Publication of Annual Report 2020 Conference Call

Company Participants

- John Dacey, Group Chief Financial Officer
- Philip Long, Head Actuarial Control
- Thomas Bohun, Head of Investor Relations

Other Participants

- Andrew Ritchie
- Iain Pearce
- James Shuck
- Simon Fossmeier
- Thomas Fossard
- Vikram Gandhi
- Vinit Malhotra

Presentation

Operator

Good morning or good afternoon. Welcome to Swiss Re's Annual Results 2020 Conference Call. Please note that today's conference call is being recorded. At this time, I would like to turn the conference over to John Dacey, CFO. Please go ahead.

John Dacey {BIO 4437051 <GO>}

Thank you. Good afternoon or good morning to those of you calling in from the Americas. Welcome to today's Q&A call.

Joining me from Swiss Re are Philip Long, our Chief Actuary; and Thomas Bohun, the Head of Investor Relations.

Today, we published the 2020 Annual Report, which includes our EVM results and our Swiss Solvency Test reporting. We also published our P&C loss ratio development triangles and our sustainability report. As last year, we have prepared a presentation focusing on the most relevant points of our disclosure and we will briefly take you through this in the next few minutes.

First, on the economic results. On Slide 5, we reported negative contribution to economic net worth of $434 million in 2020. This includes a pre-tax COVID impact of $4.6 billion.

Excluding COVID-19, we would have reported a strong contribution to economic net worth of $3.3 billion.

On Slide 6, we provide an overview of the key differences between this economic result and our U.S. GAAP net loss of $878 million. The largest difference was a strong new business generation in Life&Health Reinsurance, which is recognized in the EVM profit upfront. EVM also benefited from more positive investment income since it reflects the mark-to-market gains on fixed income as well as equities.

On the other hand, the EVM calculation captures an ultimate view of COVID-19, which is more than what we would have reflected in the U.S. GAAP earnings for 2020. Details of the EVM figures and how these break down into the performance of each business segment can be seen on Slides 7 to 11.

Moving on to the section of the economic earnings track record. We've demonstrated significant economic earnings strength over time, providing the basis for our capital generation, our dividends and the reinvestment capacity of the group. As you can see on Slide number 14, we have generated, on average, $2.9 billion of economic earnings per annum over the last five years, generally a challenging time for the industry.

This has been driven by strong EVM profits from new business, representing the value of new business written in each year after reserving [ph] for our cost of capital, as well as the regular capital cost releases for underwriting and investments. While there can be movements from prior year developments or other items such as debt and taxes, these are expected to average close to zero over the long term.

On Slide 15, we show that the EVM profit from previous years, excluding the impact of COVID-19, amounted to a negative $1.8 billion, significantly more than the zero we would expect on average. The large majority of this figure relates to non-underwriting items, such as capital costs, counterparty credit risk and asset-liability management. Lower interest rates impacted all three of these negatively.

Note that there is a partial offset of $0.5 billion reported in the investment result, thanks to a long duration position we took to help mitigate the effect of lower rates. In addition, and importantly, note that the net impact from actual reserve movements across the group was near zero. Today, we also published the group SST ratio as of the 1 January, 2021, which stood at 215%. This includes the proposed regular dividend we expect to pay in April.

As shown on Slide 18, the SST ratio is well within our new target range of 200% to 250% in spite of the impact of COVID-19, and represents a very strong level of capitalization. This is especially true if you factor in the low level of interest rates that existed at the end of the year. The increase in long-term rates during the first quarter of 2021 has lifted the group SST to approximately the midpoint of the range in spite of some modest re-risking of the asset portfolio.

On Slide 19, we show the moving parts from the group SST ratio. You can see the modestly negative contribution from our economic earnings, the strong positive impact of closing the ReAssure sale, the impact of capital we deployed into the business, some increases in supplementary capital and the attractive level of repatriation to shareholders. The biggest negative driver, however, was the combination of lower interest rates and higher market volatility in equities and credit spreads. This increased our capital requirements without actually impacting the network of the firm. Having an SST target range allows for these types of passive impacts, both upwards and downwards.

