moreover, insurance companies are asked to put robust risk management frameworks in place to manage their cyber exposures. So-called "silent" cyber risks, together with the explicit coverage of "affirmative" cyber policies might lead to a risk accumulation on the re/insurers' balance sheets that needs to be understood and actively managed.

The importance of cyber risks for the insurance industry must not be underestimated. There is a clear need in the market for insurers to be part of a wider response to this growing societal and economic threat. Hyper-connectivity, artificial intelligence, automation and the Internet of Things (IoT) are just a few factors that will shape the risk landscape in the years to come and give rise to new risks, as well as new opportunities.

Our strategic response

Swiss Re is providing the global cyber market with significant risk capacity and is heavily investing in research. As a risk knowledge company, we continuously build expertise and tools to assess and quantify risks but also to understand and promote sound risk mitigation methods.

We continue to develop cyber solutions that allow organisations and individuals to access state-of-the-art insurance and risk management support. We put our knowledge at the disposal of our clients to help them better understand and manage their cyber exposures and provide fit-for-purpose solutions to their customers.

USD 25bn

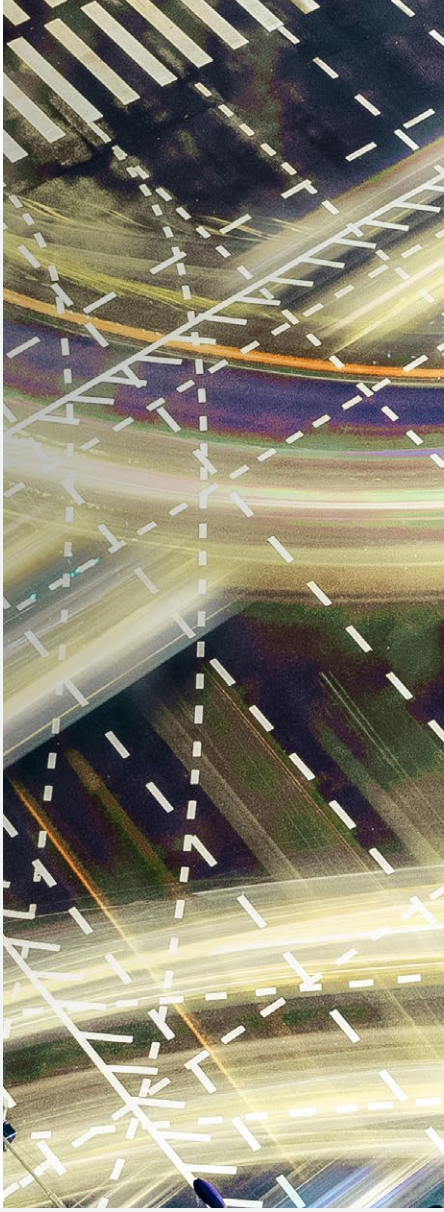
Estimated cyber insurance market in 2023

(Source: Swiss Re Institute)

67%

Growth in cyber security breaches in past 5 years

(Source: Accenture)



The great pivot east continues

The strategic importance of the Asia-Pacific region is shaping and shifting the global balance of economic influence and power. Economic prosperity and the resulting growth of the middle class in many Asian countries is a key driver of greater insurance penetration in the region. According to the OECD, by 2030, China and India are expected to become the countries with the largest middle class globally by number of citizens.

Emerging markets in Asia, and China in particular, will continue to be an important driver of insurance industry growth in the future. China's share of global premiums will rise to 20% by 2029 from the current share of 11%. China is on course to become the world's biggest insurance market by the mid-2030s, surpassing the US.

Our strategic response
Swiss Re is well positioned for the opportunities arising in Asia. For many years we have been working with insurance companies and brokers in Asia to provide a broad range of reinsurance products and services. Swiss Re currently generates 17% of our net premiums earned in high-growth markets, and Asia contributed over half of Swiss Re's high-growth market premiums.

Swiss Re is currently the largest foreign reinsurer in China. Our historic presence in China and other key growth regions provides us with privileged access to clients and partners. As a testimony of Swiss Re's knowledge leadership and commitment to the Chinese market, we also opened the Swiss Re Institute China Centre in Beijing in 2019.

42%
Asia-Pacific estimated share of global reinsurance premiums in 2029
(Source: Swiss Re Institute)

17%
Net premiums earned by Swiss Re in high-growth markets

Digital innovation

Digital platforms and devices are enabling cheaper, faster and more scalable solutions that make insurance accessible to an increasing proportion of the world's population. The emergence of digital platforms and ecosystems creates a unique opportunity to integrate insurance to narrow a current protection gap. Due to both a massive increase in access and the introduction of new technologies, a broader and more affordable variety of policies have become available to more and more people.

The availability of new data sources allows insurance companies to create new digital products, and achieve improved underwriting and pricing. Traditionally, insurers had one-time access to historical data from clients. In contrast, today, a continuous flow of data enables insurers to dynamically underwrite policies with new insurance products. Through advanced analytics and process digitisation, insurance companies can improve the way they operate, ultimately increasing cost efficiency and improving the customer experience. As an example, machine intelligence allows insurers to detect claims fraud far earlier in the process.

Our strategic response
In its capacity as a risk knowledge company, Swiss Re has always been at the forefront of digital innovation. We have a track record of innovating several hundred digital use cases across the insurance value chain, often co-developing these with our clients. Our innovative life insurance platform, Magnum, is an example of an industry-leading technology application. In our partnership with car manufacturers, we provide our telematics-based risk insights to the benefit of the customer.

To provide our wholesale clients with an innovative digital offering, Swiss Re has built digital insurance platforms across all business units. In Reinsurance, insurance companies benefit from our online risk portal SwiftRe. Industrial companies are offered a digital customer experience through the client portal of Corporate Solutions. In Life Capital, we have built state-of-the-art digital insurance platforms in iptiQ to partner on the basis of the latest technology with non-insurance distributors and ecosystems alike.

2/3
of the global population has access to a mobile device
(Source: Swiss Re Institute)

26
Countries where Swiss Re's Magnum platform is available

Climate change

Recent natural catastrophes, including severe hurricanes, typhoons, widespread droughts and wildfires, demonstrate the forceful financial impact of climate-related risks on the insurance industry. Meanwhile, the growing and quickly urbanising population amplifies the impact of any catastrophe. Higher value concentration in risk-exposed regions, such as coastal areas, increase the potential cost of a natural catastrophe. As our world warms, we will experience increased atmospheric energy, resulting in more catastrophic storm events. A warming atmosphere can also lead to greater frequency of droughts and a broadening of the areas vulnerable to these kinds of perilous conditions.

