Swiss Re

News release

Swiss Re sees positive outlook for renewals, further market hardening expected

- Swiss Re expects price increases across all segments to continue, driven by low interest rates, large claims and growing risks
- Growth outlook for re/insurance industry positive as exposures and risk awareness continue to grow
- Increased pressure on underwriting to deliver profits
- In partnering with clients, Swiss Re builds on risk knowledge and solutions offering

Zurich, 8 September 2020 – Following rate improvements in many markets, and particularly in loss-affected segments, Swiss Re expects further rate hardening across all lines of business. At the same time, the reliance on underwriting profits increases in the low interest rate environment. Swiss Re also expects more opportunities for re/insurers due to a combination of improving insurance demand and growing exposures.

Despite the cancellation of the Rendez-Vous de Septembre 2020 in Monte Carlo, Swiss Re continues to host its established media events, but in a virtual format. Today, Swiss Re shares its view on the upcoming renewals season.

Swiss Re expects prices to continue to increase driven by the combination of lower interest rates and the need for prices to cover increasing loss trends as demonstrated by recent experience across the world.

Hurricanes are frequently affecting areas where exposures have grown as a result of wealth accumulation. This leads to increasingly severe losses, as demonstrated in the past few years. 2020 is forming up to be no better. The current Atlantic hurricane season is the first on record to see nine tropical storms forming before August and 13 before September. The situation is further aggravated by the higher frequency and severity of secondary perils, such as floods and wildfires, leading to rising claims and highlighting the need for insurance protection.

While low interest rates have been affecting the industry's profitability since the global financial crisis, further rate cuts aimed at fighting the economic impact of COVID-19 will only exacerbate this problem. In "Low interest rates: the new norm and what it means for insurers", Swiss Re Institute concludes that, to achieve a reasonable return on equity through 2021, non-life insurers in G7 markets need to improve underwriting margins by as much as 7-12 percentage points to compensate for lower interest rates.

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Swiss Re's Chief Executive Officer Reinsurance Moses Ojeisekhoba said: "Even before the COVID-19 crisis, most major markets were operating at below-average profitability. To be able to address the growing need for insurance protection in a sustainable way, further price increases across all lines of business are clearly needed."

Importance of underwriting discipline

Against the background of ensuring pricing adequacy, underwriting fundamentals such as risk selection and costing, portfolio steering, appropriate terms and conditions, and contract wordings will be critical to writing future business.

A move to a more scientific, technology-driven approach will continue to strengthen underwriting. Advanced data analytics are already available to enable real-time views, market awareness, portfolio analytics and dynamic feedback loops to improve risk selection.

Swiss Re is making use of advanced technology to lead the way in underwriting. This includes enriching client exposure information with geospatial data to improve both the accuracy and speed of risk and loss assessments. In contracts, natural language processing complements human contract reviews, which helps to flag favourable vs potentially problematic clauses and generate new wording insights.

Swiss Re's Group Chief Underwriting Officer Thierry Léger said: "At Swiss Re, we have accelerated digitisation and the use of more and better data sources across the entire underwriting process. With these capabilities and the risk insights from Swiss Re Institute, we can improve our own decision-making and effectively support our clients in their underwriting."

Swiss Re builds on solutions and risk knowledge in partnering with clients

In addition to sharing its risk know-how, Swiss Re partners with clients to help them grow and improve their efficiency and profitability. One such example is in the area of data analytics. Swiss Re's analytics platform and bespoke advisory services provide detailed portfolio insights to insurers. This helps them gain a better understanding of their risks.

Technology is also used to support Swiss Re's partners in delivering streamlined, digital and affordable protection products: iptiQ, Swiss Re's digital white-labelling B2B2C insurance platform, helps these partners to improve customer journeys and access new customers.

Swiss Re builds on the insights of Swiss Re Institute to offer tailored solutions to its clients. Based on its proprietary risk models for natural catastrophes, for example, Swiss Re has supported clients in underwriting US flood business, an area for which it was previously very difficult to offer insurance solutions. Other topics include forward-looking modelling in liability and motor research, and cyber risks.

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Overall, Swiss Re expects the non-life insurance market to continue to grow, driven primarily by exposure growth. Swiss Re Institute forecasts a global growth rate of 3.3% in real terms for 2021. Other factors driving demand are the awareness, triggered by COVID-19, of the danger of being uninsured and the increasing frequency of weather-related events.

Swiss Re's Chief Executive Officer Reinsurance Moses Ojeisekhoba said: "In these unprecedented times it's more important than ever to support our clients with risk knowledge, capital strength and tailored solutions. In the end, it's about tackling protection gaps together to make the world more resilient."

Virtual media conference

Swiss Re will hold a virtual media conference this morning at 10:30 CEST. You can access the event via the following link. The presentation for the media conference will be available for download from 10:25 CEST on swissre.com. More information about Swiss Re's Rendez-Vous de Septembre 2020 activities can be found here.

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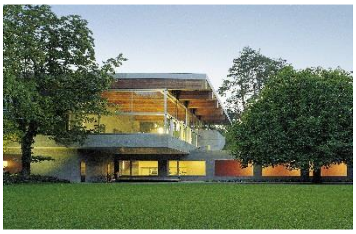
The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cybercrime. The aim 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.

For logos and photography of Swiss Re executives, directors or offices go to https://www.swissre.com/media/electronic-press-kit.html

For media 'b-roll' please send an e-mail 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:

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- 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 realize 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 realize tax loss carryforwards and the ability to realize 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.
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