I'd also like to point out Slide 22, on which we highlight our financial flexibility, particularly through our prudent approach to leverage and the strong access to diversified funding sources. This continues to include the $2.7 billion of contingent capital, which does not currently count as SST capital. We've updated the overview of dividend upstreams to the group for you on Slide 23. Note that the $4 billion of liquid funds we held at group level at the end of 2020 indicates a very comfortable position.

I'd like to conclude my introduction with some comments on our reserves. The materials we published today include, as usual, the P&C loss ratio development triangles. While we leave the detailed analysis of these to you, I would like to observe that our overall reserving confidence has increased, thanks to reserving and underwriting actions taken by the group, particularly on the casualty business. This is supported at year end by higher IBNR levels. Corporate Solutions is also showing clear evidence of improved experience.

Finally, on sustainability, we continue to make progress towards achieving our net-zero ambitions across underwriting investments and our own operations. As part of this, we have announced this week our intention to reduce the carbon intensity of our investment portfolio by 35% by 2025. On the underwriting side, we are accelerating the phase out of thermal coal. And on operations, Swiss Re has become the first multi-national company to introduce a triple-digit carbon levy.

With that, I hand it over the Thomas, who'll introduce the Q&A session.

Thomas Bohun

Thank you, John, and hi to all of you from my side as well. As usual, before we start, I'd like to remind you to limit yourself to two questions and then feel free to rejoin the queue if you have any remaining questions after that.

With that, operator, if we could please take the first question.

Questions And Answers

Operator

(Question And Answer)

The first question comes from the line of Andrew Ritchie with Autonomous. Please go ahead.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi, there. I just wanted to explore a bit more the confidence you're stating that you believe your reserve buffers have gone up and you mentioned the higher IBNR. I mean, if I look at the stock of IBNR and calculated out, I mean, I have gone up about $1.9 billion, but most of that is in property lines. I would have expected the IBNR to be very high given COVID, and there's maybe about $400 million in casualty. So I guess I'm trying to understand why do you feel the IBNR levels have gone up so much ex-COVID? And is there not just -- I mean, one would have expected the IBNR to go up as it has done for a lot of your peers because of the effect of COVID. So just granularity behind why you're making the statement so strongly.

Second question, I'm a bit confused, I'm just not clever enough to understand fully your EVM roll forward. I'm just a bit confused, what exactly happened with the capital costs in the life business that was that significant negative? And I presume that means there will be a bigger unwind of capital costs in future years. Thanks.

A - John Dacey {BIO 4437051 <GO>}

Thank you, Andrew. Philip, would you like to take the first question around reserving?

A - Philip Long

Yes. Hi, Andrew. Your observations are correct. But maybe I can just wind back a little and just tell you about our philosophy and what we did during this year, including on COVID, I think that may be helpful. You know we do -- we have a best estimates philosophy. We don't have any prudence explicitly in our margins. But where there is uncertainty, we do maintain more caution in reserving. In reserving, we do put more weight on recent experience, particularly for liability, the higher social inflationary environment. And by doing so, by putting more weight, this mechanically -- or actually, it's not just mechanically. We do look at it properly. Implicitly, this high inflation is projected into the future.

Now if I think about COVID, any COVID-related lower than normal reporting is assessed whether that happens on a portfolio-by-portfolio basis, and if we do believe that there is lower than normal reporting, we will ignore this in setting our development factors for reserves. We -- people talk about good COVID secondary impacts. A lot of our cedents talk about that. We do not allow for this generally because we consider what they say, but we set our own IBNR. We only recognize favorable development when it emerges from the actual versus expected of losses reported to us.

When we think of COVID impacts, they are due to, let's say, reduced exposure, claims not happening or a slowdown in claims processes, let's say, the courts are closed. We look at historical (inaudible) against maybe one or two standard deviations. We try to isolate noise versus any abnormalities, perhaps due to COVID, and we look at these portfolios bottom up. So for example, we may release reserves for property because it's an exposure issue. If a fire doesn't happen, the fire doesn't happen. So we can release some reserves there, but we don't necessarily do it for liability or accident and health, where we see lower reporting because of the claims and operationing environment slowdown.