Secondary perils are also becoming a major risk related to climate change. Secondary perils are risks resulting from natural hazards, and are typically weather-related: for example, a primary peril like tropical cyclones can lead to a higher rate and risk of flooding,

Our strategic response

Swiss Re's history is rooted in providing capacity to protect societies around the globe against natural catastrophes. Over the years, Swiss Re has built a unique set of data and proprietary risk knowledge. This allows us to optimally steer and assess risks across perils and regions. We continue to heavily invest in natural catastrophe risk research, including assessing and quantifying the impacts of climate change on the natural perils risk landscape. We provide our knowledge and services to our clients to tailor and develop industry-leading risk transfer solutions.

As a company, we are committed to sustainability. We continue to take a public stance on identifying climate change as a crucial issue for the sector, as well as society at large. As an early proponent of sustainable investing, we were among the first to adopt stringent environmental, social and governance (ESG) criteria for our asset portfolio. In 2018, we stopped providing re/insurance to businesses with more than 30% thermal coal exposure.

1/2

of economic losses from natural disasters were uninsured in 2018
(Source: Swiss Re Institute)

>50%

of global insured natural catastrophe losses due to secondary perils
(Source: Swiss Re Institute)

The role of Swiss Re in society

Re/insurance helps the world to thrive, progress, and rebuild.

How re/insurance works

	Benefit to society	What differentiates us	
Use information and knowledge to price risk	Support risk prevention by encouraging policy holders to take appropriate steps to mitigate risk.	We have a deep understanding of the risk landscape and anticipate how it will evolve in the future.	~2400 leading risk experts
Take risk from clients in exchange for premium income	Make insurance broadly more affordable and available. Provide insurers with risk coverage and capital relief.	We invest across many different pools of risk to ensure that our business is diversified.	47 risk pools
Hold and invest upfront premiums from our clients	Provide long-term capital to the economy on a continuous basis. Drive change towards a more sustainable economy.	Responsible investing is embedded in our approach, and we apply ESG criteria across our investment portfolio.	~100% of our investment assets consider ESG criteria
Compensate for losses	Absorb shocks and build societal resilience to risk. Decrease vulnerability of communities and businesses.	We focus on developing insurance products that allow for more extensive loss coverage.	USD 31.8bn claims and benefits paid in 2019
Reinvest profits for growth & return cash to shareholders	Reinvest profits to fuel economic growth. Create jobs.	We create sustainable value for all stakeholders. Our shareholders can rely on attractive returns.	USD 2.6bn* returned to shareholders in 2019

* This figure is derived from a return of USD 1.7 billion attributed to the ordinary dividend and a return of USD 0.9 billion attributed to share buybacks.

Creating sustainable value

Our strategy remains unchanged – we aim to achieve our financial targets and deliver value for all stakeholders.

Our strategy

Swiss Re's purpose is to make the world more resilient and act as a shock absorber for societies and communities. Our access to risk is not guaranteed, even as risk pools continue to grow over the next decades.

We therefore diversify our access to risk pools to fulfill our purpose and succeed. We do this by leveraging three strategic assets that we have built over more than 150 years.

Together, these strategic assets differentiate us from the competition and, alongside our collaborative, innovative and empowering culture, help us attract and retain some of the best talents in the industry.

Strategic assets

Our risk knowledge
enables us to understand risk and anticipate clients' needs

Our strong brand
helps us to broaden and deepen our client base

Our capital strength
is instrumental in diversifying risk and investing in new risk pools

Implementing our strategy

We currently implement our strategy of diversifying access to risk pools by:

Expanding our Reinsurance business through transactions and tailored solutions

Accessing corporate risk directly through our Corporate Solutions business

Accessing retail market risk by innovating the value chain through our digital insurance white-labelling solution iptiQ

Gaining exposure to risk pools in high-growth markets that we can't access otherwise by taking minority stakes through Principal Investments and Acquisitions

Performance

This will enable us to achieve our financial targets and, over the long term, create sustainable value for all stakeholders.

Find more information on Swiss Re's performance in our Financial Report.

Towards a sustainable future

"We insure, invest, operate, and share our knowledge in a way that tackles sustainability challenges and creates long-term value."

Our Group Sustainability Strategy supports our vision of making the world more resilient.

Why sustainability matters

Sustainability is the principle of achieving economic and social development that can be maintained in the long term, without overusing precious resources.

Major challenges that undermine sustainable development – such as climate change, insecure food supplies, health funding gaps, ageing infrastructure – also weaken resilience because they create new risks or aggravate existing ones, thus widening the protection gap.

Through our Group Sustainability Strategy, we seek to identify and address the challenges that threaten stable long-term development.

What sustainability means for our business

Sustainable re/insurance is a strategic, long-term approach where all activities in the re/insurance chain are carried out in a responsible and forward-looking way.

This involves managing and monitoring risks and opportunities associated with environmental, social and governance (ESG) issues. Our sustainability strategy covers both the liability and the asset side of our balance sheet. It aims to develop innovative solutions, improve business and investment performance on a risk-adjusted basis, and contributes to environmental, social and economic sustainability.

To learn more about our Group Sustainability Strategy, we invite you to have a look at our 2019 Sustainability Report.

Climate change was a primary focus of our sustainability efforts in 2019. Here we present highlights across four of our sustainability topics that are key to tackling this challenge.

Mitigating climate risk

The effects of climate change and global warming are already evident and shaking up the risk landscape. We continue to evolve our way of doing business towards a low-carbon economy in line with the Paris Agreement, the landmark agreement to combat climate change.

~4000

wind and solar farms insured

In 2019, worldwide weather-related losses totaled USD 135 billion, of which 62% were uninsured. In cooperation with our partners, we continued to develop re/insurance solutions covering risks such as hurricanes, droughts, floods and extreme rainfall.

In recent years, we have become an important market player to cover the risks of offshore wind farms. In total, we were providing risk cover to over 4 000 wind and solar projects at the end of 2019. Notable new developments included insuring the first-ever offshore wind farm in France.

In 2019, we made three major commitments to reach net-zero emissions across the whole Group:

Investing responsibly

We co-founded the UN-convened Net-Zero Asset Owner Alliance, thus committing to having a net-zero greenhouse gas investment portfolio by 2050. This marks an important milestone in our efforts to accelerate the transition to a low-carbon economy.

~100%

assets considering ESG criteria

With climate change as a core topic in our Responsible Investing strategy, we are transforming risk into opportunity by:

- Allocating 13% of our infrastructure investments to renewable energy
- Avoiding investments in companies where we see a high risk of stranded assets, by continuously reducing the carbon footprint of our investment portfolio
- Targeting to increase our green, social and sustainability bond mandate to at least USD 4 billion by the end of 2024

Considering ESG criteria along our investment process, thereby improving risk-adjusted returns, stands at the centre of our strategy.

Shifting the large institutional asset base towards sustainable investments would mark a big step forward in making the world more resilient: we interact with policymakers and other market participants to transition towards more sustainable financial markets.

Asset side: committed to reach net-zero emissions by 2050

Managing sustainability risks

We have made a public commitment to reach net-zero emissions in our re/insurance business by 2050. In line with this, we have taken further steps towards decarbonising our own business model.

over 300

dialogue engagements with clients on thermal coal in 2019

Through the Sustainable Business Risk Framework, we continued to implement our thermal coal policy in our underwriting and had engagements with over 300 clients across the globe in 2019.

Via the CRO Forum, which is attended by Chief Risk Officers of major insurance companies, we worked with peers to develop a robust carbon footprinting methodology that will support our carbon steering and address the risks embedded in our re/insurance business.

By signing the UN Global Compact Business Ambition for 1.5°C, we committed to reaching net-zero emissions also on the liability side of our business.

Liability side (re/insurance): committed to reach net-zero emissions by 2050

Reducing our carbon footprint

We place emphasis on tackling the carbon footprint of our own operations. CO_2 emissions and energy consumption reductions are priorities across the Group. In 2019, we committed to reach net-zero emissions in our operations by 2030.

100

carbon removal certificates purchased in the world's first auction for negative emissions

Over the years, we have set ambitious targets for our operations. In 2003, we were one of the first global companies to become fully greenhouse neutral. In 2014, we pledged to cover 100% of our power consumption from renewable sources by 2020, reaching a share of 92% by 2019.

In 2019, we went a step further and committed to achieve net-zero emissions in our operations by 2030. The concept of net-zero requires that for every tonne of CO_2 emitted, another tonne needs to be removed from the atmosphere and stored permanently.

We want to achieve this goal by imposing a stringent internal carbon levy on all our air travel. This will create an incentive to fly less and at the same time generate the funds needed to purchase carbon removal certificates.

Until the nascent market for these certificates is fully developed – also supported through our early engagement – surplus funds from the levy can be used for other sustainability projects across the company.

Own operations: committed to reach net-zero emissions by 2030

From risk to resilience

It is estimated that the global protection gap for uninsured risks amounts to a staggering USD 1.2 trillion*. We aim to change that.

* Source: Swiss Re Institute, *sigma* 5/2019: Indexing resilience

In addressing some of the biggest challenges of our time, from climate adaptation to digitalisation, we develop solutions that help our clients and increase society's resilience.

These are the risk topics that are strategically important for us and inspire us to tackle sustainability challenges to create long-term value for our stakeholders. In this section, you can read more about the journeys we embarked on to strengthen communities around the world.

For information on our Group Sustainability Strategy and Ambitions, please see p. 8–13 of our 2019 Sustainability Report

Mitigating climate risk
The effects of climate change are quickly becoming the new normal. We mitigate the risk of natural catastrophes with innovative solutions that allow people and businesses to withstand more frequent and severe climate impacts.

Building societal resilience
Technological and economic development, population growth and other societal trends contribute to an evolving risk landscape. Our work in the areas of health and longevity, food security and infrastructure represents some of the ways we help build societal resilience.

Driving digital insurance solutions
In our digital world, we want fast, intuitive and streamlined digital experiences to help us live safer and healthier lives. These same expectations are also affecting the entire re/insurance value chain.

Our employees are crucial to the success of our projects. Learn more about them and their roles at https://reports.swissre.com

From climate risk

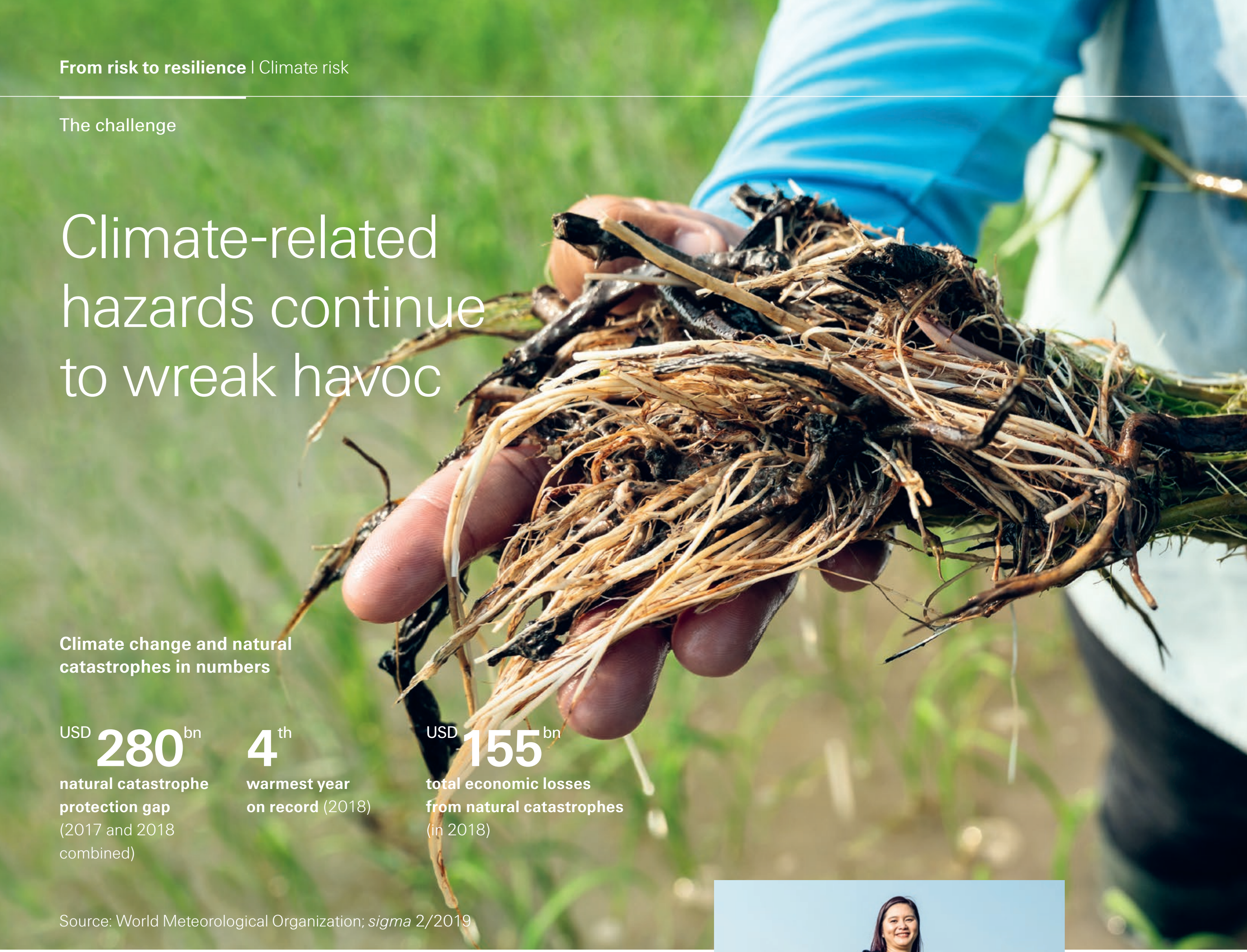
The effects of climate change are profoundly impacting communities, people's health and our natural environment. They are also visible in the risks we cover: over the last 25 years, average insured losses from severe weather events have more than doubled.