Then we move on to the more recent underwriting years. We have -- you may observe some strengthening in APIs. Actually, it's quite heavy strengthening for underwriting years 2018 and '19. There we have chosen the move away from what was CorSo. And it's really because we're not slow to take action when we feel we need to. When we look at underwriting year 2020, which is -- and we then feel that actually rate adequacy is better. We see pricing improvements, allowing for social inflation. We saw the pruning of large corporate risks. And for CorSo, we don't have umbrella in excess on surplus anymore. We see limits are reduced appropriately or terms and conditions have improved. And of course, we observed that the market rate hardening from the second half of 2019, increasing to 2020. So we feel 2020 underwriting year is lower but we feel comfortable.

We do have higher indicated IBNR levels. Of course, a loss for property due to COVID. But even if I strip out COVID, we have higher IBNR levels in most if not all of lines of business. We also try to perform on adjusted Chain Ladder calculations and try to look at it against our booked reserves. We see an increase in the Chain Ladder indication compared to last year, but we see a bigger increase in our booked reserves as well. So there's a bunch of different sense checks we have and we also look at coverage of survival type ratios IBNR will pay in a year. And we remain within the 60th to 80th percentile overall. So again, there's comfort there. So I don't know if I've kind of told you a bit of a long story, but I do feel a lot more comfort, given the uncertainty around social inflation and those aspects this year relative to last year as things progress.

So that's all I have to say. Thomas?

A - Thomas Bohun

Thank you, Phil.

A - John Dacey {BIO 4437051 <GO>}

Phil, that's a lot, I think. And I'm pretty sure that you answered Andrew's first question on multiple dimensions. On the second question, Andrew, your instinct is exactly right. The -- there's a higher capital cost on the 2020 bookings of the new business of $1 billion. We would expect that to unwind. It reflects a combination of where the rates were, but also the duration of the business we brought on to the book.

A - Thomas Bohun

Thank you, Andrew. Could we have the next question, please?

Operator

The next question comes from the line of Vinit Malhotra with Mediobanca. Please go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, good afternoon. Thank you very much. So the first question is just looking again back at this topic of U.S. liability and social inflation, given you could discuss that. I'm just curious in -- I mean, as simple words as possible, I remember the comment that U.S. liability is adequately reserved and I checked this morning maintained at that level. Do you see social inflation getting much worse with COVID or sort of stable?

And you said that we do factor in higher inflation going forward -- higher social inflation. I'm just trying to understand the drivers because when we read from the outside, we hear about out-of-court settlements because people don't want to drag on court cases, which will take longer. So I would have thought that social inflation topic might even have some (inaudible) but I'm quite curious to hear your thoughts.

And second question is just on the life new business profits on the EVM. So if I look back a few years, they've been sort of steady at roughly $1 billion level minus last year and -- which had a big pick up because of some transactions. But is that the level that we should be thinking about and also surprised a bit that none of the COVID losses happened from the life new business of 2020. I mean for a primary insurer I can understand that maybe, but from your reinsurance perspective, is that something we should have expected and any comments on life new business would be great? Thank you.

A - John Dacey {BIO 4437051 <GO>}

Vinit, why don't I try to answer both those, and Philip might want to come in subsequently on the U.S. liability after that. But our view is that social inflation continues to be a material force and what would be a higher cost of claim settlements in the United States. There may have been some respite during the calendar year 2020, but we don't believe that this is in any way making a material dent in the long-term trend. We have not assumed an acceleration of that trend because of COVID, but simply a continuation and with no obvious end in sight. So we expect this to be increasing the cost of settlements year-on-year for the future and we've reserved according to that expectation.

I think anecdotally, we have heard that in 2020, claims adjusters have been able to settle claims with cash payouts, especially for more modest-sized awards. My expectation is, where there were large legal battles brewing, especially but not only those funded by consortiums, they have continued in the same way and there may have been some slowdown of payments or settlements or decisions because of the logistics of courts operating during the pandemic. But again, we don't see this is going to be getting better and our reserves reflect that.