Image: Drone view of rice fields in Surin Province, Thailand.

to strong communities

With our re/insurance solutions, we help people and businesses get back on their feet quickly after a disaster and prepare them for a world confronted with more climate risks.

Image: Kanlaya Bunthan, rice farmer in Surin Province, Thailand.



The challenge

Climate-related hazards continue to wreak havoc

Climate change and natural catastrophes in numbers

USD **280** bn
natural catastrophe protection gap (2017 and 2018 combined)

4 th
warmest year on record (2018)

USD **155** bn
total economic losses from natural catastrophes (in 2018)

Source: World Meteorological Organization; *sigma* 2/2019

Since 1970, the annual number of natural catastrophes has risen four-fold. Trends such as urbanisation and economic development increase the number of assets that are exposed to natural catastrophes.

Most losses are still uninsured, leaving millions of households and businesses in the most disaster-prone areas of the world without protection. Working with our partners and clients, we strive to design solutions that are effective, affordable and impactful.

Thailand is one of the world's top rice exporters, and rice farming is often the only source of income for many local families. Catastrophes such as floods and droughts can have a devastating impact on these rural populations. For years, Thai local authorities and insurers have partnered to offer insurance protection. Swiss Re has been standing behind them.

> "To help vulnerable farmers, we need to work closely with local authorities to deploy our risk knowledge effectively.
>
> **Biggy Nguyen**
> Senior Client Manager,
> Swiss Re, Public Sector Solutions

Our solution is helping people on the ground rebuild their lives

Since 2011, Swiss Re has been offering reinsurance capacity to the Thai national rice insurance scheme.

Over the years, the insurance cover has been further developed, and now also includes other crops, such as maize, thus offering additional protection to over 2 million people. The scheme offers compensation of up to 65% of the average production cost a farmer would have to bear, if the crop is damaged before it can be harvested.

Budget certainty for the government and continued disaster relief assistance for the farmers: a win-win situation, made possible by re/insurance.

> These are the people that still earn a living from agricultural activities. It is important that no one is left behind in the face of adversity.
>
> **Dr. Chutatong Charumilind**
> Secretary General in charge of the Insurance Premium Rating Bureau, Thai General Insurance Association

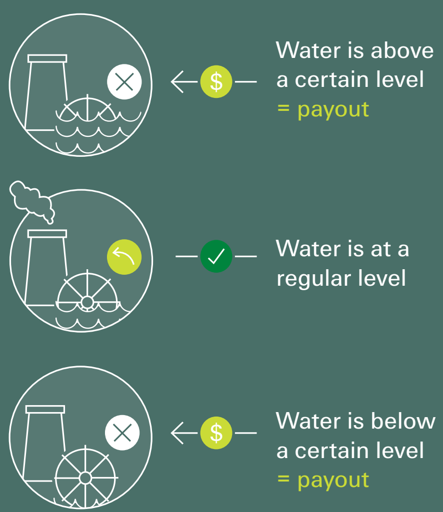
FLOW: Parametric water-level insurance

Here's another example of how re/insurance innovation is helping tackle weather-related challenges. In 2018, a very dry and warm summer left the water levels of rivers in Europe at record lows. Companies using the rivers to transport their goods were faced with higher costs and decreased production volumes.

Swiss Re Corporate Solutions developed FLOW, a new parametric water-level insurance, designed to protect businesses from the financial impact of low (or high) river water levels.

Unlike traditional insurance covers, which often require loss investigations, FLOW pays fixed amounts based on a customised index, tracking each client's water level exposure.

Defined thresholds for water levels



The impact

Collaborating for a more resilient community

Watch online

For further information, see our video online: swissre.com/AR2019watch

In 2019, a severe drought hit the Surin Province, a rural area peppered with paddy fields some 400 kilometres northeast of Bangkok.

Then, the rain came. As local farmers rushed to fertilise their crops, one of them, Kanlaya Bunthan, recalls how it was then that a disease started to kill the crops that had survived the devastation. "We lost more than half of our crops and the income we receive by selling them," she says.

> "These crops are our source of income and we need the funds to restore what was destroyed.
>
> **Kanlaya Bunthan**
> Rice farmer, Surin Province, Thailand

Kanlaya is one of hundreds of local Thai farmers covered by the insurance scheme, who receive funds after catastrophes to recoup their expenses and be able to buy new seeds and fertilisers.

The scheme proves that through public-private partnership and effective risk transfer to the private sector, the government can offer swift assistance to vulnerable populations. "This is why insurance matters," says Anon Vangvasu, Executive Vice President at Bangkok Insurance Public Co. Ltd. and President of Thai General Insurance Association.

Swiss Re's financial capacity has allowed payouts to be made even in the more challenging years, while key agricultural and climate expertise has paved the way for the programme to be expanded over time to new provinces and various types of crops.

Images (clockwise):
Kanlaya Bunthan at work;
Biggy Nguyen explores
the rice fields.

From outdated infrastructure

Modern and expanded infrastructure is needed all around the world to support a growing population, together with new and sustainable transportation systems that require significant investment.

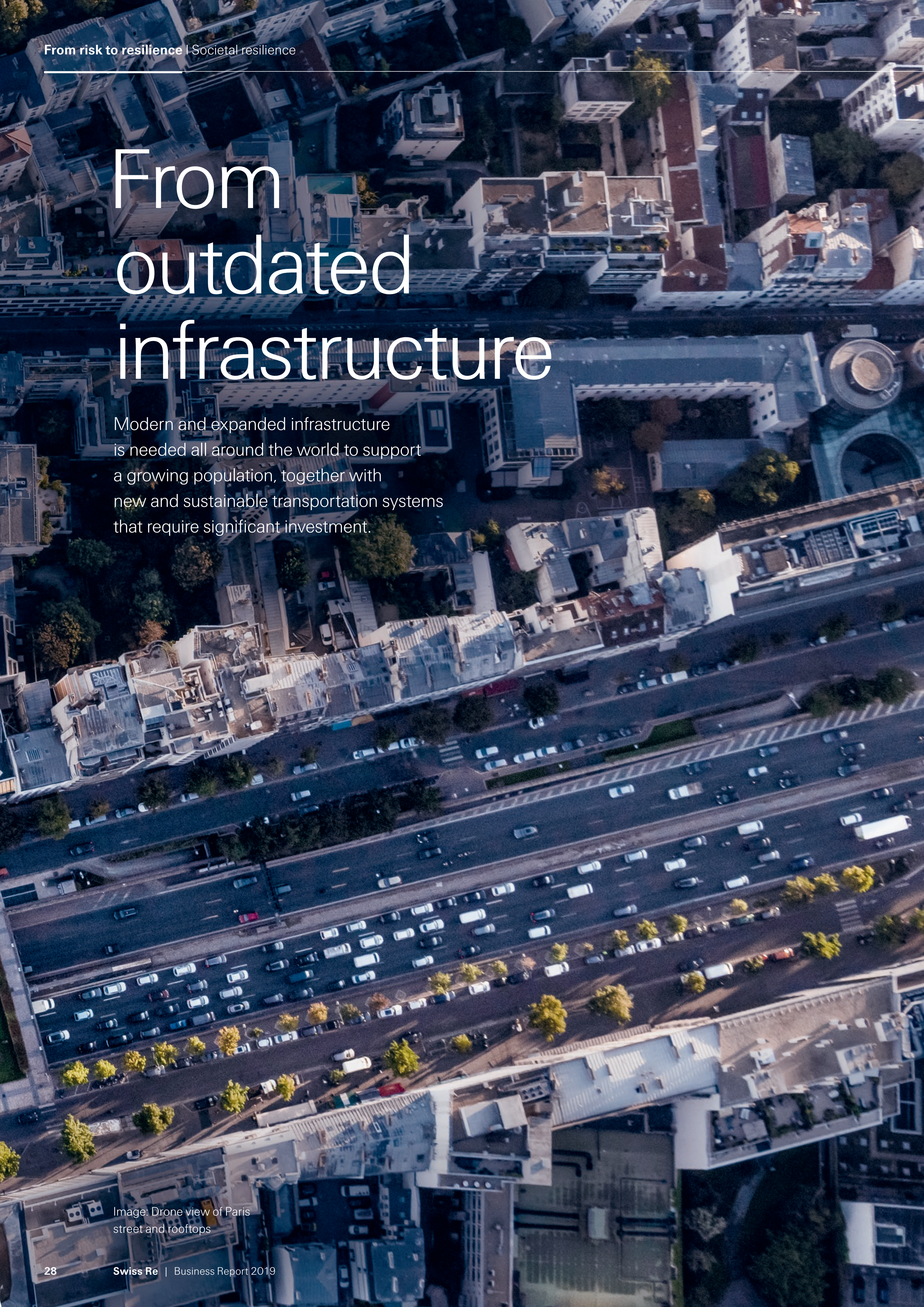


Image: Drone view of Paris street and rooftops

to increased mobility

As projects continue to get bigger and more complex, re/insurers can tap into data, risk knowledge and specific expertise to help bridge the emerging infrastructure financing gap and improve quality of life and safety standards, while reducing poverty and inequality.

Image: Alexis Hofmann, Paris metro commuter.

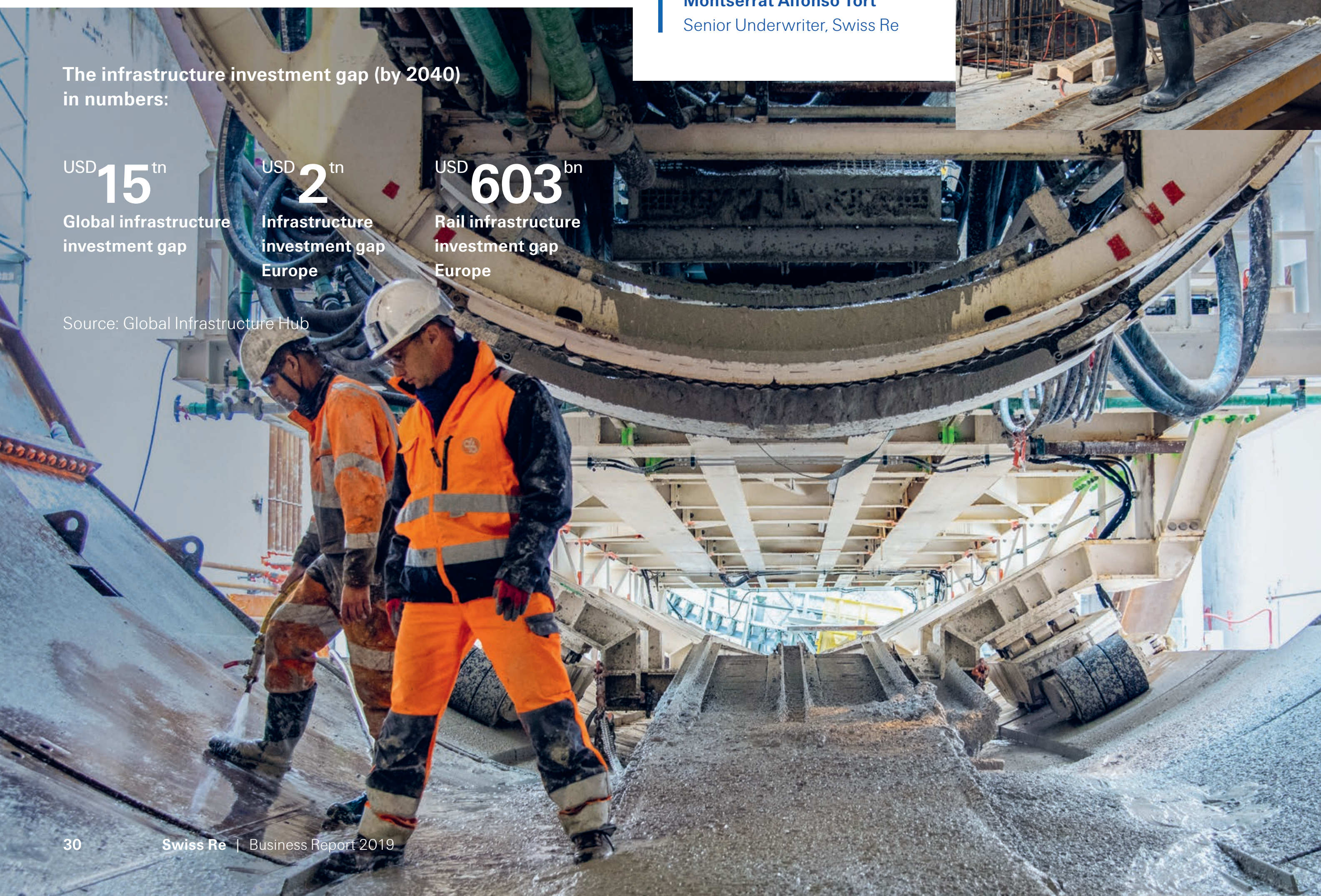
The challenge

From construction planning to the operational stage, and beyond

Swiss Re is acting as lead reinsurer for the Grand Paris Express project – a fundamental rethink and redesign of the city's public transport network.