With respect to the life new business, your question, is $1 billion plus or minus a reasonable place to be, the answer is probably yes. I do point out the -- on the U.S. premium side, the U.S. GAAP premiums, this is a business which continues to grow. We write new business at increasing levels year-on-year-on-year. So I would hope, over time, that $1 billion will also grow, but it's a single-digit percentage not anything dramatic that we see.

So I think you should assume that franchise building continues, and we look forward to playing. On the COVID losses themselves, this is just the nature of the bookings with -- and the EVM framework. The vast majority of the losses also on the P&C side show up in prior years rather than in 2020.

A - Thomas Bohun

Thank you, Vinit. Could we have the next question, please?

A - John Dacey {BIO 4437051 <GO>}

Maybe before, Philip, did you want to add anything to the first part on U.S. liability inflation?

A - Philip Long

No. Just to reiterate what you said. I think we remain cautious about social inflation. You can see it that we have increased the A-priori loss ratios that will -- that has a big impact on determining what our underwriting year '18 and '19 reserves would be. At the same time, like John says, of course, 2020 has been a strange year and so we have been very cautious in view of that. Anecdotally, of course, as John said, and you too, I think the smaller cases may have got settled quicker, but I don't think that the larger cases, I think people are also waiting out. So we have just continued to remain cautious on that front overall.

A - Thomas Bohun

Thank you, Philip. Could we have the next question, please?

Operator

The next question comes from the line of Iain Pearce with Credit Suisse. Please go ahead.

Q - Iain Pearce {BIO 19522835 <GO>}

Hi. Thanks for taking my questions. Just following up on the liability book. I'm looking at the ultimate loss ratio for 2020, you booked that at 95%. Obviously, you're sounding quite cautious on sort of continued social inflation trends. So I'm just wondering, with the re-underwriting actions that you're taking in line exits, do you expect that ultimate loss ratio for '21 to come down into a more acceptable level? Or with the trends that you're sort of highlighting, it sounds like you've been quite a bit more negative and that there's quite a lot of work to get from that 95% down to an acceptable loss ratio. So I'm just wondering if you could comment on sort of appetite for liability business going forward? And also, on liability, if you could provide a percentile level of confidence, I think you provided in the past for U.S. liability reserves as well, that would be really useful.

And then a second one just on COVID losses. Based on the losses that you've included within the SST, it looks like you have -- you're estimating about $200 million in life and health. Based on the sensitivities you provided that looks a tad low, given U.S. excess mortality. So I'm just wondering if you could comment on expectations there as well.

A - John Dacey {BIO 4437051 <GO>}

Sure, Iain. Let me try both of those. With respect to the casualty portfolio, we've showed a month ago that we had actually shrunk materially on the January 1 renewals 17% in spite of material price increases on casualty and the reduction was especially strong with respect to large corporate risks, where we're down more than 50%, actually just in the course of one year, I think. So we do have that more conservative portfolio. Philip also mentioned the aggressive withdraw we made in '19 on CorSo of these risk positions. I think the challenge when you look at target loss ratios is they're a function of the premiums earned and as the prices in the primary market continue to go up very strongly for U.S. casualty, the -- there is an ability to correct here. And we think those price increases are absolutely necessary, in some places they may be sufficient, in other places they're probably not. And that's one of the reasons why we came off some of these risks.

I'd also say there appears to be a little bit of exuberance in the primary side about how important these price increases are and some attempts to adjust the commissions related to the reinsurance covers on them, which we think is not appropriate. We think we need to continue to get fairly price covers in place and we'll see what happens. So I think the underlying improvement in prices is an important dynamic. We will see what that actually plays out in loss ratios, but we will continue to be an important player in this market with a market share, which is more in line with what we might expect of Swiss Re and not at all any overweight positions.

Your second question on COVID. The -- actually if you just entangle the EVM numbers, you'll probably come up with around $300 million of expected life and health COVID losses in the EVM calculation. With the sensitivity that we gave a month ago, we believe that's still valid, which says, for every 100,000 excess deaths, the charge to the group (inaudible) would be about $200 million pre-tax. I think the actual number of COVID deaths in the first quarter is unfortunately very high in the United States.