With an estimated population of over 12 million people, few parking spaces and a popular city centre, Paris is often congested. An extended and reliable transport network would encourage citizens to leave their own cars behind for their daily commute. One of the goals for the project is also to better connect airports, business districts and research hubs with the suburbs.

> "You can never completely eliminate risk, but we can quantify and mitigate it, allowing projects such as these to be completed.
>
> **Montserrat Alfonso Tort**
> Senior Underwriter, Swiss Re



The infrastructure investment gap (by 2040) in numbers:

USD **15** tn
Global infrastructure investment gap

USD **2** tn
Infrastructure investment gap Europe

USD **603** bn
Rail infrastructure investment gap Europe

Source: Global Infrastructure Hub

Laying the foundations for the cities of tomorrow

Re/insurance is an enabler for many large construction and infrastructure projects around the world. Without insurance coverage, potential losses, such as construction failure, would be catastrophic for operators and society as a whole.

"In such a mega project like the Grand Paris one, with high values, long construction times and high risk, we have to work very closely with clients to build customised solutions that optimise the cost of risk and provide risk management solutions," says Swiss Re's Montserrat Alfonso Tort, who has been working on the project with clients such as SMA Group, since 2016. Swiss Re, with its global experience and technical expertise, is able to provide a palette of services throughout the project's life cycle that go beyond standard solutions, helping this client handle the inherent complexity, scale and long duration.

The cover provides protection for the many hazards that can occur during the construction phase, such as collapses, subsidence of the terrain that could damage third-party property, floods of the tunnels and fires. It also includes any design errors for a period of ten years after the project is completed.

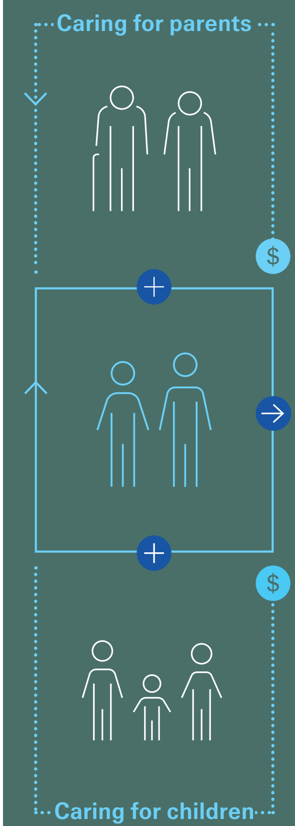
Image: Men at work in the Grand Paris Express construction site.

First-in-market protection solutions for the "sandwich generation"

Besides enabling modern infrastructure, re/insurance also helps communities cope with increasing longevity.

In Singapore, one in every four working adults is part of the "sandwich generation" – those who are "sandwiched" between taking care of their ageing parents and their children. Longer lives, rising cost of living and other trends are adding to the pressure on these caregivers.

Together with leading insurers in Singapore, Malaysia and Hong Kong, Swiss Re developed a series of first-in-market health protection solutions that ease the financial and emotional burden on the members of the sandwich generation. These critical illness plans protect three generations of a family – policyholders, their children and their parents – at once.



Parent Protect Rider*
Insured against major cancers, severe dementia and Parkinson's disease up to the age of 100.

Policyholder
Insured against death, total permanent disability, terminal illness and up to 53 critical illnesses.

Child Protect Benefit*
Insured against up to 53 critical illnesses and up to 25 juvenile conditions until the age of 18.

*Policy coverage may differ by markets.

The impact

Re/insurance at work: connecting people and businesses

Alexis Hofmann knows the Paris metro well. A faithful user for the last 20 years, he commutes daily to work, to the gym and to his mother's home, criss-crossing the city he was born and raised in.

"Paris has two big problems: never-ending traffic jams and lack of parking space. I've got my driving licence, but I drive in Paris very rarely," says the 39-year-old movie trader. Hofmann says the extension of the metro system is a necessary step to meet the needs of a growing population and is confident that the project will help reduce overcrowding on some of the busiest lines. He also says new connections to previously isolated areas in the suburbs will make it easier for him to visit family members living in those neighbourhoods.

"This project will help people from Paris and surrounding areas connect with each other and make public transport more convenient for all," he says.

Watch online

For further information, see our video online: swissre.com/AR2019watch

> **“**
>
> Thanks to Swiss Re’s backing, we are able to cover all kinds of risks that naturally come with such a pivotal and ambitious project.
>
> **Pierre Esparbes**
> CEO, SMA Group

Images (clockwise): Paris traffic jam; Alexis Hofmann on the metro; construction sites.

From uncertainty

The life insurance protection gap is a global problem. For example, in the United States 61% of Americans are not adequately covered. This is due to multiple factors, which typically include an often less than transparent and tedious process for consumers to understand and determine how much and which type of coverage they need.

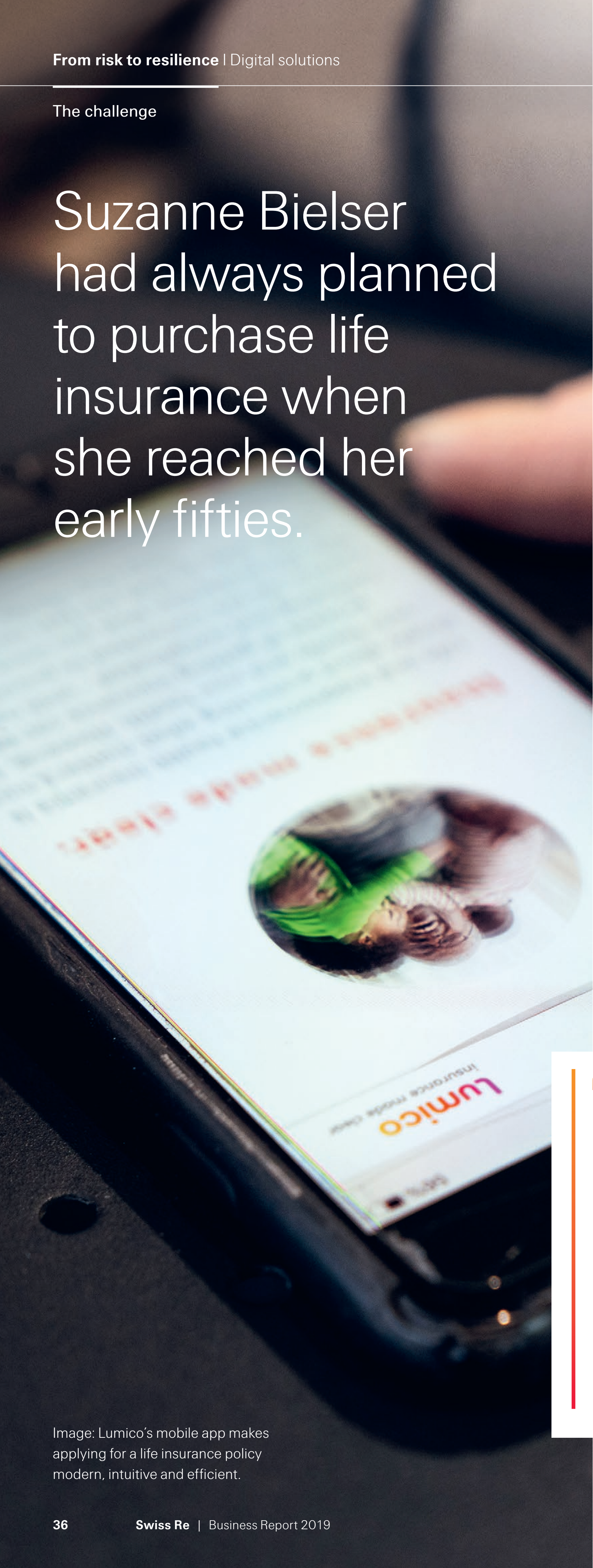
Image: Drone view of cornfields in central Nebraska

to security

Swiss Re's iptiQ is trying to close the global life insurance protection gap by addressing some of consumers' major pain points. The only way to do this is to deliver coverage quickly, conveniently and strategically. iptiQ partners with companies to offer a 100% digital, streamlined consumer and agent journey that's customisable.

Image: Suzanne Bielser in her hometown in Nebraska.

The challenge



Suzanne Bielser had always planned to purchase life insurance when she reached her early fifties.

So when she celebrated her fifty-third birthday, she knew it was time to look into finding the right policy.

She had reached a point where her children were living independent lives and starting families of their own, and she felt content about where she was in her life – she was enjoying her job, being a grandmother, and her life in the open spaces of rural Nebraska. It was time to plan for her and her husband's future. She wasn't looking for a massive amount of coverage, but just enough to give her peace of mind.

When she found Lumico, iptiQ's US carrier, she was relieved – she doesn't consider herself tech-savvy, but she found the platform logical and intuitive.

Consumers in the United States purchased over 100 000 Lumico insurance policies in 2019, resulting in more than USD 100 million in new annualised premiums.

> "Buying a policy online was so simple and straightforward, and I'm not a tech expert. The platform made the process of purchasing life insurance easy and even pleasant.
>
> **Suzanne Bielser**
> Swiss Re Lumico customer

Image: Lumico's mobile app makes applying for a life insurance policy modern, intuitive and efficient.

The solution

Suzanne was able to find the right policy easily and efficiently

The iptiQ platform asked her to answer basic questions about her life and coverage needs. Based on her answers, she received a quote, and Suzanne was able to start the purchasing process, applying online.

> We are focused on making it easier for people to protect themselves and their families.
>
> **Niels Kueker**
> Chief Marketing & Sales Officer, iptiQ Americas

Digitally narrowing the protection gap
Through iptiQ's end-to-end omnichannel platform, Swiss Re partners with companies to focus on consumers in the middle market, an area where the protection gap can likely be narrowed through a convenient, more efficient digital process.

Swiss Re provides partners with the platform, which includes a clean and attractive user experience that they can align with their unique branding.

Life insurance in the US in numbers:

~50%
of Americans with life insurance are underinsured

43%
of Americans have no life insurance policy

Source: Life Insurance Marketing and Research Association

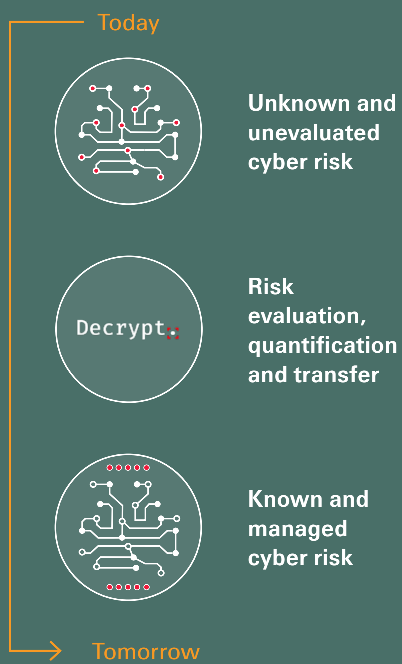
Decrypt – a new holistic cyber reinsurance solution

Improvements in technology and connectivity have enabled greater economic efficiencies and access to new markets and services. At the same time, they also led to new and complex exposures that have not traditionally been considered by the insurance industry.

Developed by Swiss Re with cyber reinsurance broking specialist Capsicum Re, Decrypt provides a single, flexible, end-to-end solution. It starts by analysing policy wordings and mapping accumulation scenarios, quantifying the exposures and delivering bespoke reinsurance solutions to facilitate risk transfer.

Decrypt gives insurance companies a unique understanding of the cyber exposures across their portfolios, and offers protection against the aggregation of cyber losses across different lines of business. It also helps them meet growing legal, regulatory and internal requirements.

Cyber risk management



The impact

iptiQ takes a major leap in closing the protection gap

Watch online

For further information, see our video online: swissre.com/AR2019watch

Images (clockwise): Suzanne Bielser and Niels Kueker at their computers; iptiQ website.