January was probably the worst month ever, I think, on identified COVID deaths. And February, not much better. We are seeing some important improvements now in March as the rollout of the vaccine seems to be correctly focused on the high-risk populations, and instead of 4,000 deaths a day, which is the numbers you saw in late January were down plus or minus 1,000 over the last week here. So let's see how this goes, but your instinct that $200 million would feel light for what we've actually seen is probably coherent with what the numbers are today versus what they were in December when we put together the EVM calculations.

A - Thomas Bohun

Thank you, Iain. Could we have the next question, please?

Operator

The next question comes from the line of James Shuck with Citi. Please go ahead.

Q - James Shuck {BIO 3680082 <GO>}

Hi, good morning, good afternoon everybody. So many might have been asked actually. So I just had a couple more left. Firstly, just if I look at the breakdown of the PYD historically between kind of property, casualty and specialty. And we talked at length about casualty and property as pretty self-evident. But in recent years, specialty lines have seen material releases and over the last two years, those have gone away. We're actually now seeing pretty small additions. So can you just outline a little bit of what's happening on the specialty side in terms of trends, please?

And then secondly, it's my favorite question, I think I've asked you before, John, but I'm going to ask again. I'm just intrigued about the prospects of frequency benefits on the P&C Re side, in particular. One would have thought that with less economic activity and less goods being transported around the world, that might actually lead to reduced frequency. So just leaving aside social inflation and thinking about some of the underlying trends driven by economic activity? Thank you.

A - Thomas Bohun

Philip, do you want to take the first question around specialty reserves?

A - Philip Long

Yes. I'm trying to kind of -- specialty includes aviation and marine. And I think you know of a particularly large aviation loss, which hit us. So that's an issue. And some of the nat cats also will hit the specialty line in terms of the marine lines. We have had some large man-made losses also. So we've just had a couple of years where certain nat cats and man-made losses have hit us harder than normal for specialty.

A - John Dacey {BIO 4437051 <GO>}

And I was going to say, the large aviation loss probably explains most of what you've seen here on that, James. With respect to the frequency benefits, the -- we take some comfort from the fourth quarter reporting of the primary industry on their experience as they closed out their years. But we've yet to see real data come through to us that would justify a strong view that there is a frequency benefit for reinsurance. Obviously, the one which is blatantly obvious everywhere is on motor. That, unfortunately, does not benefit us very much given the nature of our -- the motor covers that we do have in place which are not particularly large.

But to your point, on general economic activity, in some ways, there was this reduction but more in the service sector, more on travel and leisure, and frankly, a little less on places where heavier industries, homebuilding, construction, other lines. So we'll look for it. If it comes through, that'll be good for us. And I'll be the first one to credit you for correctly anticipating that. But right now, it's not in our numbers.

A - Thomas Bohun

Thank you, James. Could we have the next question, please?

Operator

(Operator Instructions) And the next question comes from the line of Thomas Fossard with HSBC. Please go ahead.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes, good afternoon. One question related to your liquidity or cash buffer, which you quantified at $4 billion. I'm a bit surprised by this number because computing your cash buffer from the full year '20 account and using the numbers you presented a couple of weeks ago and using the equity of the consolidated item and redrawing the principal investment, I was getting more a number around $2.5 billion. So just wanted to reconcile the $2.5 billion and the $4 billion presented on the slide today.

And maybe if you could indicate how -- what the cash buffer that you are aiming to keep, if there is any? And the second question will be related to any comments that you would like to do regarding maybe the Q1 claims environment regarding Texas, but also maybe regarding potential direct or indirect exposure to greenfield defaulting? Thank you.

A - John Dacey {BIO 4437051 <GO>}

Sorry, I took my mic on. So I think it's Page 23 that you're referring to with respect to the liquid funds. I think this would have been coherent with the guidance that we had a month ago. The -- obviously, the -- these funds are net of the dividend that's being paid next month. And so we're -- again, our view is this is robust. We don't have or haven't communicated, frankly, a target number, but this is unambiguously above it. So I think I just reiterate to say that we're very comfortable with the overall group's liquidity and with the liquid funds that's already at the group level, providing a fair amount of flexibility to us, independent of any dividends coming from the subsidiary businesses.