The platform's sophisticated use of data and technology allows iptiQ to cater to an individual's specific needs and demands. Suzanne never had to answer the same questions twice because the platform remembers and auto-fills already-inputted data, combining customer answers on their digital application with real-time external data sources to create quick and frictionless buying experiences. Suzanne could even use a digital or voice signature at the end to finalise the application. The entire process was simultaneously fast and comprehensive, and completely digital. Her path to personal resilience was made easier through iptiQ's cutting-edge technology.

iptiQ enables people like Suzanne to buy life and health insurance policies easily and efficiently, not only in the United States, but also in Europe and Australia, and its reach is only expanding. The iptiQ platform consolidates best of breed components with product innovation, balance sheet relief, underwriting and digitised sales capabilities in a single package, allowing its partners instant digitisation – an attractive option for carriers that clearly benefits the end-user.

In addition, the platform enables our partners to test and analyse user journeys in order to continually optimise. This has contributed to the platform's continued success and growth.

Customers increasingly demand greater choice, enabled by expanded technology access, and choosing the right life insurance policy is no exception. This requires digital agility from the life insurance sector. The bar is being raised by technology firms for improved customer experience and expanded personalisation. Insurers are no longer competing with peers in their sector, but with the customers' last best digital experience. iptiQ allows partners to respond to this changing marketplace and enhances the chance of satisfaction and peace of mind for end-users like Suzanne so they can more easily purchase the coverage they need.

Our people and culture

Swiss Re believes in championing diversity of thought with all our talent and inclusiveness in the way we work together.

We're a global and diverse workforce that understands our clients and markets, and we develop smarter solutions together and help the world to rebuild, renew and move forward. This is how we strive to make the world more resilient.

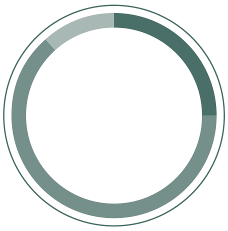
Our aim is to live visible and invisible diversity – diversity of age, race, ethnicity, nationality, gender, gender identity, sexual orientation, religious beliefs, physical abilities, personalities and experiences – at all levels and in all functions and regions at Swiss Re.

As a part of our goal to increase global resilience, our employees take an active role in both international and local initiatives and programmes in all of our offices around the world.

SHINE Program, India

Co-created by Swiss Re Foundation and Swiss Re Bangalore, the SHINE social entrepreneurship program is an example of the company's commitment to realising the United Nations Sustainable Development Goals. SHINE combines social innovation with entrepreneurial thinking to shape next-generation Swiss Re leaders and help early-stage entrepreneurs achieve wider social impact. 2019's beneficiary start-up was Pure Paani, a Bangalore-based business dedicated to making drinking water available to all by providing access to affordable filtration and treatment solutions.

Our people split by region



- **22%** Americas
- **62%** EMEA
- **16%** Asia-Pacific

Our international team
We have operations across the world, at the end of 2019:

80
office locations in 31 countries
(2018: 80 office locations in 30 countries)

115
nationalities
(2018: 116)

15 401
employees
(2018: 14 943)

Generation Re, Slovakia

In Slovakia, Swiss Re initiated a programme called Generation Re, focused on recruiting and promoting junior talents that share the values of the company – that is, building a resilient world of tomorrow, and in particular, working to solve today's myriad environmental problems. Generation Re has included a major digital outreach, as well as events like the Green Wave, where employees that arrived at work on a bicycle received a green bracelet, not only as a gesture of appreciation, but to create a visual, symbolic "green wave," demonstrating the company's commitment to global sustainability. The company also erected an Eco Wall of Fame, featuring the faces of people that promote the health of the planet in their everyday lives.

Hack n' Lead, Switzerland

Swiss Re is an official sponsor of Hack n'Lead in Zurich, Switzerland's first women-focussed hackathon that aims to increase diversity in the technology space. The hackathon is a sprint-like event in which computer programmers and others involved in software development, including graphic designers, interface designers, project managers, and others, often including domain experts, collaborate intensively on software projects in a time-restricted period.

Swiss Re employees have taken an active role in promoting this important yearly event, providing information to participants about career opportunities and, in particular, mentoring and coaching Hack n'Lead participants with their hackathon projects – whether by assisting in defining the problem statement or the product they are developing, pitching the product, or with respect to participants' careers in the tech-related fields in general.

Demelza Hospice Care partnership, United Kingdom

Swiss Re in the United Kingdom named Demelza Hospice Care its 2018–2019 Charity of the Year, an annual charity-company partnership. Demelza Hospice Care runs facilities and raises money for terminally ill children and their families throughout the UK.

Employees participated in many activities throughout 2018–2019 to raise money for this important cause, and physically helped maintain the charity's facilities. In what was a particularly enjoyable and challenging event in July, the Swiss Re Life & Health team in the UK participated in a 25 kilometre trek across London's historic bridges to raise money for the charity. Over the past two years, Swiss Re raised over GBP 300 000 for Demelza Hospice Care.

Board of Directors

At the Annual General Meeting on 17 April 2019, Walter B. Kielholz was re-elected as member and Chairman of the Board of Directors for a one-year term of office. The shareholders also re-elected all other members of the Board of Directors for a one-year term of office: Renato Fassbind (Vice Chairman and Lead Independent Director), Raymond K.F. Ch'ien, Karen Gavan, Trevor Manuel, Jay Ralph, Joerg Reinhardt, Eileen Rominger, Philip K. Ryan, Sir Paul Tucker, Jacques de Vaucleroy, Susan L. Wagner and Larry Zimpleman.

The Board of Directors consists of 13 members. Jacques de Vaucleroy (Chair), Renato Fassbind, Raymond K.F. Ch'ien and Joerg Reinhardt were re-elected as members of the Compensation Committee for a one-year term of office.

For further information, please see p. 88 of the Financial Report

Group Executive Committee

Andreas Berger was appointed CEO Corporate Solutions and a member of the Group EC as of 1 March 2019, succeeding Agostino Galvagni, who decided to step down at the end of 2018. Anette Bronder became Group COO and a member of the Group EC as of 1 July 2019, succeeding Thomas Wellauer, who retired on 30 June 2019. Nigel Fretwell, Group Chief Human Resources Officer, and Hermann Geiger, Group Chief Legal Officer, were appointed as new members of the Group EC, effective 1 July 2019. Since 1 July 2019, the Group EC consists of 14 members, prior to that it consisted of 12 members. Russell Higginbotham assumed the role of CEO Reinsurance Asia and Regional President Asia on 8 July 2019, succeeding Jayne Plunkett who decided to pursue an opportunity outside Swiss Re.

Urs Baertschi was appointed CEO Reinsurance EMEA and Regional President EMEA and a member of the Group EC as of 1 September 2019, succeeding Russell Higginbotham.

For further information, please see p. 106 of the Financial Report

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 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, 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;
- 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 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;
- 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.

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