Your second question was asking for any information we might be able to share on either the winter storms in the Southeast Texas, in particular, or the greenfield. On greenfield, what I can say is, we've not -- after looking across the businesses, we've not seen material exposures to us that would be triggered by what we understand today is the scale and scope of this problem. So we're continuing to work with some of our primary insurers to see if there's anything through the reinsurance book that might have been caught up in this. But at least with the investigations, as they stand today, we've not seen anything significant.

With respect to Texas, I believe it's just premature to say anything. I think -- and I know we're all a little frustrated that we don't have a number that we would normally have after a big nat cat event and now it's been about a month. But what's important to note here is that there's not a model for this loss, right? We're not talking about floodplains. We're not talking about historical wind patterns. We're not talking about a fault line where we've got the earthquake damage zone mapped out with detailed models. The damage that was caused, especially in Texas, was related to the provision or the interruption of power to homes and businesses.

And to the degree that that interruption of power then led to damage inside the homes and businesses and/or the inability for the inability for the businesses to move forward is a function, frankly, of understanding exactly the level of insulation of the building as well as the positioning of the internal plumbing and water tanks and the -- whether the heating was natural gas and/or electricity. And the whole thing just makes it highly, highly complicated.

What we have seen on top of that is the risk that this -- a little bit like the wildfires in California becomes a challenge of who's responsible. And in particular, the opportunities or likelihood of subrogation and to what degree the energy providers and the famous Texas grid player, ERCOT, assumes or is forced to assume responsibility for some of these losses, and then it becomes a casualty loss rather than a property and business interruption loss. But this was a major event.

There were more than four million residents without power in the state. There were 13 million households that were without water or potable water for some period of time. There were actually rolling outages in not only Texas, but we've calculated a total of 14 states. And so there's a lot to uncover here. We'll obviously have a number in our first quarter results when we come out on April 30. If we know something more definitive before that, and we think it's important enough to share with the market, we would. But otherwise, we -- our teams are just working very, very, hard with the primary companies to try to come to some reasonable calculation both for the industry and for us.

A - Thomas Bohun

Thank you, Thomas. Could we take the next question, please?

Operator

The next question comes from the line of Vikram Gandhi with Societe Generale. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hi, good afternoon. Good morning, everybody. Just one question from my side and that's on life and health business. Given your guidance about some potential noise on the U.S. life business expected in the next couple of years, and that's the USP of the business. I wonder how should we think about the position in EVM. I believe it's already accounted for, but would be great if you can confirm that?

A - John Dacey {BIO 4437051 <GO>}

Vikram, yes, your assumption is correct. We've -- when we made some major changes and adjustments in the portfolio, I think, in 2013, '14, we've already made some moves as we felt appropriate in EVM. And while we've done some true-up over the years, it's largely in place there. And so the pressure is on the U.S. GAAP accounts. And that's why we've said that we expect, COVID aside, for us to be able to maintain or reach the targets of 10% to 12% return on equity for the life and health business in the next few years, but we're likely to be towards the lower end of that.

A - Thomas Bohun

Thank you, Vikram. Could we take the next question, please?

Operator

The next question is a follow up from Mr.Ritchie with Autonomous. Please go ahead.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi, there. Sorry, it's me again. Simple questions, I think. Well, actually not simple, but not that controversial. The volatility impact for -- on SST was significant. I mean, it's significant because even though some market factors improved in the second half, you still had quite a big market impact in the second half of '20. How quickly does that volatility -- I mean on the big assumption that we have sort of normal-ish levels of volatility, whatever that is from, say now, how quickly does the volatility kind of uplift drop out of the, I guess, it affects the target capital?

Second question, I noticed in the annual report, there's quite a lot of new disclosure about average annual expected losses by region. I think that's new. Maybe that isn't new. Is that reflecting the latest portfolio shift as at 1/1 or is that more historic?

A - John Dacey {BIO 4437051 <GO>}

So Andrew, on your first question, it's a -- you're essentially asking when volatility reverts to the mean, when does the SST volatility charge drop out or actually reverse as well. I think we don't have a good answer for that to share today. If we do ahead of the midyear announcements, which I guess we do in September, we'll try to bring that to the market. But I agree with you, it was a large number, but it just reiterates that even if markets are recovering, that volatility is a challenge for us and reiterates one of the reasons why we felt that this range of $200 million to $250 million made a lot of sense.

On the second one, I think that those expected losses should be viewed as probably not including the January 1 renewals. I don't think we have time to bring that forward. We can follow up and confirm that, but I don't think a January 1 renewal would have changed that much in any case. The in-force book is what the in-force book is here. And we've got a whether -- were obviously some adjustments in the lines of business. I don't think geographically we've got a real shift here, so you should feel comfortable going with that.

A - Thomas Bohun

Thank you, Andrew. We could take the next question, please.

Operator

The next question comes from the line of Simon Fossmeier with Vontobel. Please go ahead.

Q - Simon Fossmeier

Good afternoon. John, two more general questions, if I may. The first is on IFRS 17 and EVM. I assume that IFRS 17 is much closer to EVM than U.S. GAAP ever was. And I'm just wondering, if it's right to assume that EVM results are a good indicator how results will look like under IFRS 17. Now I know it's three years out, but if you have a gut feel I'd appreciate that.

And the second question is, are you going to get a new Chairman at the AGM and it almost feels like a monarchy is ending. I'm just wondering, in your personal view, what do you think the new chairman will change? Thank you.

A - John Dacey {BIO 4437051 <GO>}

So, Simon, on the first question, your understanding is correct that IFRS 17 is likely to bring a much more economic view to the reporting that we will do for our accounting standards than U.S. GAAP does. I think it's premature to assume that EVM is a good proxy for it. There are unambiguously important differences between EVM and IFRS 17. We will, as we approach the implementation of this, provide real guidance and indications of how you should be thinking about our accounts, the balance sheet and the P&L.

And we'll dry run 2023, as you would expect to be sure that we're tracking any novelties. The interesting thing there is because we are coming from U.S. GAAP and not from IFRS 9, we will likely be bringing this on for our consolidation at the group level a year after many of our peers have already started reporting, so you'll get a sense from the marketplace of how this is looking before you'll get it from us, I think.

Your second question, I think I'm probably not going to have much to say other than I'd encourage you to listen when our new Chairman speaks and got a strong sense from him of what his priorities will be.

A - Thomas Bohun

Thank you, Simon. Could we take the next question, please?

Operator

The next question is a follow up from Mr.Malhotra with Mediobanca. Please go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes. Thank you for a quick opportunity. Just going back to the annual report P&C Reinsurance section of the outlook says, the upcoming renewals will show further market hardening with decreasing momentum due to increasing competitive environment. Do you think that this is sort of -- I mean, you have been a bit more vocal about the competition since maybe November as well. But do you see that this is a bit worse competition because we've got Japan and Florida ahead of us. So is it much worse than you thought or is it just reiterating this trend you've been always thinking about. Thank you.

A - John Dacey {BIO 4437051 <GO>}

Vinit, I don't think we've got a more pessimistic view. I think we've suggested that on U.S. casualty, we may be more cautious than some players in the marketplace. I think on property, we continue to see the primary market making important price improvements a bit early around the world, and we would expect those to continue. And we'll see renewal by renewal -- observed that one of the specialized player in Florida just recently announced a need to do some restatement and some negative impact on their loss picks. So it may be that there is a recognition -- a further recognition of the need for rate in Florida when that renewal comes in June. But we're working with our clients in Japan, as we speak, but also there's a few other important people that will renew on April 1st. We'll give you an update to that on April 30th of how that has gone. And we expect that the market will continue to show a hardening during the course of 2021.

A - Thomas Bohun

Thank you, Vinit. Could we take the next question, please?

Operator

(Operator Instructions)

A - Thomas Bohun

Otherwise, if there's no more questions, thank you very much for joining today's call. If you have any follow-up questions, please reach out to any member of the Investor Relations team. Thanks again. Thank you to operator. Back to you.

Operator

Thank you for your participation, ladies and gentlemen. You may now disconnect.